

City of Santa Cruz

California



Annual Comprehensive Financial Report

For Fiscal Year Ending June 30, 2021

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City of Santa Cruz, State of California

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

Prepared by

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February 28, 2022

To the Honorable Mayor, Members of the City Council and Residents of Santa Cruz:

In accordance with the City Charter, the Finance Department is pleased to present the Annual Comprehensive Financial Report (ACFR) of the City of Santa Cruz for the fiscal year ended June 30, 2021. Responsibility for the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the City. It is the opinion of the Finance Department that the data is accurate in all material aspects, is presented in a manner designed to fairly set forth the financial position and results of the operations of the City, and contains all disclosures necessary to enable the reader to gain an understanding of the City's financial affairs.

The financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) as promulgated by the Government Accounting Standards Board (GASB). This report consists of management's representations concerning the finances of the City of Santa Cruz. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Santa Cruz has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City of Santa Cruz's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Santa Cruz's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Eide Bailly, LLP, a public accounting firm licensed and qualified to perform audits within the State of California. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Santa Cruz for the fiscal year ended June 30, 2021, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial presentation. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Santa Cruz's financial statements for the fiscal year ended June 30, 2021, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report. The independent audit of the financial statements of the City of Santa Cruz was part of a broader, federally mandated "Single Audit" designed to meet the needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Santa Cruz's separately issued Single Audit Report.

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

Profile of the Government

The City of Santa Cruz, incorporated in 1866, is located on the northern part of the Monterey Bay approximately 74 miles south of San Francisco and 30 miles west of San Jose. The City of Santa Cruz was first founded in 1769 by the Spanish explorer Don Gaspar de Portola, who, along with Father Junipero Serra, began land based settlement in the area. Santa Cruz is the county seat for the County of Santa Cruz, and is a charter city which operates under the provisions of a voter-approved charter. The City has an area of 12 square miles and an estimated population of 56,156 as of June 2021. Santa Cruz is home to the University of California, Santa Cruz which first opened in 1965 with 650 students. It now has a current enrollment of nearly 17,207 undergraduate and 1,954 graduate students, and is the City's largest employer, with over 7,068 employees. The main campus covers over 2,000 acres overlooking the Monterey Bay National Marine Sanctuary. The City is also home to the historical Santa Cruz Beach Boardwalk and the Santa Cruz Warriors' basketball team. Major industries include tourism, manufacturing, and technology.

Like other charter cities in California, the City of Santa Cruz has limited ability to set tax rates. The State Constitution (Proposition 13) establishes a maximum rate for property tax at 1% of assessed value and sets the limit for increases of the assessed value to 2% per year. However, upon sale, the sales price becomes the assessed value. The property tax collected is allocated among the jurisdictions in the City's tax rate areas based on criteria established by the State Legislature.

The rates and tax base of two of the City's other general revenues, sales and use tax and motor vehicle in lieu fees, are also controlled by the Legislature. Changes to existing local taxes and any new taxes require voter approval. Taxes used for general purposes are subject to approval by a simple majority of voters while taxes levied for specific purposes require a two-thirds majority of voters.

Assessments must be approved by a majority vote of property owners with voting rights apportioned based on the amount of the assessment. Property related fees require public majority protest procedures and property related fees for services other than water, wastewater, and refuse must also be approved by a majority of property owners or 2/3 of the electorate. In addition, fees for facilities and services are subject to requirements that they not be set at levels that exceed the reasonable costs of providing services. As a result, net position generated by differences between fee revenue and related expense are retained and designated for services and facilities that benefit fee payers.

The City of Santa Cruz has operated under the council-manager form of government since its incorporation in 1866. Policy-making and legislative authority are vested in a seven member governing council consisting of the Mayor and six Councilmembers. The Council is elected on a non-partisan basis. Councilmembers serve four-year staggered terms, with either three or four Councilmembers elected every two years. The Mayor is selected by a majority of the City Council and serves a one year term. Councilmembers are elected at large and all are subject to two consecutive term limits. The City Council is responsible for, among other things, passing ordinances, adopting the budget, approving nominees to commissions, and hiring the City Manager and City Attorney. The City Manager is the City's Chief Executive Officer and is responsible for carrying out the policies and ordinances of the City Council, overseeing the day-to-day operations of the City and appointing the heads of the various departments.

The City of Santa Cruz provides a broad range of services including police and fire protection, construction and maintenance of streets, parks, flood control and other infrastructure, a wharf facility, a golf course, recreational and cultural activities including a performing arts center, economic development, and human services programs. It also operates municipal utilities for water, wastewater, storm water, and refuse in addition to enterprise operations for parking facilities. The water utility provided approximately 2.63 billion gallons of clean, safe water in 2021. Service extends beyond the municipal boundaries and has a total service population of approximately 87,957. Many major public services delivered within the City's boundaries, including education and public transportation, are provided by other agencies. The City of Santa Cruz is not financially accountable for the operations of the franchisees or these government agencies.

As required by the City Charter, an annual budget is adopted by the City Council no later than the first regular meeting in July for the fiscal year beginning July 1st. The budget serves as the foundation for the City's financial planning and control. In conjunction with the City Manager and other departments, the Finance Department develops revenue estimates and budget guidelines in January of each year. All City departments submit budget requests to the Finance Department to be compiled and summarized for review by the City Manager. After meeting with individual departments, the City Manager's recommended budget is finalized and transmitted to the City Council and the public for review. The City Council holds public hearings and study sessions before final adoption in June or the first meeting in July.

The City Manager is authorized to approve appropriation transfers within any department; however, any new appropriation or appropriation transfer between funds or departments requires approval by the City Council. Several supplemental appropriations were necessary during the year and are reflected in the budget amounts in the financial statements. Expenditures may not legally exceed appropriations at the department level. The Council reviews budget estimates at budget adoption and mid-year review. The ongoing review and long range planning focus for financial management provide numerous opportunities to identify and respond to changes in revenues and expenditures and in community priorities.

Factors Affecting Financial Condition

The Finance Department believes that the information presented in the financial statements is best understood when it is considered from the broader perspective of the context within which the City of Santa Cruz operates.

Economic Conditions and Outlook

Due to the ongoing COVID-19 pandemic and the State of California's shelter in place orders, the City adopted a status quo fiscal year 2022 budget on June 8th. The City had hired a consulting firm to update the City's long-term financial forecast, taking into account the pandemic and recession that had already begun. The budget was balanced by employees making concessions, use of reserves, and departments cutting some positions and other expenditures. The increase in Sales Tax revenues was more than originally anticipated. Sales Tax revenues are projected at 11% above the original fiscal year 2022 estimate, 16% above the fiscal year 2021 actuals, and 7% above fiscal year 2020 actuals. To date, property tax receipts are relatively unaffected and are expected to increase by 3% in fiscal year 2022. Transient occupancy taxes are projected to increase 1% from fiscal year 2021 actuals, which was 13% more than fiscal year 2020. Utility user taxes are projected to increase 3% from fiscal year 2021 actuals. The City expects sales and transient occupancy tax revenues to further increase in fiscal year 2022 as Santa Cruz is a desirable tourist destination.

In November, 2008, Measure E, the Clean River, Beaches and Ocean special parcel tax, passed by a 9.6% margin above the 2/3 required majority vote. The purpose of this tax is to generate funding for water quality programs to prevent pollution from reaching waterways, beaches and the Monterey Bay National Marine Sanctuary. The City receives revenues of over \$0.6 million annually.

In July 2011, as part of the Legislature's enactment of the State's fiscal year 2012 Budget, ABX1 26 and ABX1 27 were adopted which govern the future of California redevelopment agencies. ABX1 26 immediately limited the ability of California redevelopment agencies to operate and completely dissolved all redevelopment agencies effective October 1, 2011.

In November 2014, Measure L, the Santa Cruz City Cannabis Business Tax, passed with 82.21% of the vote, increasing the City's business tax for sale of cannabis (medical marijuana) from 7% to a maximum of 10%. This tax became effective January 2015 and will be used solely for essential, primary support services such as Police, Fire, Public Works, Parks & Recreation, and community programs. In November 2017, the City Council increased the tax from 7% to 8%, and designated this 1% increase to a Children's Fund supporting enhancement and expansion of evidenced-based programs that prioritize access to early childhood development, prevention, and vulnerable youth programs. The tax generated \$155,000 in fiscal year 2015. Cannabis Business Tax has steadily increased each year to a total of \$1.7 million in 2021 and is budgeted to bring in \$1.1 million in fiscal year 2022. This tax has also been impacted by the COVID-19 pandemic.

In November 2016, Santa Cruz County voters approved Measure D, a ½-cent sales tax to provide funding for streets and road maintenance, bicycle and pedestrian projects, and other essential transportation projects and programs. For the City of Santa Cruz, Measure D generated \$1.5 million in revenue during fiscal year 2021.

In June 2018, City voters approved Measure S, which increased the City's sales tax rate by ¼-percent from 9% to 9.25% effective October 1, 2018. This resulted in an additional \$2.3 million in annual revenue for fiscal year 2019, \$2.8 million for fiscal year 2020, and \$2.3 million in fiscal year ending 2021.

With the ongoing COVID-19 pandemic, the U.S. government passed several stimulus and relief packages, and two of the relief packages provided direct fiscal funding to the City. The Coronavirus Aid, Relief, and Economic Security Act, that signed into law on March 27, 2020, appropriated \$2.3 trillion for many different efforts including \$150 billion in grants to state and local governments. The City received approximately \$0.8 million of State pass-through funding in the fiscal year 2020-21. The American Rescue Plan Act, which President Biden signed into law on March 11, 2021, appropriated \$1.9 trillion of stimulus and relief proposals with \$350 billion of the total funding going to state and local governments. The City has been allocated approximately \$14.2 million, to be received over two fiscal years, with fiscal year 2021 receipting \$7.1 million received in May 2021 and which was recognized as revenue in the fiscal year 2020-21.

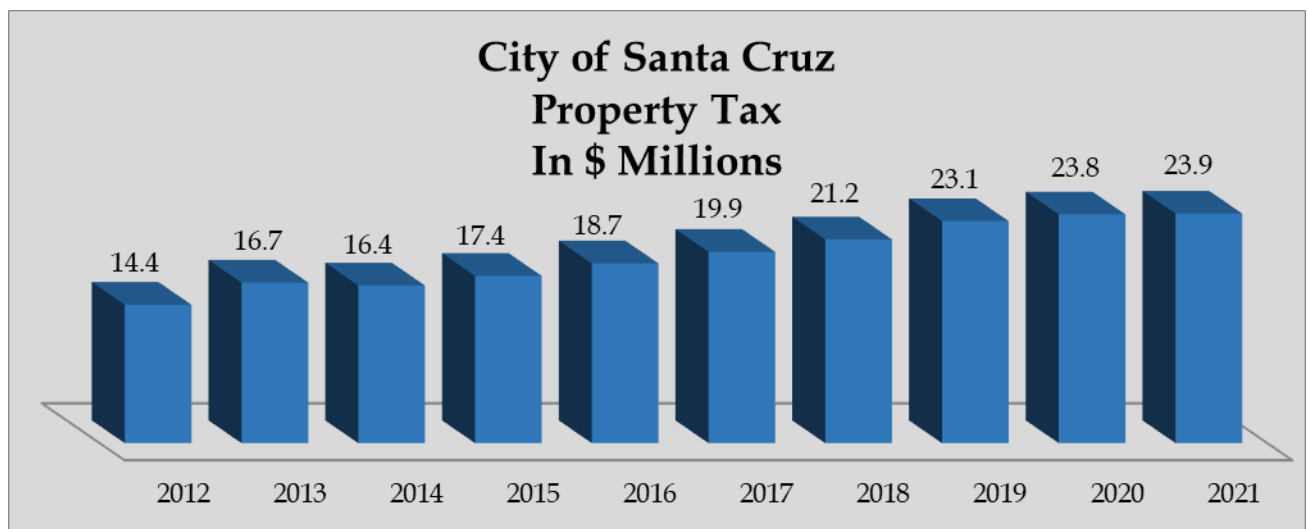
The City continues to evaluate its financial future, and the City's goal is to find a structural equilibrium between available resources and service requirements. The City is also dedicated to increasing local revenues with more economic development and incentive programs to improve the quality of local motels and hotels. However, City management realizes that increases in expenditures will escalate faster than revenues and continues to plan for long-term structural adjustments. The onset of the pandemic exacerbated the structural deficit and required the City to take immediate steps to maintain a balanced budget. Those measures included using some reserves, employee concessions, eliminating some vacant and filled positions, and reducing other expenditures. The City anticipates that it will need to make further reductions in fiscal year 2022 to maintain a balanced budget.

The City Council recently adopted an Interim Recovery Plan that sets goals and identifies metrics for measuring progress in the economic recovery from the COVID-19 pandemic.

Historical Trend Information

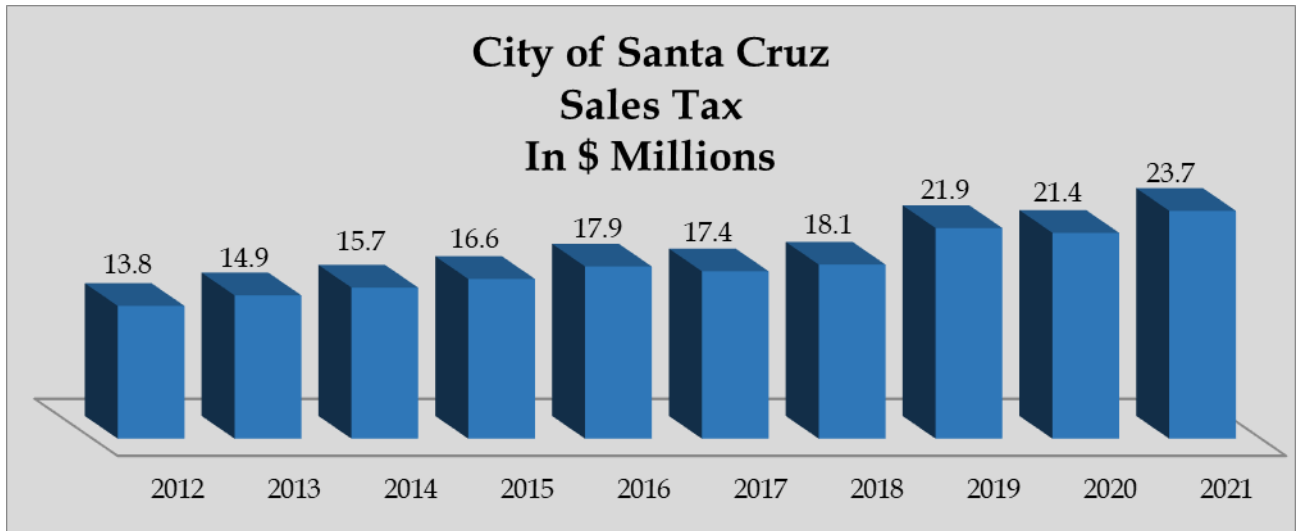
Property Tax

As illustrated in the following chart, General Fund and GO Bond property tax was fairly flat through the end of the Great Recession but has grown steadily since. The average rate of growth for property tax is 9.5%.



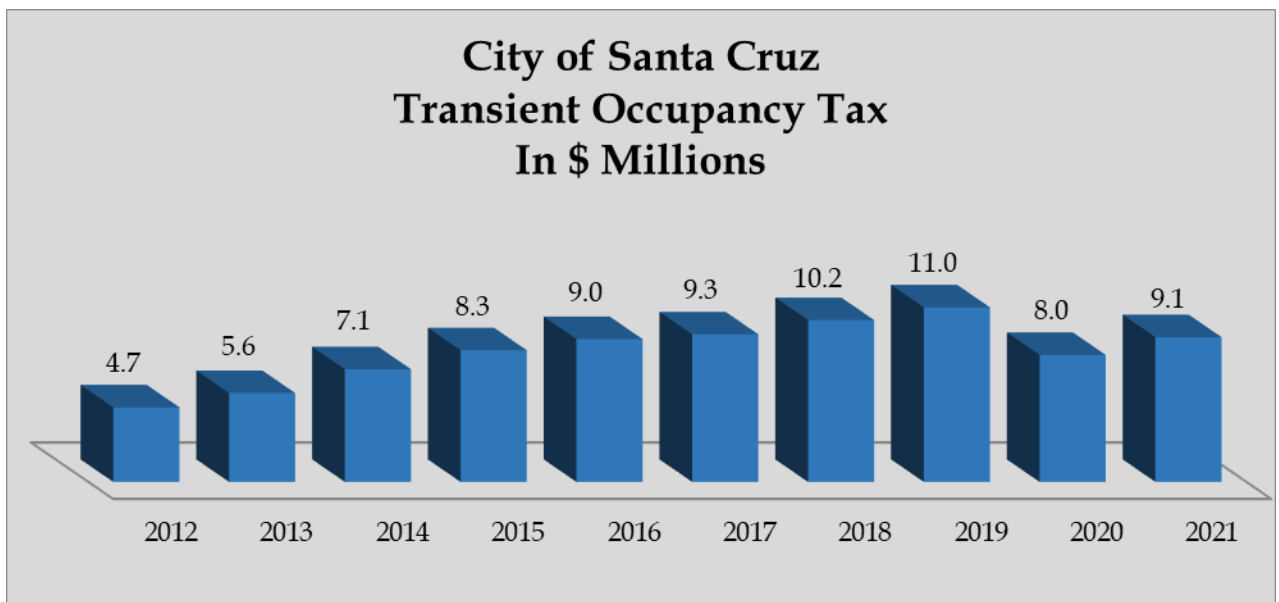
Sales & Use Tax, Local Transactions and Use Tax and Supplemental Property Tax In-Lieu of Sales Tax

The City has a well-diversified economy and sales tax base. Sales Tax receipts increased in fiscal year 2011 by \$0.9 million to \$13.8 million after declining during the Great Recession. The City's revenues progressively increased to total \$17.9 million in fiscal year 2016. After a slight decrease in 2017 to \$17.4 million, sales tax increased to \$18.1 million in fiscal year 2018. As a result of a voter-approved ¼-percent increase in the City's sales tax rate, revenue grew slightly over \$3 million annually beginning in fiscal year 2019, although it declined slightly to \$21.4 in fiscal year 2020 due to COVID-19 shelter-in-place orders. Sales tax has shown a slight increase of just over \$2 million in fiscal year 2021 due to COVID-19 shelter-in-place orders ending and businesses reopening.



Transient Occupancy Tax

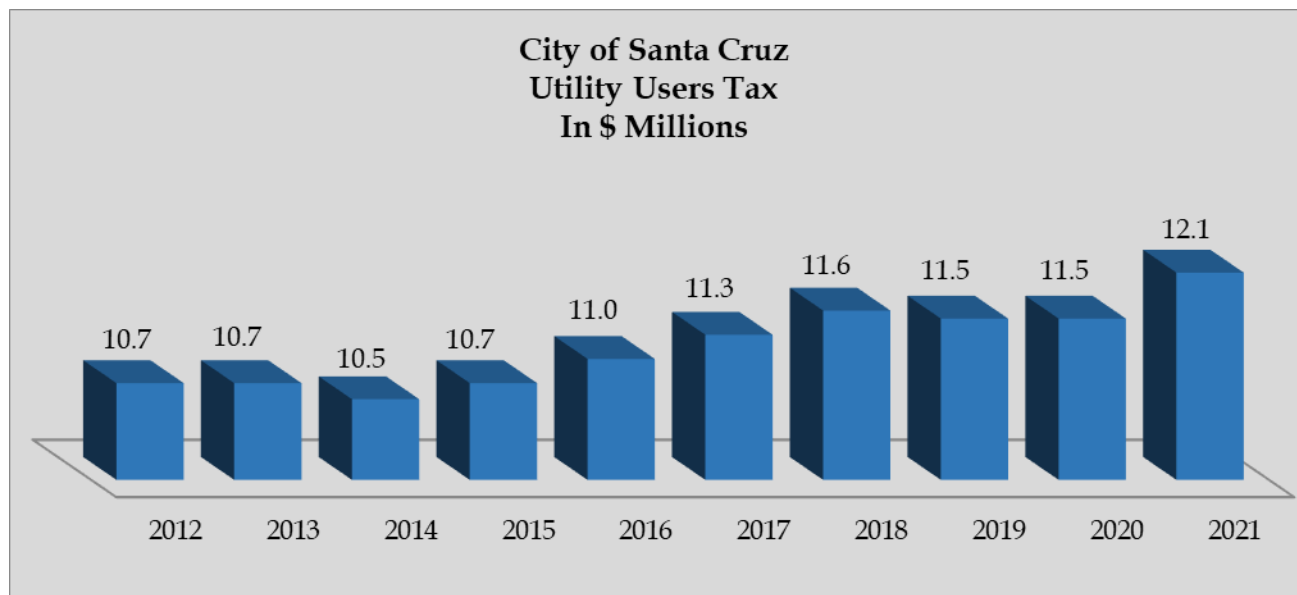
Transient Occupancy Tax (TOT) annual revenues have continued to grow each year, until they were impacted by the COVID-19 pandemic in fiscal year 2020. The growth was primarily due to additional hotels, vacation rentals, and a voter-approved TOT rate increase from 10% to 11% (effective July 1, 2013). TOT fiscal year 2020 receipts decreased by \$3 million or 27.3% from prior year. However, TOT fiscal year 2021 receipts increased \$1.1 million or 13.8% from 2020. This revenue source is expected to further rebound in fiscal year 2023. The City continues to aggressively pursue the addition of major chain hotels with expectations to increase the hotel tax base.



Utility Users Tax

The Utility Users Tax is the third largest revenue source for the City, after property tax and sales tax. The utility users tax is comprised of a tax on eight utilities: electric, wired telecom, wireless telecom, natural gas, cable, water, wastewater, and refuse (the last three being municipal utilities). Modest increases over the last few years can be attributed to the rise in overall revenues in water, wastewater, and refuse municipal utilities due to customer rate increases.

In November 2010, the City residents voted 63.67% to 33.74% in favor of increasing the Utility Users Tax to 8.5%. The new tax was only in place for the latter part of fiscal year 2011, but receipts exceeded expectations. Utility Users Tax has remained flat over the past three fiscal years, primarily due to residents cutting the cord for cable services and eliminating telephone landlines. Modest increases are expected in future years.



Health Care and Pension Costs

The City's bargaining units have all agreed to cost-sharing for health care and pension costs, with employees paying part of their health care premiums and part of the City's required retirement contribution. The City continues to incur rising unfunded pension liabilities and has established a Section 115 Trust Fund to help address this in the future. During the next five years, pension costs as a percentage of General Fund expenditures are expected to increase. This increase is primarily due to the California Public Employees Retirement System (CalPERS) lowering the discount rate from 7.5% to 7% in fiscal year 2020. On November 15, 2021 CalPERS lowered the discount rate again from 7% to 6.8%, which will further exacerbate the pension cost increases.

Major Initiatives

As mentioned earlier, the City of Santa Cruz operates four municipal utilities, including water, wastewater, storm water, and refuse collection/landfill operations. The Water Department has embarked upon an ambitious program of capital improvements over the next four to five years and will cost approximately \$300 million, to be financed partially through the issuance of new debt.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Santa Cruz for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2020. This was the thirteenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. The GFOA also awarded a Distinguished Budget Award for the fiscal year 2020 Annual Budget. This award is the highest form of recognition in governmental budgeting. This was the fifteenth that the government has received this esteemed award.

Acknowledgements

The City Council is specifically acknowledged for their leadership and interest in the financial affairs of the City. The Council's leadership has significantly contributed to the overall quality of the financial services provided. Recognition and thanks is given to the City Manager, Matt Huffaker, retired City Manager Martin Bernal, and Assistant City Manager Laura Schmidt, for their leadership and guidance. The City's department directors and City staff are recognized for their assistance and cooperation with the Finance Department. The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. I would like to express my appreciation to Assistant Director Marisol Gomez for her overall support, Acting Finance Manager Nicholas Gong for leading the development of this document, and to staff Accountants Michael Manno and Edward Torres, who provided significant assistance over long hours in the compilation of this document. I also wish to thank the other Finance Division Managers, Kim Wigley, Denise Reid, Ross Brandon, Lupita Alamos and the rest of the Finance Department staff, including Debra Allen, Ginger Baker, Joseph Balasabas, Paula Cardozo, Tracy Cole, Angela Dmitriyeva, Natalia Duarte, Maureen Dunn, Zayne Fassio, Annie Martin, Mikayla Martin, Jillian Morales, Ralph Reader, Brooke Rosso, and Selina Thompson, all of whom assisted with the transactions and postings that led to the preparation of this report. Finally, I want to express my gratitude for the partners and staff of our auditors for their professionalism and assistance in preparing this report.

Respectfully submitted,



Bobby Magee
Interim Director of Finance



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Santa Cruz
California**

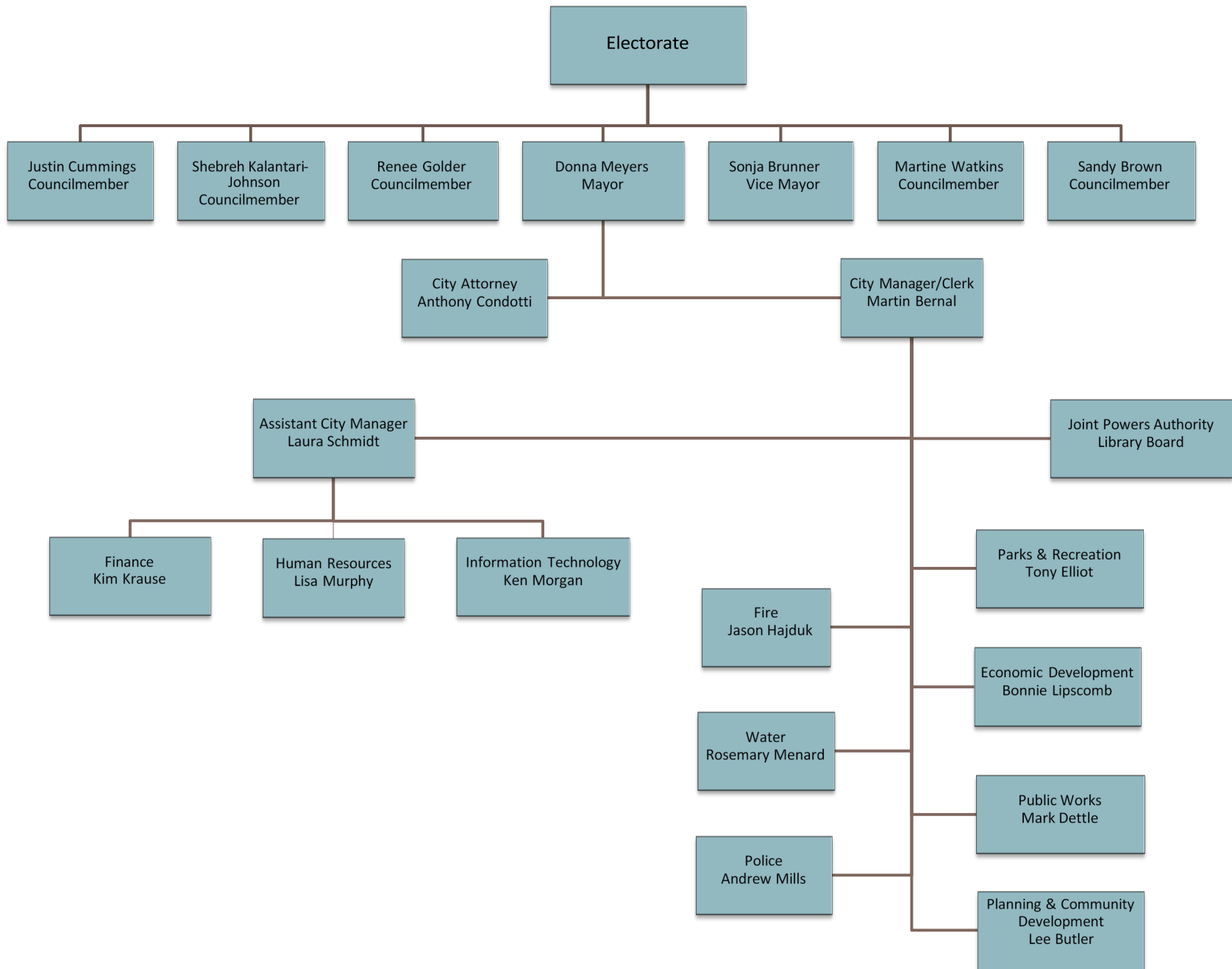
For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO





**DIRECTORY OF CITY OFFICIALS
CITY OF SANTA CRUZ**

Mayor Donna Meyers

Vice Mayor Sonja Brunner

Councilmember Sandy Brown

Councilmember Justin Cummings

Councilmember Renee Golder

Councilmember Shebreh Kalantari-Johnson

Councilmember Martine Watkins

City Manager, Martín Bernal

Assistant City Manager.....Laura Schmidt

Chief of FireJason Hajduk

Chief of Police.....Andrew Mills

City AttorneyAnthony Condotti

Director of Economic DevelopmentBonnie Lipscomb

Director of Finance.....Kim Krause

Director of Human ResourcesLisa Murphy

Director of Information TechnologyKen Morgan

Director of Parks and Recreation.....Tony Elliot

Director of Planning and Community DevelopmentLee Butler

Director of Public Works.....Mark Dettle

Director of Water DepartmentRosemary Menard



Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council of the
City of Santa Cruz, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Santa Cruz, California (City) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As discussed in Notes 1 and 16 to the financial statements, the City has adopted provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in an increase in both cash and accounts payable in the amount of \$499,995 in the general fund and governmental activities, and a restatement of net position of the custodial funds as of July 1, 2020. Our opinions are 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 Discussion and Analysis, the Budgetary Comparison Schedule - General Fund, Budgetary Comparison Schedule - RDA Successor Agency - LMIH, Schedule of Changes in Net Pension Liability and Related Ratios - Miscellaneous Plan, Schedule of Pension Contribution - Miscellaneous Plan, Schedule of Proportionate Share of the Net Pension Liability - Cost Sharing Plan, Schedule of Pension Contributions - Cost Sharing Plan and Schedule of Changes in Net Other Postemployment Benefit Liability and related Ratios, Schedule of Net OPEB Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, the combining and individual fund financial statements and schedules and the statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules, as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statement, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Menlo Park, California
February 28, 2022

The Management Discussion and Analysis (MD&A) section of the City of Santa Cruz's Annual Comprehensive financial report provides a narrative overview of the City's financial activities for the fiscal year ended June 30, 2021. This information should be read in conjunction with the Transmittal Letter (beginning on page i), the financial statements and the notes to the financial statements that follow this analysis. Unless otherwise indicated, all amounts are expressed in millions of dollars.

Financial Highlights - Primary Government

- **Government-wide Highlights:**

The City's net position equaled \$346.1 million as of June 30, 2021. Net position is the amount by which total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources. The net position from governmental activities at June 30, 2021 was \$120.3 million, and from business-type activities, \$225.9 million. Of this \$346.1 million in net position, a deficit of \$94.9 million represents unrestricted net position, which is comprised of a deficit of \$105.1 million for governmental activities and a positive \$10.2 million for business-type activities. In addition, the City's restricted net position totals of \$40.8 million (for governmental activities only), is dedicated to specific purposes. The balance of \$400.2 million represents the City's net investment in capital assets (\$184.6 million for governmental activities and \$215.6 million for business-type activities).

The City's overall net position increased by \$21.7 million (6.7%) from the City's net position at the end of June 30, 2020.

Revenues exceeded expenditures in the amount of \$21.7 million. The change in net position is an increase of \$15.5 million for the governmental activities and an increase of \$6.3 million for the business-type activities from the previous fiscal year, as explained below.

The governmental activities' revenues were \$133.2 million, an increase of \$11.8 million from the prior fiscal year. The increase was primarily due to increases in capital grant revenues. Governmental activities expenditures were \$117.7 million, a decrease of \$6.8 million from the prior fiscal year. The decrease was due to budgeted reductions related to programs and services due to COVID-19 shelter-in-place orders, these were minimized during the course of the fiscal year. After transfers to the business-type activities in the amount of \$1.1 million, the ending fiscal year 2021 net position was \$120.3 million.

The business-type activities revenues exceeded expenses (before transfers) by \$6.3 million, an increase of \$3.6 million from the prior fiscal year. This increase was primarily due to decreased expenses in all of the enterprise funds, excluding Water. The water fund, the service charges incurred increased \$1.8 million. These increases in costs were due to maintenance of Water's large infrastructure system and training costs. In the wastewater fund, the sewer service charges incurred from the County of Santa Cruz increased by \$.1 million as compared to the prior year.

This was due to the continued construction the Capital Investment Project, Ultraviolet Disinfection System Upgrade, which required more services. In the refuse fund the personnel services decreased by \$1.2 million. This was due to a cost cutting strategies implemented during the year. In the parking fund, the revenues are \$1.2 million lower compared to the prior year, due to the pandemic, as well as a decrease in personnel services of \$.5 million compared to prior year. The parking fund had frozen several vacant positions. After transfers to the governmental activities in the amount of \$1.1 million, the ending fiscal year 2021 net position was \$225.9 million.

- Fund Highlights:

Governmental Funds – Governmental funds include the general, special revenue, capital improvement, and debt service funds. At the close of the fiscal year 2021, the City reported a combined ending fund balance of \$67.9 million, an increase of \$13.9 million (25.6%) in comparison to the prior fiscal year. This is attributed to the increased revenues of \$5.0 million from capital grant reimbursements from prior year expenditures.

General Fund – At the close of fiscal year 2021, the City's General Fund reported a total fund balance of \$36.0 million, an increase of \$7.5 million (26.4%) in comparison to the prior fiscal year. There is \$6.3 million unassigned fund balance available for appropriation. Before net interfund transfers, revenues exceed expenditures in the amount \$5.9 million during fiscal year 2021. This increase is due to the impact of the COVID-19 pandemic on revenues and expenditures. Charges for services specifically had increased within the Fire and Parks and Recreation department. An increase of \$1.6 million for Fire Department Strike Team services provided during the CZU fires in the prior year. Parks and Recreation had shown an increase in youth classes of \$.2 million and \$.7 million in golf course fees. Due to negotiated concessions with the labor groups there was a decrease in labor across all departments.

Redevelopment Successor Agency Low and Moderate Income Housing (LMIH) Fund – At the close of fiscal year 2021, the Redevelopment Successor Agency LMIH fund reported a total fund balance of \$12.4 million, a slight increase of \$.2 million in comparison with the prior fiscal year. Fund balance is comprised of *restricted fund balance* for housing programs.

General Capital Improvement Fund – At the close of fiscal year 2021, the City's General Capital Improvement Fund reported a negative fund balance of \$4.7 million, an improvement of \$1.5 million in comparison with the prior fiscal year CIP deficit. The improvement is primarily due to cash flow. Specifically, during the year, the City spent \$3.5 million on one CIP project-Monterey Bay Sanctuary Scenic Trail Segment 7, of which partial grant funding had been received. It is expected that the remainder of grant funding will be received in the next fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements which are comprised of four components:

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to the Financial Statements
- Required Supplementary Information

In addition, this report also contains other supplementary information.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The government-wide financial statements present governmental activities and business-type activities separately. The governmental activities of the City include general government, public safety, parks and recreation, library, public works, transit, community and economic development, and social services. The business-type activities of the City include the four municipal utilities: water, wastewater, storm water, and refuse and landfill operation and the self-supporting parking enterprises. Governmental activities are primarily supported by taxes, charges for services and grants, while business-type activities are self-supporting through user fees and charges.

The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The difference between the total assets and deferred outflows of resources and the total liabilities and deferred inflows of resources is reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The focus of the *statement of activities* is to present the major program costs with corresponding major resources. To the extent a program's cost is not recovered by direct charges and grants, it is funded from general taxes and other resources. This statement assists the user in determining the extent to which programs are self-supporting and/or subsidized by general revenues. All Activity on this statement is reported on the accrual basis of accounting, which requires that revenues are reported when earned and expenses are reported when incurred, regardless of when cash is received or disbursed. Examples include revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

Blended Component Units – Component units are legally separate entities that meet certain criteria and would be misleading if their data were not included in this report. This report includes two separate legal entities in this category – the Santa Cruz Public Improvement Financing Corporation and the Santa Cruz Public Financing Authority. All component units in this report are blended with the primary government because the governing boards are substantively the same as the primary government, and the component units serve the primary government exclusively.

The government-wide financial statements can be found on pages 23-25 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

The City's major funds are presented in their own columns and the remaining funds are combined into a column titled "Other Governmental Funds". For each major fund, a Budgetary Comparison Statement is presented. Individual fund data on the nonmajor funds is presented in the form of combining statements and schedules in the Supplementary Information section of this report on pages 116-129.

Governmental funds – *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. Unlike the government-wide financial statements, however, governmental fund statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Since the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. Readers will then be able to better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City has thirteen governmental funds, three of which are reported as major funds for presentation purposes. The City's three major funds, the General Fund, Redevelopment Successor Agency Low and Moderate Income Housing (LMIH) fund, and the General Capital Improvement Fund, are presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. Data from the other ten governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 27-30 of this report. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 116-117 of this report.

Proprietary Funds - The City maintains two different types of proprietary funds – *enterprise funds* and *internal service funds*. *Enterprise funds* are used to report the same functions presented as *business-type* activities in the government-wide financial statements. The City uses enterprise funds to account for the four municipal utilities: water, wastewater, storm water, and refuse and landfill operation; and the self- supporting parking enterprises. *Internal service funds* are used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet and equipment operation and maintenance, payroll taxes and benefits, and risk management activities. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The fund financial statements for the enterprise funds provide separate information for the four municipal utilities: water, wastewater, storm water, and refuse and landfill operations as well as the self-supporting parking enterprise. The basic enterprise fund financial statements can be found on pages 32-36 of this report. The three internal service funds are combined into a single aggregated column in the proprietary fund statements. Individual fund data for the internal service funds is provided in the form of *combining statements* on pages 116-136 of this report.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Fiduciary funds represent private-purpose trust funds and custodial funds. Private-purpose trust funds are used to account for resources legally held in trust for special purposes, such as the Redevelopment Successor Agency Trust fund (created from the dissolution of the City's former Redevelopment Agency); and the Library Services trust funds: McCaskill Trust for Local History, the McCaskill Trust for Visually Impaired, the Finkeldey Trust for Musical Literature, the Whalen Estate - Felton Branch Trust, the Robert Lee Corday Estate Trust, the Morley Estate - La Selva Branch Trust, and the Hale - Scotts Valley Branch Trust. The Library services trust funds are presented in total on Private Purpose Trust funds balance sheet and income statements of this report.

Custodial funds are custodial in nature (assets equal liabilities), do not involve measurement of results of operations and use of the accrual basis of accounting. Custodial funds include activities of the Library Joint Powers Authority, and Trust Deposit Holding. The basic fiduciary fund financial statements can be found on pages 38-39 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 42-104 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* providing a budgetary comparison schedule for the General Fund and the Redevelopment Successor Agency - LMIH. In addition, pension and other postemployment healthcare schedules present the City's progress toward funding its obligations to provide future pension and other postemployment healthcare benefits for its active and retired employees. Required supplementary information can be found on pages 105-112 of this report.

Supplementary Information

The *supplementary information* section of this report includes additional budgetary schedules for the General Capital Improvement Fund, the combining statements (referred to earlier in connection with nonmajor governmental funds), and the internal service funds. The fiduciary funds are presented immediately following the required supplementary information in the supplementary information section of this report. The supplementary information section can be found on pages 116-130 of this report.

Government-Wide Financial Analysis

Analysis of Net Position

As noted earlier, the City's net position may serve as a useful indicator of a government's financial health or financial position. As of June 30, 2021, the City's total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by \$346.1 million. This was an increase of \$21.7 million (6.7%) in comparison to the prior fiscal year. The following is a condensed summary of the City's net position for governmental and business-type activities:

| Condensed Statements of Net Position (amounts expressed in \$ millions) | | | | | | |
|---|----------------------------|-----------------|-----------------------------|-----------------|-----------------|-----------------|
| | Governmental Activities | | Business-Type Activities | | Total | |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Assets: | | | | | | |
| Current assets | \$ 107.4 | \$ 89.9 | \$ 112.9 | \$ 100.7 | \$ 220.3 | \$ 190.6 |
| Noncurrent assets | 17.0 | 16.1 | 3.1 | 1.5 | 20.1 | 17.6 |
| Capital assets | 197.2 | 193.1 | 304.1 | 264.3 | 501.3 | 457.4 |
| Total assets | <u>321.6</u> | <u>299.1</u> | <u>420.1</u> | <u>366.5</u> | <u>741.7</u> | <u>665.6</u> |
| Deferred outflows of resources: | | | | | | |
| Deferred charge on refunding | 0.3 | 0.3 | 0.7 | 0.9 | 1.0 | 1.2 |
| Deferred outflows related to OPEB | 3.1 | 2.4 | 1.1 | 0.9 | 4.2 | 3.3 |
| Deferred outflows related to pensions | 16.6 | 24.5 | 18.7 | 6.7 | 35.2 | 31.2 |
| Total deferred outflows of resources | <u>20.0</u> | <u>27.2</u> | <u>20.5</u> | <u>8.5</u> | <u>40.4</u> | <u>35.7</u> |
| Liabilities: | | | | | | |
| Current liabilities | 32.6 | 24.2 | 18.5 | 21.7 | 51.1 | 45.9 |
| Noncurrent liabilities | 183.0 | 189.3 | 191.5 | 132.5 | 374.5 | 321.8 |
| Total liabilities | <u>215.6</u> | <u>213.5</u> | <u>210.0</u> | <u>154.2</u> | <u>425.6</u> | <u>367.7</u> |
| Deferred inflows of resources: | | | | | | |
| Deferred inflows related to pensions | 1.4 | 4.9 | 3.2 | 1.6 | 4.6 | 6.5 |
| Deferred inflows related to OPEB | 4.3 | 2.0 | 1.5 | 0.8 | 5.8 | 2.8 |
| Total deferred inflows of resources | <u>5.7</u> | <u>6.9</u> | <u>4.7</u> | <u>2.4</u> | <u>10.4</u> | <u>9.3</u> |
| Net position | | | | | | |
| Net investment in capital assets | 184.6 | 179.7 | 215.6 | 205.4 | 400.2 | 385.1 |
| Restricted | 40.8 | 33.8 | - | - | 40.8 | 33.8 |
| Unrestricted | (105.1) | (107.6) | 10.2 | 13.0 | (94.9) | (94.6) |
| Total net position | <u>\$ 120.3</u> | <u>\$ 105.9</u> | <u>\$ 225.9</u> | <u>\$ 218.4</u> | <u>\$ 346.1</u> | <u>\$ 324.3</u> |

At June 30, 2021, the City is able to report positive balances in two categories: net investment in capital assets and restricted. The unrestricted category presented a deficit of \$94.9 million at the end of the fiscal year a decrease from the prior fiscal year deficit of \$94.6 million, as explained below.

By far the largest portion of the City's net position, \$400.2 million, reflects its net investment in capital assets (e.g., land, streets, bridges, water and sewer lines, buildings, machinery and equipment, less any related debt used to acquire those assets that is still outstanding). This category reflects an increase of \$15.1 million over the previous fiscal year. The majority of this increase was due to additions to the construction in progress category from new projects started during the year, but not completed. The City uses these capital assets to provide services to citizens, and consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Additional information on the City's capital assets can be found in the Notes to the Basic Financial Statements on pages 42-104.

The restricted portion of the City's net position, \$40.8 million, is \$7.0 million more than the previous year. This represents resources in the governmental activities that were subject to external restrictions on their use. The change is primarily due to an increase in the capital projects as a result of reclassifying the deficit balance in the general capital improvement fund.

Of the total net position at June 30, 2021, a deficit amount of \$94.9 million, represents *unrestricted net position* (negative \$105.1 million for governmental activities and positive \$10.2 million for business-type activities) and may be used to meet the government's ongoing obligations to citizens and creditors. In the governmental activities due to a large restricted balances and net investment in capital asset categories, the unrestricted net position category is reported as a deficit. One cause of the decrease to the deficit is the change in other postemployment benefits liabilities. In 2021, the net pension liability increased by \$12.4 million to \$183.5 million when compared to the prior year. The other postemployment benefit liability decreased by \$3.8 million to \$39.8 million when compared to the prior year. The decrease are primarily due to decrease in healthcare rates and lower than expected interest rate returns due to the pandemic. These two noncurrent liabilities vary each year based on actuarial valuations.

Changes in Net Position

During fiscal year 2021, the City's total net position increased by \$21.7 million, reflecting a \$14.3 million increase in the governmental activities and a \$7.4 million increase in the business-type activities. Notable changes in the statement of net position between June 30, 2021 and June 30, 2020 included:

- City's liabilities increased by \$57.9 million. This is primarily due to a loan of \$27.6 million which was in the business type activities. There was also a line of credit of \$21 million during the year to finance capital improvement projects for the City's water system.

Analysis of Activities: The following table indicates the changes in net position for governmental and business-type activities:

Condensed Statements of Activities
(amounts expressed in millions)

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|------------------------------------|-----------------|-------------------------------------|-----------------|-----------------|-----------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 28.4 | \$ 26.8 | \$ 91.7 | \$ 90.5 | \$ 120.1 | \$ 117.3 |
| Operating grants and contributions | 7.8 | 9.3 | 2.1 | 1.4 | 9.9 | 10.7 |
| Capital grants and contributions | 14.0 | 6.0 | - | - | 14.0 | 6.0 |
| Total program revenues | 50.2 | 42.1 | 93.8 | 91.9 | 144.0 | 134.0 |
| General revenues: | | | | | | |
| Property taxes | 24.2 | 24.0 | 0.2 | - | 24.4 | 24.0 |
| Sales and use taxes | 23.6 | 21.4 | - | - | 23.6 | 21.4 |
| Franchise taxes | 4.0 | 4.0 | - | - | 4.0 | 4.0 |
| Transient occupancy taxes | 9.1 | 8.0 | - | - | 9.1 | 8.0 |
| Utility users taxes | 11.6 | 11.5 | - | - | 11.6 | 11.5 |
| Admissions taxes | 0.7 | 1.7 | - | - | 0.7 | 1.7 |
| Other taxes | 7.7 | 6.9 | - | - | 7.7 | 6.9 |
| Total taxes | 80.9 | 77.5 | 0.2 | - | 81.1 | 77.5 |
| Unrestricted investment earnings | 2.1 | 1.8 | 0.5 | 1.6 | 2.6 | 3.4 |
| Gain (loss) on sale of assets | - | - | 0.1 | - | 0.1 | - |
| Total revenues | 133.2 | 121.4 | 94.6 | 93.5 | 227.8 | 214.9 |
| Expenses: | | | | | | |
| General government | 23.5 | 20.3 | - | - | 23.6 | 20.3 |
| Public safety | 54.8 | 57.8 | - | - | 54.8 | 57.8 |
| Parks and recreation | 15.1 | 17.1 | - | - | 15.1 | 17.1 |
| Library | 1.9 | 1.5 | - | - | 1.9 | 1.5 |
| Public works | 14.2 | 17.3 | - | - | 14.2 | 17.3 |
| Transit | 0.8 | 1.0 | - | - | 0.8 | 1.0 |
| Community and economic development | 4.2 | 6.3 | - | - | 4.2 | 6.3 |
| Social services | 2.2 | 2.0 | - | - | 2.2 | 2.0 |
| Interest and charges on long term debt | 1.0 | 1.2 | - | - | 1.0 | 1.2 |
| Water | - | - | 38.0 | 37.4 | 38.0 | 37.4 |
| Wastewater | - | - | 23.4 | 24.2 | 23.4 | 24.2 |
| Refuse | - | - | 19.7 | 21.5 | 19.7 | 21.5 |
| Parking | - | - | 5.5 | 6.2 | 5.5 | 6.2 |
| Storm water | - | - | 1.7 | 1.5 | 1.7 | 1.5 |
| Total expenses | 117.7 | 124.5 | 88.3 | 90.8 | 206.1 | 215.3 |
| Increase (decrease) before transfers | 15.5 | (3.1) | 6.3 | 2.7 | 21.7 | (0.4) |
| Transfers | (1.1) | 0.5 | 1.1 | (0.5) | - | - |
| Change in net position | 14.4 | (2.6) | 7.4 | 2.2 | 21.7 | (0.4) |
| Net position, beginning of year | 105.9 | 108.5 | 218.5 | 216.2 | 324.4 | 324.7 |
| Net position - end of year | <u>\$ 120.3</u> | <u>\$ 105.9</u> | <u>\$ 225.9</u> | <u>\$ 218.4</u> | <u>\$ 346.1</u> | <u>\$ 324.3</u> |

Governmental Activities

The net position for the City's governmental activities increased in fiscal year 2021 by \$14.4 million. This is primarily due to an increase in revenues from sales and transient occupancy taxes. A decrease in expenditures relating to personnel from the Fire Department and services that were put on hold from the Parks Recreation department caused by the COVID-19 pandemic.

A comparison of the cost of services by function for the City's governmental activities is shown below, along with the revenues used to cover the net expenses of the governmental activities.

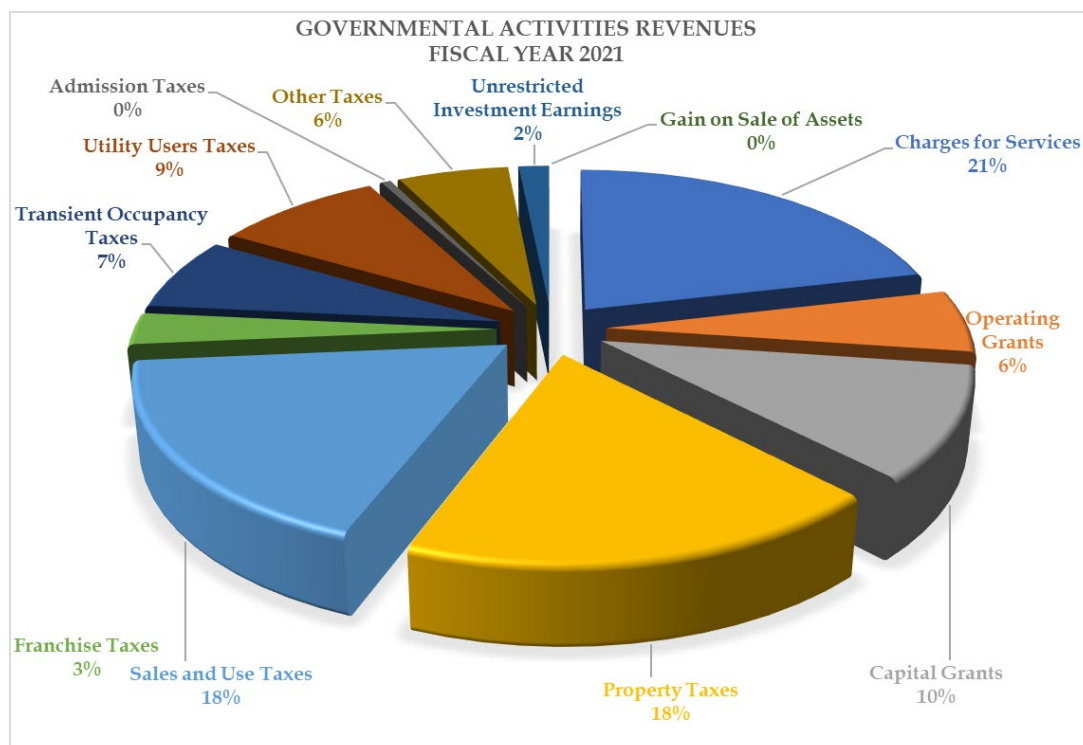
| Condensed Governmental Activities Changes in Expenses, Revenues, and Transfers (amounts expressed in millions) | | | |
|--|----------------|-----------------|----------------|
| | 2021 | 2020 | Net Change |
| Expenses net of program revenues: | | | |
| General government | \$ 3.1 | \$ 8.7 | \$ (5.6) |
| Public safety | 46.0 | 50.7 | (4.7) |
| Parks and recreation | 10.6 | 13.1 | (2.5) |
| Library | 1.4 | 1.0 | 0.4 |
| Public works | 2.0 | 1.2 | 0.8 |
| Community and economic development | 1.2 | 4.4 | (3.2) |
| Social services | 2.2 | 2.0 | 0.2 |
| Interest and fiscal charges on long-term debt | 1.0 | 1.2 | (0.2) |
| Total expenses net of program revenues - governmental activities | 67.5 | 82.3 | (14.8) |
| General revenues transfers and special items: | | | |
| General revenues: | | | |
| Property taxes | 24.2 | 23.9 | 0.3 |
| Sales and use taxes | 23.6 | 21.4 | 2.2 |
| Franchise taxes | 4.0 | 4.0 | - |
| Transient occupancy taxes | 9.1 | 8.0 | 1.1 |
| Utility users taxes | 11.6 | 11.5 | 0.1 |
| Admission taxes | 0.7 | 1.7 | (1.0) |
| Other taxes | 7.7 | 6.9 | 0.8 |
| Total taxes | 80.9 | 77.4 | 3.5 |
| Unrestricted investment earnings | 2.1 | 1.8 | 0.3 |
| Transfers | (1.1) | 0.5 | (1.6) |
| Total general revenues and transfers | 81.9 | 79.7 | 2.2 |
| Change in governmental activities net position | \$ 14.4 | \$ (2.6) | \$ 17.0 |

Governmental Revenues

Program revenues are derived directly from users of those programs or services. They reduce the net cost of the function to be financed from the government's general revenues. Total program revenues from governmental activities were \$50.2 million in fiscal year 2021, an increase of \$8.2 million (19.5%) from the previous fiscal year. This revenue increase is a direct result of some City services being offered again, after having to shut down due to the COVID-19 pandemic.

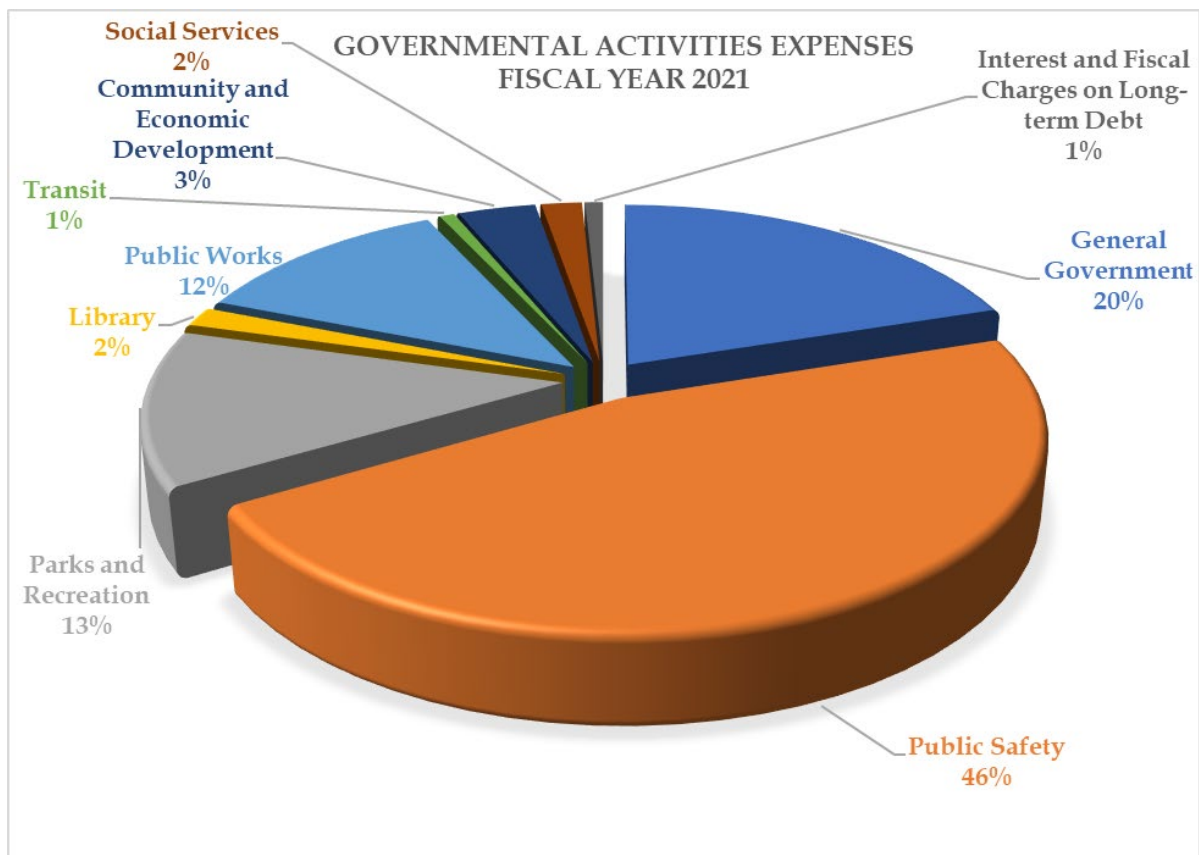
Governmental program revenues are derived primarily from *charges for services*, which included licenses and permits, planning fees, developer fees, recreation charges, traffic and other fines and forfeitures, and several other revenues. Program revenues under the *operating grants and contributions* category included revenues restricted for specific purposes, such as gasoline taxes and other federal, state and local grants. Program revenues in the *capital grants and contributions* category also included federal, state and local grants, but were restricted specifically to be used for capital projects or acquisitions.

General revenues are all other revenues not categorized as program revenues, and include all taxes, unrestricted grants, contributions and investment earnings, material gains on sales of capital assets, and other miscellaneous revenues. Total general revenues from governmental activities fiscal year 2021 were \$82.9 million. Taxes of \$80.8 million made up 60.7% of total governmental revenues for fiscal year 2021. The largest single source of general revenues received during fiscal year 2021 was \$24.2 million of property taxes, which were 18.2% of total revenues, followed by \$23.6 of sales and use taxes, which were 17.7% of total revenues. The following graph depicts program and general revenues as a percentage of all governmental activities revenues by source:



Governmental Expenses

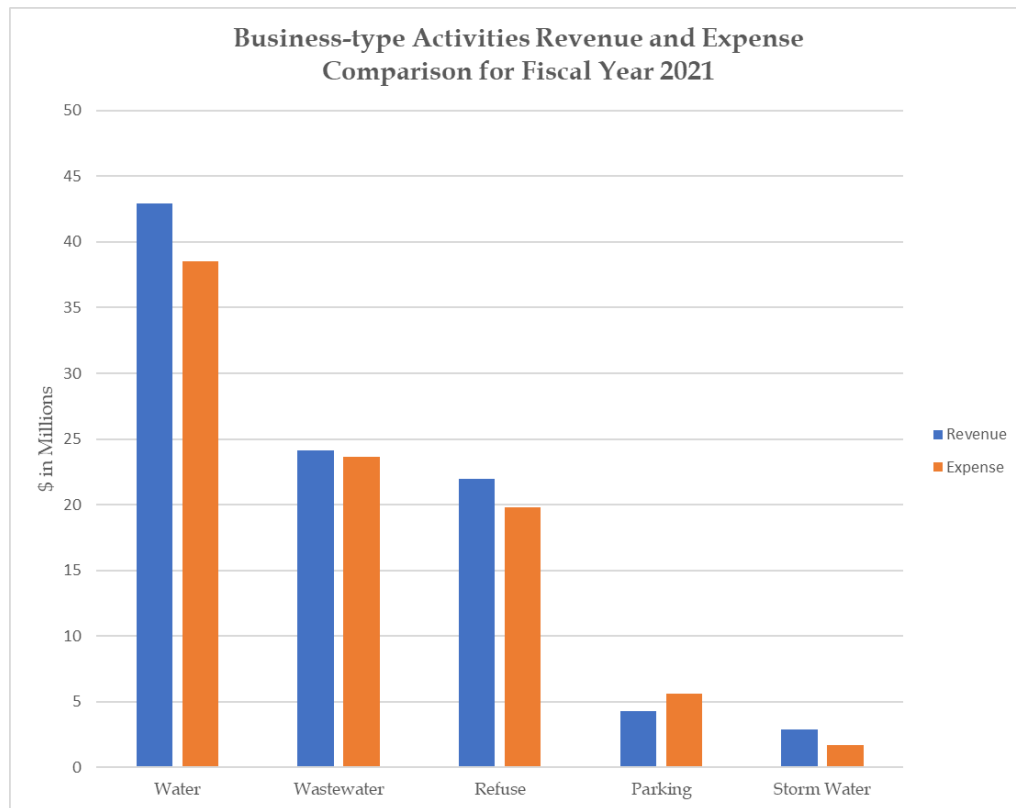
Total governmental activities expenses were \$117.6 million in fiscal year 2021, offset by \$57.3 million in program revenues. The balance is funded through general revenues. The largest expenses were incurred for public safety at \$54.8 million, general government at \$23.5 million, parks and recreation at \$15.1 million, and public works at \$14.2 million. These expenses did not include capital outlays, which were reflected in the City's capital assets. The following graph shows the percentage of Governmental Activities expenses by program for fiscal year 2021.



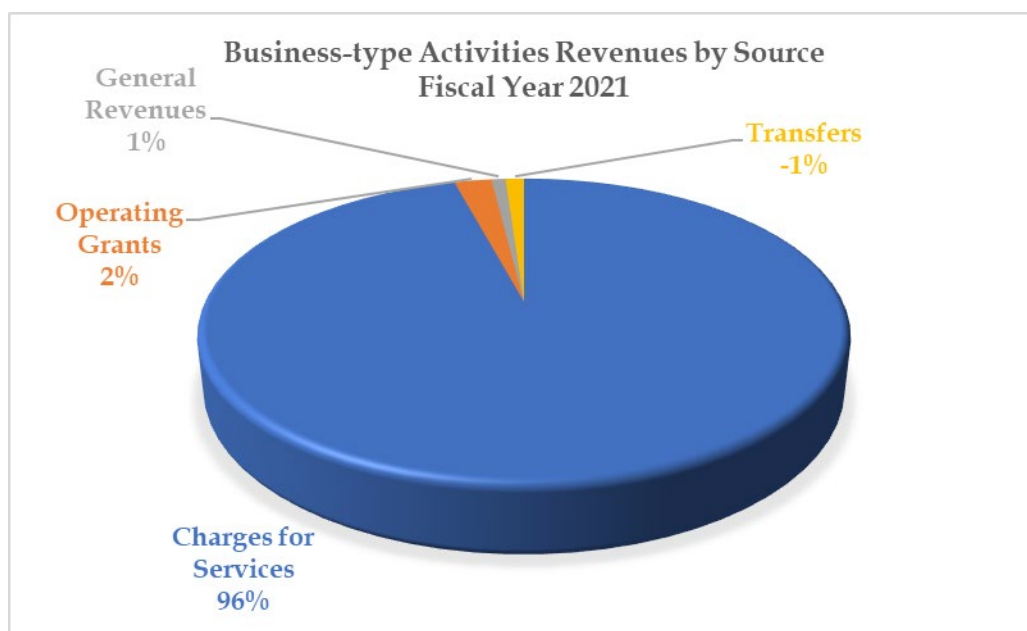
Business Type Activities

As shown in the condensed statement of activities table, net position for the City's business-type activities at June 30, 2021 was \$225.9 million, an increase of \$7.4 million from the previous fiscal year. Total program revenues for business-type activities were \$93.8 million. The largest program revenues were charges for services of \$91.7 million, with other program revenues including capital and operating grants and contributions totaling \$2.1 million. Total expenses for the business-type activities were \$88.3 million during fiscal year 2021.

The following chart shows fiscal year 2021 revenue and expenses for the City's enterprise funds:



The following chart shows fiscal year 2021 revenues by source for the City's enterprise funds:



Financial Analysis of Individual Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds – The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the close of the fiscal year 2021, the City's governmental funds reported a combined ending fund balance of \$67.9 million, an increase of \$13.9 million (25.6%) in comparison with the prior fiscal year. This is due to an increase in tax revenues and a decrease in expenditures as the City implemented furloughs to reduce personnel costs. Program and services were also reduced, specifically within the Parks and Recreation department after the COVID-19 shelter-in-place order. Of this amount, \$5.5 million is considered "non-spendable" because it represents the portion of the City's assets classified as long-term receivables, advances and prepaid expenses, \$46.6 million is considered "restricted" as these balances are for specific services, \$9.9 million is committed by City Council resolution for capital improvement. More information concerning fund balances can be found in Note 14 on pages 98-99.

General Fund – Total fund balance of the General Fund on June 30, 2021 was \$36.0 million, an increase of \$7.5 million (26.4%) from the previous fiscal year. This is primarily due to an increase in taxes received and a decrease in personnel services, specifically related to furloughs taken by City staff as a result of the COVID-19 pandemic. Of this amount, \$5.5 million was considered non-spendable; \$10.0 million was restricted; \$9.9 million is committed by City Council resolution for capital improvement; \$4.3 million is assigned for the City public trust fund and Economic development trust fund; and \$6.3 million is unassigned as of June 30. The assigned and unassigned fund balances may serve as a useful measurement of the government's net resources available for spending at the end of the fiscal year. The unassigned fund balance represents the portion of the fund balance that has not yet been obligated for a particular purpose by either an external party, the City Council, or anyone delegated with the authority to assign resources. Total fund balances of \$36.0 million in the General Fund is 35.3% of total General Fund expenditures of \$101.9 million.

RDA Successor Agency – LMIH – The Redevelopment Successor Agency – LMIH (Low & Moderate Income Housing) fund is used to account for housing assets transferred from the former Redevelopment Agency (due to the State of California's dissolution of redevelopment agencies) to the City as a housing successor. At the end of fiscal year 2021, the total fund balance of the RDA Successor Agency – LMIH fund was \$12.4 million, a slight increase from the prior fiscal year. The entire fund balance is restricted for housing programs.

General Capital Improvement Fund – The General Capital Improvement fund is used to account for the City's capital improvements. A portion of the City's transient occupancy tax receipts, combined with other funding sources, such as grants, provides funding for capital projects of general benefit, such as storm drain improvements, or improvements to public buildings.

At the end of fiscal year 2021, the total fund balance of the General Capital Improvement Fund was a deficit of \$4.7 million, a decrease from the prior fiscal year of \$6.2 million deficit.

The entire amount is classified as unassigned since the fund balance is a deficit. The decrease is due to the fact that the capital expenditures exceeded the related funding received, including transfers, for \$1.5 million in the current year. This is a temporary cash flow issue due to grant-funded expenditures in the current year that will be reimbursed in subsequent years.

Proprietary Funds – The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. They include both enterprise funds and internal service funds. For the government-wide financial statements, the internal service funds are consolidated with governmental activities, and the enterprise funds comprise the business-type activities.

At the end of fiscal year 2021, the net position of the enterprise funds was \$225.8 million, a \$7.4 million (3.4%) increase over the prior fiscal year, primarily due to increased revenues resulting from rate increases.

Operating revenues in the City's enterprise funds experienced an increase of \$1.5 million when compared to the prior fiscal year, primarily due to an increase in charges for services. This is a result of Wastewater and Refuse rate increases during the year. Operating expenses decreased by \$2.5 million compared to the prior fiscal year and included a \$4.1 million decrease in personnel services and a \$1.3 million increase in services and supplies. The personnel services increase can be attributed to; negotiated cost of living increases; increased health insurance and retirement costs; as well as an increase of 6 new positions in the Water fund. The increase in services and supplies can be attributed to increased fuel and vehicle repairs and maintenance for the fleet as well as normal increases in operating costs.

Net position in the internal service funds in the amount of \$12.0 million represented a decrease of \$4.8 million compared to the previous fiscal year. The decrease was primarily due to a decrease of \$5.4 million in operating revenues compared to the prior fiscal year and a decrease of operating expenses of \$5 million compared to the prior fiscal year. This decrease is primarily in the personnel taxes and benefits, specifically the closing of the payroll payables fund.

General Fund Budgetary Highlights

The fiscal year 2021 final amended General Fund budget (not including other financing sources and uses) totaled \$106.6 million and included amendments to the original budget, resulting in a \$12.9 million decrease when compared to the prior fiscal year total of \$119.5 million. This is primarily attributed to decrease in personnel relating to frozen positions, and a reduction in services across all departments due to the COVID-19 Shelter-in-Place order.

At June 30, 2021, actual operating expenditures (not including other financing sources and uses) in the City's General Fund totaled \$101.9 million, which was \$4.7 million less than the final amended budget. The remaining amount represented salary, services and supplies savings, primarily in the public works, parks and recreation and planning department. The public works department had significant salary savings due to vacancies and reduced maintenance costs, while parks and recreation and planning had savings in both personnel and services and supplies due to the pandemic as many programs were reduced. Actual operating revenues totaled \$106.6 million which was \$3.0 million higher than the amount budgeted. This was primarily due to increased tax revenue as a result of the COVID-19 shelter-in-place order ending.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2021, amounted to \$993.9 million, or \$501.2 million net of accumulated depreciation as shown below. This investment in capital assets included land, land improvements, infrastructure, buildings, machinery and equipment, lease improvements, intangibles, and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the City such as roads, bridges, streets and sidewalks, drainage systems, lighting systems and similar items. The total increase to the City's investment in capital assets for the current fiscal year, after deletions, was \$61 million. Additions and deletions consisted of a net increase to capital assets of \$43.9 million offset by a net increase to accumulated depreciation of \$17.1 million. Two significant projects added during the year were the Newell Creek Dam Inlet/Outlet Pipeline in the business-type activities, and the Monterey Bay Sanctuary Scenic Trail Segment 7 phase 1 in the governmental activities.

Additional information on the City of Santa Cruz's capital assets can be found in Note 6 to the financial statements on pages 66-68.

Capital Assets
(net of depreciation)
(amounts expressed in \$ millions)

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------|-------------------------|-----------------|--------------------------|-----------------|-----------------|-----------------|
| | June 30 | | June 30 | | | |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Land | \$ 74.3 | \$ 72.2 | \$ 2.7 | \$ 2.7 | \$ 77.0 | \$ 74.9 |
| Construction in progress | 2.5 | 11.8 | 95.3 | 54.0 | 97.8 | 65.8 |
| Land improvements | 10.4 | 10.5 | 2.9 | 3.2 | 13.3 | 13.7 |
| Infrastructure | 67.7 | 59.5 | 119.0 | 121.2 | 186.7 | 180.7 |
| Buildings | 35.8 | 33.1 | 67.4 | 69.2 | 103.2 | 102.3 |
| Machinery and equipment | 6.5 | 6.0 | 16.9 | 14.0 | 23.4 | 20.0 |
| Intangibles | - | - | (0.1) | - | (0.1) | - |
| Totals | <u>\$ 197.2</u> | <u>\$ 193.1</u> | <u>\$ 304.1</u> | <u>\$ 264.3</u> | <u>\$ 501.3</u> | <u>\$ 457.4</u> |

Debt Administration

Long Term Debt – At June 30, 2021, the City had \$139.2 million in long term debt outstanding compared to \$95.2 million last fiscal year, which was an increase of \$44 million (46.2%). The bonds, notes, loans and leases payable associated with governmental activities decreased from \$28.5 million to \$23.4 million (17.9%). This is the result of the City's regularly scheduled debt payments. The bonds, notes, loans and leases payable associated with business-type activity debt increased from \$66.7 million to \$115.8 million (73.6%). This is primarily due to the issuance of notes payable related to the water fund.

One of the largest debt obligations in the City's governmental funds is the Pension Obligation Bonds liability. As of June 30, 2021, the outstanding balance on the Pension Obligation Bonds was \$3.2 million. The largest debt obligation in the City's business type funds is the 2020 Water California State Water Resources Control Board loan issued for City-wide improvements to the water system. The outstanding balance is \$27.6 million with the capacity to be drawn up to \$103.5 million.

The chart below illustrates the changes in bonds, notes, loans and leases payable for the year ending June 30, 2021:

Bonds, Notes, Loans and Leases Payable
(amounts expressed in \$ millions)

| | Governmental Activities | | Business-Type Activities | | Total | |
|---------------------------|-------------------------|----------------|--------------------------|----------------|-----------------|----------------|
| | June 30 | | June 30 | | | |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Revenue bonds payable | \$ 6.9 | \$ 7.3 | \$ 40.0 | \$ 42.3 | \$ 46.9 | \$ 49.6 |
| General obligation bonds | 4.3 | 4.6 | - | - | 4.3 | 4.6 |
| Pension obligation bonds | 3.2 | 6.0 | - | - | 3.2 | 6.0 |
| Notes payable | 9.0 | 10.5 | 75.8 | 24.4 | 84.8 | 34.9 |
| Capital lease obligations | - | 0.1 | - | - | - | 0.1 |
| Totals | <u>\$ 23.4</u> | <u>\$ 28.5</u> | <u>\$ 115.8</u> | <u>\$ 66.7</u> | <u>\$ 139.2</u> | <u>\$ 95.2</u> |

The City also has liabilities for claims and judgments, compensated absences (accrued vacation pay), and landfill closure and post closure costs. The amounts and changes of these liabilities are shown below:

Claims and Judgments, Compensated Absences, and Landfill Closure Costs Payable
(amounts expressed in \$ millions)

| | June 30 | | Increase (Decrease) | Percent Change | June 30, 2021 | |
|--|----------------|----------------|------------------------|-------------------|------------------------------|------------------------------|
| | 2021 | 2020 | | | Due in less than one year | Due in more than one year |
| Compensated absences | \$ 7.0 | \$ 6.3 | \$ 0.7 | 11.1% | \$ 4.6 | \$ 2.4 |
| Claims and judgments | 13.5 | 13.6 | (0.1) | -0.7% | 3.7 | 9.8 |
| Closure and post closure landfill costs | 8.6 | 8.3 | 0.3 | 3.6% | - | 8.6 |
| Totals | <u>\$ 29.1</u> | <u>\$ 28.2</u> | <u>\$ 0.9</u> | <u>3.2%</u> | <u>\$ 8.4</u> | <u>\$ 20.7</u> |

Additional information on the City of Santa Cruz's long term debt can be found in Note 7 to the financial statements. Additional information on the City of Santa Cruz's landfill closure and post closure costs can be found in Note 11 on page 95.

Economic Factors and Next Year's Budgets and Rates

The City of Santa Cruz, and Santa Cruz County for that matter, is closely tied to the regional economy of the nine-county San Francisco Bay Area and to Silicon Valley in particular. Local private employers include a diverse array of manufacturing, business services, retail, hotel and food services, and biotechnology companies. In addition to the local private employers, the local economy also benefits from the University of California Santa Cruz. The University is a major employer, and has potential spin-off benefits from federal and state funded scientific research ventures including biomedical research, technology research, and adaptive optics.

In March 2020, both Santa Cruz County and the State of California issued Shelter-in-Place orders in response to COVID-19. With the ongoing pandemic extending in fiscal year 2021, revenue sources were severely impacted, in a negative way. The City reduced expenditures to the greatest extent possible and negotiated concessions with all labor groups. These actions have helped the City navigate the fiscal impacts of COVID-19 since the onset of the pandemic.

The City has a balanced tax base of property, sales, transient occupancy and utility tax. While sales tax revenues were estimated to be lower, the impact was less than expected, however this could be partly due to the stimulus funds provided by the Federal government. Transient occupancy tax revenues had increased just above \$1 million, or 14% from the previous year. The City expects these taxes to return to previous levels by FY 2022. The transient occupancy tax rate is currently 11%, and the City continues to invite major name hotels into the area.

As with other California cities, the City of Santa Cruz is subject to the State's past practice of balancing the annual budget using local resources. California's revenue base is highly dependent on personal income tax which is sensitive to unemployment and fluctuations in stock and other asset prices. A significant portion of California's economy is based on tourism, which was greatly impacted by the COVID-19 pandemic.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all of its citizens, taxpayers, customers, investors and creditors. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Santa Cruz, Finance Department, 333 Front Street, Suite 200, Santa Cruz, CA 95060.

City of Santa Cruz
Statement of Net Position
June 30, 2021

| | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|----------------------|
| Assets: | | | |
| Current assets: | | | |
| Cash and investments | \$ 69,653,693 | \$ 97,191,642 | \$ 166,845,335 |
| Restricted cash and investments | 10,633,745 | 3,614,635 | 14,248,380 |
| Interest receivable | 1,735,050 | 167,081 | 1,902,131 |
| Taxes receivable | 9,112,937 | 29,120 | 9,142,057 |
| Accounts receivable - net | 5,300,603 | 11,820,128 | 17,120,731 |
| Grants receivable | 4,639,444 | 15,089 | 4,654,533 |
| Intergovernmental receivable | 785,930 | - | 785,930 |
| Notes receivable - net | 417,846 | - | 417,846 |
| Loans receivable - net | 1,920 | - | 1,920 |
| Prepaid items | 786,555 | 4,207 | 790,762 |
| Inventories | 84,259 | - | 84,259 |
| Deposits | 4,213,587 | 30,000 | 4,243,587 |
| Total current assets | <u>107,365,569</u> | <u>112,871,902</u> | <u>220,237,471</u> |
| Noncurrent assets: | | | |
| Restricted investments | - | 2,036,320 | 2,036,320 |
| Notes receivable | 14,447,635 | 1,049,425 | 15,497,060 |
| Loans receivable | 2,575,104 | - | 2,575,104 |
| Capital assets: | | | |
| Land | 74,310,760 | 2,662,704 | 76,973,464 |
| Land improvements | 23,193,901 | 4,999,522 | 28,193,423 |
| Infrastructure | 235,749,306 | 240,119,583 | 475,868,889 |
| Buildings | 61,894,309 | 170,892,176 | 232,786,485 |
| Machinery and equipment | 25,518,208 | 53,766,562 | 79,284,770 |
| Lease improvements | 545,943 | 70,000 | 615,943 |
| Intangibles | 1,218,025 | 1,242,658 | 2,460,683 |
| Construction in progress | 2,467,012 | 95,261,605 | 97,728,617 |
| Total capital assets | <u>424,897,464</u> | <u>569,014,810</u> | <u>993,912,274</u> |
| Less accumulated depreciation | <u>(227,746,871)</u> | <u>(264,943,411)</u> | <u>(492,690,282)</u> |
| Total capital assets, net | <u>197,150,593</u> | <u>304,071,399</u> | <u>501,221,992</u> |
| Total noncurrent assets | <u>214,173,332</u> | <u>307,157,144</u> | <u>521,330,476</u> |
| Total assets | <u>321,538,901</u> | <u>420,029,046</u> | <u>741,567,947</u> |
| Deferred outflows of resources: | | | |
| Deferred charge on refunding | 255,119 | 706,144 | 961,263 |
| Deferred outflows related to OPEB | 3,063,000 | 1,130,255 | 4,193,255 |
| Deferred outflows related to pension | 16,667,321 | 18,665,610 | 35,332,931 |
| Total deferred outflows of resources | <u>19,985,440</u> | <u>20,502,009</u> | <u>40,487,449</u> |

City of Santa Cruz
Statement of Net Position, Continued
June 30, 2021

| | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|----------------|
| Liabilities: | | | |
| Current liabilities: | | | |
| Accounts payable and other current liabilities | 11,233,274 | 12,053,420 | 23,286,694 |
| Interest payable | 168,247 | 979,631 | 1,147,878 |
| Unearned revenue | 7,541,988 | 794,779 | 8,336,767 |
| Deposits payable | 992,865 | 129,564 | 1,122,429 |
| Claims and judgments payable | 3,714,974 | - | 3,714,974 |
| Compensated absences payable | 3,315,674 | 1,325,298 | 4,640,972 |
| Bonds, notes, loans and leases payable | 5,650,400 | 3,221,014 | 8,871,414 |
| Total current liabilities | 32,617,422 | 18,503,706 | 51,121,128 |
| Noncurrent liabilities: | | | |
| Claims and judgments payable | 9,823,644 | - | 9,823,644 |
| Compensated absences payable | 1,657,839 | 662,648 | 2,320,487 |
| Bonds, notes, loans and leases payable | 17,706,828 | 112,603,016 | 130,309,844 |
| Landfill closure and postclosure costs | - | 8,611,980 | 8,611,980 |
| Net other postemployment benefits liability | 29,704,449 | 10,111,732 | 39,816,181 |
| Net pension liability | 124,060,733 | 59,484,705 | 183,545,438 |
| Total noncurrent liabilities | 182,953,493 | 191,474,081 | 374,427,574 |
| Total liabilities | 215,570,915 | 209,977,787 | 425,548,702 |
| Deferred inflows of resources: | | | |
| Deferred inflows related to pensions | 1,417,341 | 3,168,274 | 4,585,615 |
| Deferred inflows related to OPEB | 4,283,169 | 1,543,879 | 5,827,048 |
| Total deferred inflows of resources | 5,700,510 | 4,712,153 | 10,412,663 |
| Net position: | | | |
| Net investment in capital assets | 184,585,738 | 215,604,468 | 400,190,206 |
| Restricted for: | | | |
| Capital projects | 7,983,146 | - | 7,983,146 |
| Debt service | 1,646,374 | - | 1,646,374 |
| Public safety | 752,543 | - | 752,543 |
| Parks and recreation | 2,781,331 | - | 2,781,331 |
| Community and economic development | 27,612,920 | - | 27,612,920 |
| Unrestricted | (105,109,136) | 10,236,647 | (94,872,489) |
| Total net position | \$ 120,252,916 | \$ 225,841,115 | \$ 346,094,031 |

The accompanying notes are an integral part of these financial statements

City of Santa Cruz
Statement of Activities
Year Ended June 30, 2021

| Functions/Programs: | Expenses | Program Revenues | | | | Total | Net (Expense) Revenue and Changes in Net Position | | |
|---|----------------|-------------------------|-----------------------------|-----------------------------|----------------------------|----------------|---|----------------|--|
| | | Charges for Services | Operating | Capital | Governmental Activities | | Business-Type Activities | Total | |
| | | | Grants and Contributions | Grants and Contributions | | | | | |
| Governmental activities: | | | | | | | | | |
| General government | \$ 23,476,418 | \$ 11,333,060 | \$ 1,057,006 | \$ 7,992,918 | \$ 20,382,984 | \$ (3,093,434) | \$ - | \$ (3,093,434) | |
| Public safety | 54,785,622 | 7,647,791 | 977,796 | 196,245 | 8,821,832 | (45,963,790) | - | (45,963,790) | |
| Parks and recreation | 15,098,626 | 4,140,970 | 170,357 | 187,186 | 4,498,513 | (10,600,113) | - | (10,600,113) | |
| Library | 1,888,881 | 485,560 | - | - | 485,560 | (1,403,321) | - | (1,403,321) | |
| Public works | 14,170,843 | 4,345,088 | 2,469,609 | 5,363,997 | 12,178,694 | (1,992,149) | - | (1,992,149) | |
| Transit | 797,240 | - | 797,240 | - | 797,240 | - | - | - | |
| Community and economic development | 4,199,540 | 454,492 | 2,308,758 | 232,310 | 2,995,560 | (1,203,980) | - | (1,203,980) | |
| Social services | 2,191,401 | - | - | - | - | (2,191,401) | - | (2,191,401) | |
| Interest and fiscal charges on long-term debt | 972,836 | - | - | - | - | (972,836) | - | (972,836) | |
| Total governmental activities | 117,581,407 | 28,406,961 | 7,780,766 | 13,972,656 | 50,160,383 | (67,421,024) | - | (67,421,024) | |
| Business-type activities: | | | | | | | | | |
| Water | 38,078,715 | 41,992,539 | - | - | 41,992,539 | - | 3,913,824 | 3,913,824 | |
| Wastewater | 23,392,966 | 21,647,635 | 2,087,991 | - | 23,735,626 | - | 342,660 | 342,660 | |
| Refuse | 19,809,687 | 21,324,222 | 36,713 | - | 21,360,935 | - | 1,551,248 | 1,551,248 | |
| Parking | 5,527,325 | 3,910,682 | 8,864 | - | 3,919,546 | - | (1,607,779) | (1,607,779) | |
| Storm water | 1,664,018 | 2,869,033 | 2,432 | - | 2,871,465 | - | 1,207,447 | 1,207,447 | |
| Total business-type activities | 88,472,711 | 91,744,111 | 2,136,000 | - | 93,880,111 | - | 5,407,400 | 5,407,400 | |
| Total primary government | \$ 206,054,118 | \$ 120,151,072 | \$ 9,916,766 | \$ 13,972,656 | \$ 144,040,494 | (67,421,024) | 5,407,400 | (62,013,624) | |
| General Revenues: | | | | | | | | | |
| Taxes: | | | | | | | | | |
| Property taxes | | | | | | 24,152,410 | 240,815 | 24,393,225 | |
| Sales and use taxes | | | | | | 23,578,620 | - | 23,578,620 | |
| Franchise taxes | | | | | | 3,953,531 | - | 3,953,531 | |
| Transient occupancy taxes | | | | | | 9,121,782 | - | 9,121,782 | |
| Utility users taxes | | | | | | 11,600,692 | - | 11,600,692 | |
| Admission taxes | | | | | | 663,919 | - | 663,919 | |
| Other taxes | | | | | | 7,696,545 | - | 7,696,545 | |
| Total taxes | | | | | | 80,767,499 | 240,815 | 81,008,314 | |
| Unrestricted investment earnings | | | | | | 2,112,366 | 563,557 | 2,675,923 | |
| Gain on sale of assets | | | | | | - | 109,554 | 109,554 | |
| Transfers | | | | | | (1,058,506) | 1,058,506 | - | |
| Total general revenues and transfers | | | | | | 81,821,359 | 1,972,432 | 83,793,791 | |
| Change in net position | | | | | | 14,400,335 | 7,379,832 | 21,780,167 | |
| Beginning of year | | | | | | 105,852,581 | 218,461,283 | 324,313,864 | |
| Net position - end of year | | | | | | \$ 120,252,916 | \$ 225,841,115 | \$ 346,094,031 | |

The accompanying notes are an integral part of these financial statements

General Fund - This fund is used to account for sources and uses of financial resources traditionally associated with governments, and which are not required to be accounted for in another fund.

RDA Successor Agency Low & Moderate Incoming Housing - This fund is used to account for housing assets transferred from the former Redevelopment Agency to the City as housing successor.

General Capital Improvement - This fund is used to account for capital improvements for which special projects funds have not been established. A portion of the City's transient occupancy tax receipts, combined with other funding sources, such as grants, provides funding for capital projects of general benefit, such as storm drain improvements, or improvements to public buildings.

Other Governmental Funds - Other Governmental funds is the aggregate of all the non-major governmental funds.

City of Santa Cruz
Balance Sheet – Governmental Funds
June 30, 2021

| | Major Funds | | | Other | Total |
|---|----------------------|----------------------|---------------------|----------------------|-----------------------|
| | General | RDA Successor | General Capital | Governmental | Governmental |
| | Fund | Agency - LMIH | Improvement | Funds | Funds |
| Assets: | | | | | |
| Cash and investments | \$ 19,993,853 | \$ 1,811,882 | \$ 2,823,386 | \$ 28,820,769 | \$ 53,449,890 |
| Restricted cash and investments | 10,632,854 | - | - | 891 | 10,633,745 |
| Interest receivable | 226,661 | 1,141 | 5,288 | 1,487,956 | 1,721,046 |
| Taxes receivable | 9,024,460 | - | - | 88,477 | 9,112,937 |
| Accounts receivable - net | 2,333,384 | - | 2,219,158 | 719,065 | 5,271,607 |
| Grants receivable | 507,295 | - | 4,132,149 | - | 4,639,444 |
| Intergovernmental receivable | - | - | - | 785,930 | 785,930 |
| Prepaid items | 1,407 | 780 | - | 780 | 2,967 |
| Deposits | 343,553 | - | - | - | 343,553 |
| Notes receivable - net | 2,987,852 | 11,519,592 | - | 358,037 | 14,865,481 |
| Loans receivable - net | - | - | - | 2,577,024 | 2,577,024 |
| Advances to other funds | 2,509,687 | 500,000 | - | - | 3,009,687 |
| Total assets | <u>\$ 48,561,006</u> | <u>\$ 13,833,395</u> | <u>\$ 9,179,981</u> | <u>\$ 34,838,929</u> | <u>\$ 106,413,311</u> |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | | | |
| Liabilities: | | | | | |
| Accounts payable and other current liabilities | \$ 5,778,271 | \$ 23,122 | \$ 3,138,267 | \$ 436,455 | \$ 9,376,115 |
| Unearned revenue | - | - | - | 7,541,988 | 7,541,988 |
| Deposits payable | 961,956 | 30,875 | - | 34 | 992,865 |
| Advances from other funds | 4,844,531 | - | 5,509,687 | 500,000 | 10,854,218 |
| Total liabilities | <u>11,584,758</u> | <u>53,997</u> | <u>8,647,954</u> | <u>8,478,477</u> | <u>28,765,186</u> |
| Deferred inflows of resources: | | | | | |
| Unavailable revenue | <u>959,027</u> | <u>1,329,913</u> | <u>5,217,317</u> | <u>2,181,794</u> | <u>9,688,051</u> |
| Fund Balances: | | | | | |
| Non-spendable: | | | | | |
| Noncurrent receivables | 2,987,852 | - | - | - | 2,987,852 |
| Interfund advances | 2,509,687 | - | - | - | 2,509,687 |
| Prepaid items | 1,407 | - | - | - | 1,407 |
| Restricted: | | | | | |
| Clean rivers, oceans, and beaches | - | - | - | 1,851,961 | 1,851,961 |
| Debt service | - | - | - | 1,814,621 | 1,814,621 |
| Hardship grants | 272,684 | - | - | - | 272,684 |
| Housing programs | - | 12,449,485 | - | 5,006,869 | 17,456,354 |
| Parks and recreation | - | - | - | 2,633,896 | 2,633,896 |
| Police programs | - | - | - | 752,543 | 752,543 |
| Streets and roads | - | - | - | 10,141,713 | 10,141,713 |
| Traffic impact | - | - | - | 1,977,055 | 1,977,055 |
| Retiree benefits | 9,729,291 | - | - | - | 9,729,291 |
| Committed | 9,895,162 | - | - | - | 9,895,162 |
| Assigned | 4,356,223 | - | - | - | 4,356,223 |
| Unassigned | 6,264,915 | - | (4,685,290) | - | 1,579,625 |
| Total fund balances | <u>36,017,221</u> | <u>12,449,485</u> | <u>(4,685,290)</u> | <u>24,178,658</u> | <u>67,960,074</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 48,561,006</u> | <u>\$ 13,833,395</u> | <u>\$ 9,179,981</u> | <u>\$ 34,838,929</u> | <u>\$ 106,413,311</u> |

City of Santa Cruz

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2021

Total Fund Balances - All Governmental Funds \$ 67,960,074

Amounts reported for Governmental Activities in the Statement of Net Position were different because:

Capital assets used in governmental activities are not current financial resources. Therefore, they are not reported in the governmental funds. Except for the internal service funds reported below, the capital assets are adjusted as follows:

| | Government- Wide Statement of Net Position | Internal Service Funds | |
|----------------------|--|---------------------------|--------------------|
| Non-depreciable | \$ 76,777,772 | \$ - | 76,777,772 |
| Depreciable, net | 120,372,821 | (1,761,139) | 118,611,682 |
| Total capital assets | <u>\$ 197,150,593</u> | <u>\$ (1,761,139)</u> | <u>195,389,454</u> |

Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the governmental funds.

(168,247)

Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and equipment management, to individual funds. The assets, deferred outflows of resources, liabilities and deferred inflows of resources of the Internal Service Funds are included in governmental activities in the Statement of Net Position.

| | |
|------------------------------|-------------------|
| Equipment Operations Fund | (2,351,221) |
| Risk Management Fund | 14,354,557 |
| Total internal service funds | <u>12,003,336</u> |

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

9,688,051

Noncurrent liabilities and pension related deferrals were not due and payable in the current period. Therefore, they are not reported in the governmental funds. Except for the internal service funds reported above, the long-term liabilities are adjusted as follows:

| | Government- Wide Statement of Net Position | Internal Service Funds | |
|--|--|---------------------------|----------------------|
| OPEB liabilities | \$ (29,704,449) | \$ 576,264 | (29,128,185) |
| Pension liabilities | (124,060,733) | 3,384,688 | (120,676,045) |
| Pension deferred inflows of resources | (1,417,341) | 144,081 | (1,273,260) |
| Pension deferred outflows of resources | 16,667,321 | (971,489) | 15,695,832 |
| Deferred outflows related to OPEB | 3,063,000 | (68,972) | 2,994,028 |
| Deferred inflows related to OPEB | (4,283,169) | 94,607 | (4,188,562) |
| Compensated absences payable - due within one year | (3,315,674) | 21,375 | (3,294,299) |
| Compensated absences payable - due in more than one year | (1,657,839) | 10,687 | (1,647,152) |
| Bonds, notes, loans and leases payable - due within one year | (5,650,400) | - | (5,650,400) |
| Bonds, notes, loans and leases payable - due in more than one year | (17,706,828) | - | (17,706,828) |
| Total long-term liabilities | <u>\$ (168,066,112)</u> | <u>\$ 3,191,241</u> | <u>(164,874,871)</u> |

Losses related to refunding of debt are reported as other financing uses in the governmental funds. For the Statement of Net Position, these amounts are capitalized and amortized as a deferred outflow of resources over the remaining life of the debt.

255,119

Net Position of Governmental Activities

\$ 120,252,916

City of Santa Cruz

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Year Ended June 30, 2021

| | Major Funds | | | Other | Total |
|---|---------------|---------------|-----------------|---------------|---------------|
| | General | RDA Successor | General Capital | Governmental | Governmental |
| | Fund | Agency - LMIH | Improvement | Funds | Funds |
| Revenues: | | | | | |
| Taxes | \$ 76,602,978 | \$ - | \$ 2,264,491 | \$ 2,005,560 | \$ 80,873,029 |
| Licenses and permits | 1,497,268 | - | - | - | 1,497,268 |
| Intergovernmental | 1,953,282 | - | 6,882,341 | 10,337,381 | 19,173,004 |
| Charges for services | 18,546,386 | 25,000 | - | 25,621 | 18,597,007 |
| Fines and forfeitures | 1,105,221 | - | - | - | 1,105,221 |
| Use of money and property | 7,706,662 | 234,972 | 67,734 | 831,004 | 8,840,372 |
| Other revenues | 428,934 | 1,903 | 258,360 | 886,787 | 1,575,984 |
| Total revenues | 107,840,731 | 261,875 | 9,472,926 | 14,086,353 | 131,661,885 |
| Expenditures: | | | | | |
| Current: | | | | | |
| General government | 22,339,171 | - | 221,629 | - | 22,560,800 |
| Public safety | 48,563,866 | - | - | 148,722 | 48,712,588 |
| Parks and recreation | 13,513,957 | - | - | - | 13,513,957 |
| Library | 1,744,751 | - | - | - | 1,744,751 |
| Public works | 5,915,254 | - | 2,870,012 | 1,606,189 | 10,391,455 |
| Transit | - | - | - | 797,240 | 797,240 |
| Community and economic development | 2,300,631 | 33,969 | - | 1,061,895 | 3,396,495 |
| Social services | 2,191,401 | - | - | - | 2,191,401 |
| Capital outlay | 214,642 | 28,000 | 7,100,495 | 3,625,321 | 10,968,458 |
| Debt service: | | | | | |
| Principal | 4,626,517 | - | 145,000 | 527,399 | 5,298,916 |
| Interest and fiscal charges | 537,955 | - | 96,683 | 367,506 | 1,002,144 |
| Total expenditures | 101,948,145 | 61,969 | 10,433,819 | 8,134,272 | 120,578,205 |
| Excess (deficiency) of revenues over (under) expenditures | 5,892,586 | 199,906 | (960,893) | 5,952,081 | 11,083,680 |
| Other financing sources or (uses): | | | | | |
| Proceeds from long-term debt issued | 222,500 | - | - | - | 222,500 |
| Transfers in | 2,363,511 | - | 2,459,136 | 439,157 | 5,261,804 |
| Transfers out | (951,637) | - | - | (1,748,752) | (2,700,389) |
| Total other financing sources (uses) | 1,634,374 | - | 2,459,136 | (1,309,595) | 2,783,915 |
| Net change in fund balances | 7,526,960 | 199,906 | 1,498,243 | 4,642,486 | 13,867,595 |
| Fund balances, beginning of year | 28,490,261 | 12,249,579 | (6,183,533) | 19,536,172 | 54,092,479 |
| Fund balances (defecit), end of year | \$ 36,017,221 | \$ 12,449,485 | \$ (4,685,290) | \$ 24,178,658 | \$ 67,960,074 |

City of Santa Cruz

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Year Ended June 30, 2021

Net Change in Fund Balances - All Governmental Funds \$ 13,867,595

Amounts reported for governmental activities in the Statement of Activities were different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the governmental funds (not including Internal service funds) for the current period, which are reported below.

| | | |
|----------------|-------------|-----------|
| Capital assets | 10,968,458 | |
| Depreciation | (6,578,408) | |
| | | 4,390,050 |

Revenues that did not meet the criteria for recognition were recorded as unavailable revenues in the governmental funds. In the Government-Wide Financial Statements, these amounts were recorded as revenues. This amount represents the change in unavailable revenue from the prior year. 1,193,699

Compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (487,387)

Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increase long-term liabilities in the Statement of Net Position. Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 5,076,414

Amortization of premium is not recorded in the governmental funds but it impacts the statement of activities. 23,351

Amortization of refunding costs are not recorded in the governmental funds but they impact the statement of activities. (25,378)

Governmental funds report OPEB expenditures equal to OPEB benefit payments, however in the statement of net position, OPEB expenses are adjusted to reflect changes in total OPEB liabilities and related deferrals. 1,269,941

Accrued but unpaid interest and fiscal charges on long-term debt is reported in the statement of activities, but does not require the use of current financial resources. Therefore, it is not reported as an expenditure in the governmental funds. 31,335

Governmental funds report pension expenditures equal to pension contributions, however in the statement of net position, pension expenses are adjusted to reflect changes in net pension liabilities and related deferrals. (6,169,970)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and equipment management, to individual funds. The net revenue of the internal service funds is reported with governmental activities. (4,769,315)

Change in Net Position of Governmental Activities \$ 14,400,335

Water - This fund accounts for the activities of the City's water utility, which provides water delivery services to the residents of the City and some residents of the County.

Wastewater - This fund accounts for the activities of the City's wastewater utility, which provides wastewater collection and treatment services to the residents of the City and some residents of the County.

Refuse - This fund accounts for the activities of the City's refuse utility, which provides refuse pick-up services, recycling services, and a sanitary landfill for residents of the City.

Parking - This fund accounts for the activities of the Downtown Parking District, which provides parking facilities in the downtown area.

Storm Water - This fund accounts for storm water utility fees on properties within the City limits. These fees provide funding for flood control improvements associated with the U.S. Army Corps of Engineers San Lorenzo River Flood Control project, storm water pollution prevention programs, and measures to comply with the U.S. Environmental Protection Agency Non-Point Pollution Discharge Emissions Standards Program (NPDES).

Internal Service Funds - These funds are used to provide goods and services by one department or agency to other departments or agencies of the City on a cost reimbursement basis.

City of Santa Cruz
Statement of Net Position - Proprietary Funds
June 30, 2021

| | Business-type Activities | | | | | Total Enterprise Funds | Governmental Activities - Internal Service Funds |
|--|--------------------------|---------------|---------------|--------------|--------------|------------------------|--|
| | Water | Wastewater | Refuse | Parking | Storm Water | | |
| Assets: | | | | | | | |
| Current assets: | | | | | | | |
| Cash and investments | \$ 48,571,776 | \$ 17,412,307 | \$ 24,645,450 | \$ 3,114,289 | \$ 3,447,820 | \$ 97,191,642 | \$ 16,203,803 |
| Restricted cash and investments | 94,007 | 3,094,307 | 426,321 | - | - | 3,614,635 | - |
| Interest receivable | 131,746 | 13,238 | 17,686 | 3,322 | 1,089 | 167,081 | 14,004 |
| Taxes receivable | - | - | - | 3,940 | 25,180 | 29,120 | - |
| Accounts receivable - net | 6,403,663 | 2,296,762 | 3,026,416 | 92,319 | 968 | 11,820,128 | 28,996 |
| Grants receivable | - | - | - | - | 15,089 | 15,089 | - |
| Prepaid items | 4,207 | - | - | - | - | 4,207 | 783,588 |
| Inventories | - | - | - | - | - | - | 84,259 |
| Deposits | - | - | - | 30,000 | - | 30,000 | 3,870,034 |
| Total current assets | 55,205,399 | 22,816,614 | 28,115,873 | 3,243,870 | 3,490,146 | 112,871,902 | 20,984,684 |
| Noncurrent assets: | | | | | | | |
| Restricted cash and investments | 2,036,320 | - | - | - | - | 2,036,320 | - |
| Notes receivable | 1,049,425 | - | - | - | - | 1,049,425 | - |
| Advances to other funds | - | - | - | - | - | - | 7,844,531 |
| Capital assets: | | | | | | | |
| Land | 1,941,687 | - | 721,017 | - | - | 2,662,704 | - |
| Land improvements | 572,807 | 1,526,507 | 2,588,512 | 311,696 | - | 4,999,522 | - |
| Infrastructure | 133,699,322 | 60,828,048 | 20,785,344 | 1,298,864 | 23,508,005 | 240,119,583 | - |
| Buildings | 18,742,857 | 126,746,279 | 3,121,543 | 22,281,497 | - | 170,892,176 | - |
| Machinery and equipment | 14,741,216 | 12,049,842 | 24,176,952 | 2,737,326 | 61,226 | 53,766,562 | 3,700,120 |
| Lease improvements-buildings | - | 70,000 | - | - | - | 70,000 | - |
| Software | 623,432 | 212,018 | 397,274 | 9,934 | - | 1,242,658 | - |
| Construction in progress | 87,746,951 | 4,843,598 | 69,843 | 225,713 | 2,375,500 | 95,261,605 | - |
| Less accumulated depreciation | (74,628,196) | (126,766,689) | (33,364,308) | (14,829,681) | (15,354,537) | (264,943,411) | (1,938,981) |
| Total capital assets (net of accumulated depreciation) | 183,440,076 | 79,509,603 | 18,496,177 | 12,035,349 | 10,590,194 | 304,071,399 | 1,761,139 |
| Total noncurrent assets | 186,525,821 | 79,509,603 | 18,496,177 | 12,035,349 | 10,590,194 | 307,157,144 | 9,605,670 |
| Total assets | 241,731,220 | 102,326,217 | 46,612,050 | 15,279,219 | 14,080,340 | 420,029,046 | 30,590,354 |
| Deferred outflows of resources: | | | | | | | |
| Deferred charge on refunding of debt | 273,286 | 46,338 | 39,994 | 135,368 | 211,158 | 706,144 | - |
| Deferred outflows related to OPEB | 418,380 | 243,450 | 351,215 | 115,035 | 2,175 | 1,130,255 | 68,972 |
| Deferred outflows related to pension | 7,735,111 | 4,532,830 | 4,898,215 | 1,413,278 | 86,176 | 18,665,610 | 971,489 |
| Total deferred outflows of resources | 8,426,777 | 4,822,618 | 5,289,424 | 1,663,681 | 299,509 | 20,502,009 | 1,040,461 |

The accompanying notes are an integral part of these financial statements

City of Santa Cruz
Statement of Net Position – Proprietary Funds, Continued
June 30, 2021

| | Business-type Activities | | | | Governmental Activities - | | |
|--|--------------------------|---------------|---------------|--------------|---------------------------|------------------------|------------------------|
| | Water | Wastewater | Refuse | Parking | Storm Water | Total Enterprise Funds | Internal Service Funds |
| Liabilities: | | | | | | | |
| Current liabilities: | | | | | | | |
| Accounts payable and other current liabilities | 10,467,465 | 1,073,874 | 367,072 | 118,889 | 26,120 | 12,053,420 | 1,857,159 |
| Interest payable | 895,876 | 39,278 | 12,385 | 15,133 | 16,959 | 979,631 | - |
| Unearned revenue | 758,281 | - | 36,498 | - | - | 794,779 | - |
| Deposits payable | 55,887 | - | 1,500 | 72,177 | - | 129,564 | - |
| Claims and judgments payable | - | - | - | - | - | - | 3,714,974 |
| Compensated absences payable | 664,393 | 277,276 | 296,894 | 86,735 | - | 1,325,298 | 21,375 |
| Bonds, notes, loans and leases payable due in less than one year | 1,521,464 | 394,241 | 670,502 | 302,604 | 332,203 | 3,221,014 | - |
| Total current liabilities | 14,363,366 | 1,784,669 | 1,384,851 | 595,538 | 375,282 | 18,503,706 | 5,593,508 |
| Noncurrent liabilities: | | | | | | | |
| Claims and judgments payable | - | - | - | - | - | - | 9,823,644 |
| Compensated absences payable | 332,196 | 138,638 | 148,447 | 43,367 | - | 662,648 | 10,687 |
| Bonds, notes, loans and leases payable due in more than one year | 103,680,002 | 3,759,098 | 461,669 | 2,328,478 | 2,373,769 | 112,603,016 | - |
| Landfill closure and postclosure costs | - | - | 8,611,980 | - | - | 8,611,980 | - |
| Total other postemployment benefits liability | 3,777,438 | 2,295,259 | 3,215,174 | 806,084 | 17,777 | 10,111,732 | 576,264 |
| Net pension liability | 22,833,942 | 14,423,806 | 17,182,367 | 4,802,156 | 242,434 | 59,484,705 | 3,384,688 |
| Total noncurrent liabilities | 130,623,578 | 20,616,801 | 29,619,637 | 7,980,085 | 2,633,980 | 191,474,081 | 13,795,283 |
| Total liabilities | 144,986,944 | 22,401,470 | 31,004,488 | 8,575,623 | 3,009,262 | 209,977,787 | 19,388,791 |
| Deferred inflows of resources: | | | | | | | |
| Deferred inflows related to pensions | 1,178,241 | 584,396 | 1,119,895 | 278,372 | 7,370 | 3,168,274 | 144,081 |
| Deferred inflows related to OPEB | 570,732 | 333,000 | 480,104 | 157,394 | 2,649 | 1,543,879 | 94,607 |
| Total deferred inflows of resouces | 1,748,973 | 917,396 | 1,599,999 | 435,766 | 10,019 | 4,712,153 | 238,688 |
| Net position: | | | | | | | |
| Net investment in capital assets | 101,642,223 | 78,496,909 | 17,830,321 | 9,539,635 | 8,095,380 | 215,604,468 | 1,761,139 |
| Unrestricted | 1,779,857 | 5,333,060 | 1,466,666 | (1,608,124) | 3,265,188 | 10,236,647 | 10,242,197 |
| Total net position | \$ 103,422,080 | \$ 83,829,969 | \$ 19,296,987 | \$ 7,931,511 | \$ 11,360,568 | \$ 225,841,115 | \$ 12,003,336 |

The accompanying notes are an integral part of these financial statements

City of Santa Cruz
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
Year Ended June 30, 2021

| | Business-type Activities | | | | | Governmental Activities - |
|--|--------------------------|---------------|---------------|--------------|---------------|------------------------------|
| | Water | Wastewater | Refuse | Parking | Storm Water | Internal |
| | Total | Total | Total | Total | Total | Service Funds |
| Operating revenues: | | | | | | |
| Charges for services | \$ 41,530,048 | \$ 21,647,635 | \$ 21,140,481 | \$ 3,855,031 | \$ 881,642 | \$ 89,054,837 |
| Rental revenues | 6,050 | - | - | 50,326 | - | 56,376 |
| Other revenues | 456,441 | - | 183,741 | 246,140 | 1,987,391 | 2,873,713 |
| Total operating revenues | 41,992,539 | 21,647,635 | 21,324,222 | 4,151,497 | 2,869,033 | 91,984,926 |
| Operating expenses: | | | | | | |
| Personnel services | 14,089,315 | 8,375,757 | 9,883,489 | 2,850,400 | 141,122 | 35,340,083 |
| Services, supplies, and other charges | 18,185,313 | 10,536,790 | 7,925,486 | 1,898,104 | 662,595 | 39,208,288 |
| Depreciation and amortization | 3,602,244 | 4,333,564 | 1,890,949 | 689,393 | 762,256 | 11,278,406 |
| Total operating expenses | 35,876,872 | 23,246,111 | 19,699,924 | 5,437,897 | 1,565,973 | 85,826,777 |
| Operating income (loss) | 6,115,667 | (1,598,476) | 1,624,298 | (1,286,400) | 1,303,060 | 6,158,149 |
| Nonoperating revenues (expenses): | | | | | | |
| Intergovernmental | - | 2,087,991 | 36,713 | 8,864 | 2,432 | 2,136,000 |
| Investment earnings | 220,329 | 125,549 | 174,088 | 25,769 | 17,822 | 563,557 |
| Interest expense and fiscal charges | (2,201,843) | (146,855) | (109,763) | (89,428) | (98,045) | (2,645,934) |
| Gain on sale of capital assets | 1,834 | 5,910 | 101,810 | - | - | 109,554 |
| Total nonoperating revenues (expenses) | (1,979,680) | 2,072,595 | 202,848 | (54,795) | (77,791) | 163,177 |
| Income (loss) before contributions and transfers | 4,135,987 | 474,119 | 1,827,146 | (1,341,195) | 1,225,269 | 6,321,326 |
| Transfers in | 683,714 | 282,260 | 340,029 | 101,973 | - | 1,407,976 |
| Transfers out | (121,677) | (70,076) | (111,354) | (40,224) | (6,139) | (349,470) |
| Total transfers | 562,037 | 212,184 | 228,675 | 61,749 | (6,139) | 1,058,506 |
| Change in net position | 4,698,024 | 686,303 | 2,055,821 | (1,279,446) | 1,219,130 | 7,379,832 |
| Net position: | | | | | | |
| Net Position, beginning of year | 98,724,056 | 83,143,666 | 17,241,166 | 9,210,957 | 10,141,438 | 218,461,283 |
| Net Position, end of year | \$ 103,422,080 | \$ 83,829,969 | \$ 19,296,987 | \$ 7,931,511 | \$ 11,360,568 | \$ 225,841,115 |

The accompanying notes are an integral part of these financial statements

City of Santa Cruz
Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2021

| | Business-type Activities | | | | | Total Enterprise Funds | Governmental Activities - Internal Service Funds |
|--|--------------------------|---------------|---------------|--------------|--------------|------------------------|--|
| | Water | Wastewater | Refuse | Parking | Storm Water | | |
| Cash flows from operating activities: | | | | | | | |
| Cash received from customers and users | \$ 41,271,342 | \$ 21,441,549 | \$ 20,517,884 | \$ 3,794,259 | \$ 2,869,231 | \$ 89,894,265 | \$ 123,979 |
| Cash received from interfund services provided | - | - | - | - | - | - | 28,886,505 |
| Cash payments to suppliers for goods and services | (22,737,045) | (10,367,369) | (7,820,619) | (2,054,433) | (661,802) | (43,641,268) | (32,525,864) |
| Cash payments for employee services and pensions | (13,924,778) | (8,360,709) | (9,946,109) | (2,854,044) | (137,750) | (35,223,390) | (2,290,071) |
| Cash received from others | 462,491 | - | 479,478 | 296,466 | - | 1,238,435 | 643,158 |
| Net cash provided by operating activities | 5,072,010 | 2,713,471 | 3,230,634 | (817,752) | 2,069,679 | 12,268,042 | (5,162,293) |
| Cash flows from noncapital financing activities: | | | | | | | |
| Transfers from other funds | 683,714 | 282,260 | 165,024 | 101,973 | - | 1,232,971 | 36,949 |
| Transfers to other funds | (121,677) | (70,076) | (111,354) | (40,224) | (6,139) | (349,470) | (3,690,045) |
| Receipts from other governments | - | 2,294,116 | 36,713 | 24,727 | 290,313 | 2,645,869 | - |
| Net cash provided (used) by noncapital financing activities | 562,037 | 2,506,300 | 90,383 | 86,476 | 284,174 | 3,529,370 | (3,653,096) |
| Cash flows from capital and related financing activities: | | | | | | | |
| Purchase and construction of capital assets | (42,241,969) | (5,960,592) | (2,346,484) | (416,506) | (6,840) | (50,972,391) | (10,732) |
| proceeds from debt issuance | 48,598,290 | 3,500,000 | 59,418 | 103,564 | - | 52,261,272 | - |
| Principal paid on capital debt | (1,484,813) | (314,519) | (630,274) | (259,587) | (298,077) | (2,987,270) | - |
| Interest paid on capital debt | (2,060,725) | (77,001) | (116,694) | (91,095) | (99,670) | (2,445,185) | - |
| Net cash used by capital and related financing activities | 2,810,783 | (2,852,112) | (3,034,034) | (663,624) | (404,587) | (4,143,574) | (10,732) |
| Cash flows from investing activities: | | | | | | | |
| Interest income received | 110,415 | 125,549 | 174,088 | 25,769 | 17,822 | 453,643 | 213,974 |
| Net cash provided (used) by investing activities | 110,415 | 125,549 | 174,088 | 25,769 | 17,822 | 453,643 | 213,974 |
| Net increase (decrease) in cash and cash equivalents | 8,555,245 | 2,493,208 | 461,071 | (1,369,131) | 1,967,088 | 12,107,481 | (8,612,147) |
| Cash and cash equivalents, beginning of year | 42,146,858 | 18,013,406 | 24,610,700 | 4,483,420 | 1,480,732 | 90,735,116 | 24,815,950 |
| Cash and cash equivalents, end of year | \$ 50,702,103 | \$ 20,506,614 | \$ 25,071,771 | \$ 3,114,289 | \$ 3,447,820 | \$ 102,842,597 | \$ 16,203,803 |
| Reconciliation of cash and cash equivalents to amounts reported on the statement of net position: | | | | | | | |
| Reported on the statement of net position | | | | | | | |
| Cash and investments | \$ 48,571,776 | \$ 17,412,307 | \$ 24,645,450 | \$ 3,114,289 | \$ 3,447,820 | \$ 97,191,642 | \$ 16,203,803 |
| Restricted cash and investments - current | 94,007 | 3,094,307 | 426,321 | - | - | 3,614,635 | - |
| Restricted cash and investments - noncurrent | 2,036,320 | - | - | - | - | 2,036,320 | - |
| Cash and Cash Equivalents - June 30, 2021 | \$ 50,702,103 | \$ 20,506,614 | \$ 25,071,771 | \$ 3,114,289 | \$ 3,447,820 | \$ 102,842,597 | \$ 16,203,803 |

The accompanying notes are an integral part of these financial statements

City of Santa Cruz
Statement of Cash Flows – Proprietary Funds, Continued
Year Ended June 30, 2021

| | Business-type Activities | | | | Business-type Activities | | Governmental |
|---|--------------------------|---------------------|---------------------|---------------------|--------------------------|------------------------|-------------------------------------|
| | Water | Wastewater | Refuse | Parking | Storm Water | Total Enterprise Funds | Activities - Internal Service Funds |
| Reconciliation of operating income/(loss) to net cash provided by operating activities: | | | | | | | |
| Operating income (loss) | \$ 6,115,667 | \$ (1,598,476) | \$ 1,624,298 | \$ (1,286,400) | \$ 1,303,060 | \$ 6,158,149 | \$ (1,331,982) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | | | | |
| Depreciation and amortization | 3,602,244 | 4,333,564 | 1,890,949 | 689,393 | 762,256 | 11,278,406 | 377,407 |
| Estimated closure/postclosure costs | - | - | 295,737 | - | - | 295,737 | - |
| Changes in assets and liabilities and related deferrals: | | | | | | | |
| Accounts receivable | (352,254) | (206,086) | (617,788) | (60,772) | 198 | (1,236,702) | (4,688) |
| Prepaid items | (4,207) | - | 6 | - | - | (4,201) | (783,588) |
| Inventories | - | - | - | - | - | - | 16,314 |
| Notes and loans receivable | (648,367) | - | - | - | - | (648,367) | - |
| Accounts payable and other current liabilities | (4,547,525) | 169,421 | 104,861 | (156,329) | 793 | (4,428,779) | (2,525,019) |
| Unearned revenue | 758,281 | - | (4,809) | - | - | 753,472 | - |
| Deposits payable | (16,366) | - | - | - | - | (16,366) | (1,001,708) |
| Claims and judgments payable | - | - | - | - | - | - | (12,825) |
| Other postemployment benefits liability and related deferral | (150,226) | (96,429) | (130,219) | (19,783) | (601) | (397,258) | 57,430 |
| Net pension liability and related deferrals | 115,734 | 67,931 | 98,875 | 31,859 | 3,973 | 318,372 | 65,263 |
| Compensated absences payable | 199,029 | 43,546 | (31,276) | (15,720) | - | 195,579 | (18,897) |
| Total adjustments | (1,043,657) | 4,311,947 | 1,606,336 | 468,648 | 766,619 | 6,109,893 | (3,830,311) |
| Net cash provided (used) by operating activities | <u>\$ 5,072,010</u> | <u>\$ 2,713,471</u> | <u>\$ 3,230,634</u> | <u>\$ (817,752)</u> | <u>\$ 2,069,679</u> | <u>\$ 12,268,042</u> | <u>\$ (5,162,293)</u> |
| Noncash investing, capital and financing activities: | | | | | | | |
| Increase/(Decrease) in fair value of investments | \$ (218,106) | \$ (109,854) | \$ (175,394) | \$ (37,300) | \$ (9,898) | \$ (550,552) | \$ (125,980) |
| Amortization of bond premiums | (182,349) | - | (8,310) | (25,587) | (2,203) | (218,449) | - |

The accompanying notes are an integral part of these financial statements

Private - Purpose Trust Funds

Private-purpose trust funds are used to report the trust arrangements under which the principal and income benefit the Library Joint Powers Authority. In addition, the City accounts for the assets and liabilities of the former Redevelopment Agency and is allocated revenue to pay estimated installment payments of enforceable obligations until the obligations of the former Redevelopment Agency are paid in full and assets have been liquidated.

Custodial Funds

Custodial funds are used to account for assets held by the City in a custodial capacity. The Library Joint Powers Authority assets are held by the City in a custodial capacity. The Library Joint Powers Authority was legally established for operations of the former City/County library system. The financial activities of these funds are excluded from the government-wide financial statements but are presented in separate fiduciary fund financial statements.

City of Santa Cruz
Statement of Fiduciary Net Position – Fiduciary Funds
June 30, 2021

| | Private- Purpose Trust Funds | Custodial Funds |
|--|------------------------------------|---------------------|
| Assets: | | |
| Cash and investments | \$ 15,179,249 | \$ 6,624,863 |
| Restricted cash and equivalent | 1,736,430 | - |
| Receivables: | | |
| Accounts receivable | - | 522,687 |
| Interest receivable | 2,336 | 3,253 |
| Taxes receivable | - | 790,984 |
| Notes receivable | 310,087 | - |
| Prepaid expenses | - | 10,203 |
| Nondepreciable capital assets | 902,621 | - |
| Depreciable capital assets, net | 6,985,098 | - |
| Total assets | <u>25,115,821</u> | <u>\$ 7,951,990</u> |
| Liabilities: | | |
| Accounts payable and other current liabilities | - | 276,889 |
| Interest payable | 84,775 | - |
| Bonds, notes, loans and leases payable | | |
| due in less than one year | 930,000 | - |
| Bonds, notes, loans and leases payable | | |
| due in more than one year | 5,105,000 | - |
| Total liabilities | <u>6,119,775</u> | <u>276,889</u> |
| Net position: | | |
| Restricted for: | | |
| Held in trust for Library programs | 600,070 | - |
| Held in trust for RDA Successor Agency | 18,395,976 | - |
| Other governments, individuals and organizations | - | 7,675,101 |
| | <u>\$ 18,996,046</u> | <u>\$ 7,675,101</u> |

City of Santa Cruz
Statement of Changes in Fiduciary Net Position – Fiduciary Funds
Year Ended June 30, 2021

| | Private- Purpose Trust Funds | Custodial Funds |
|--|------------------------------------|---------------------|
| Additions: | | |
| Taxes | \$ 2,614,189 | \$ 9,176,532 |
| Member and private contributions | - | 6,524,089 |
| Employer contributions | - | 8,300 |
| Transfers from risk management fund | - | 33,175 |
| Use of money and property | 21,024 | 41,144 |
| Total additions | <u>2,635,213</u> | <u>15,783,240</u> |
| Deductions: | | |
| Library programs | - | 13,012,744 |
| Administrative expenses | 90,129 | - |
| Interest expense | 1,569,278 | - |
| Depreciation expense | 393,930 | - |
| Contractual services | 185,562 | - |
| Total deductions | <u>2,238,899</u> | <u>13,012,744</u> |
| Change in net position | 396,314 | 2,770,496 |
| Net position: | | |
| Net Position, beginning of year, as restated | 18,599,732 | 4,904,605 |
| Net Position, end of year | <u>\$ 18,996,046</u> | <u>\$ 7,675,101</u> |

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Note 1 - Summary of Significant Accounting Policies

The basic financial statements of the City of Santa Cruz, California ("City") have been prepared in conformity with Generally Accepted Accounting Principles ("GAAP") as applied to governmental agencies. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

Reporting Entity

The City was incorporated as a town in 1866 under the laws of the State of California. It became a City in 1876. The City is a charter city administered under a council/manager form of government.

The financial statements present the City and its component units (legally separate entities for which the City is considered to be financially accountable). Component units include those entities for which the City may have governing authority or is in a relationship of financial benefit or burden. Component units also include entities that are fiscally dependent upon the City. The financial activities of these entities are integrally related to those of the City and, therefore, blended with those of the City. Blending involves combining component unit data with City data in the Government- Wide Financial Statements.

Based on the above criteria, the accompanying financial statements include the financial activities of the following entities as blended component units:

Santa Cruz Public Improvement Financing Corporation – The Santa Cruz Public Improvement Financing Corporation ("Corporation") is a non-profit benefit corporation organized and operated under the laws of the State of California. The primary purpose of the Corporation is to serve as a financing vehicle for the City. The City Council is responsible for the operations of the Corporation. Separate financial statements are not prepared for the Corporation.

City of Santa Cruz Public Financing Authority – The City of Santa Cruz Public Financing Authority ("Authority") is a Joint Powers Authority formed February 14, 2006, between the former Redevelopment Agency and the City for the purpose of creating a public agency which could provide financial assistance to the former Redevelopment Agency and the City in connection with the construction of public capital improvements. Separate financial statements are not prepared for the Authority.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, deferred inflows/outflows of resources, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Basis of Accounting and Measurement Focus

The City's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental and business-type activities for the City accompanied by a total column. Fiduciary funds of the City are not included in these statements.

Government-Wide Financial Statements

Government-Wide Financial Statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, including capital assets, as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Additionally, the City allocates a portion of its indirect costs to individual functions. These indirect costs have been included as part of the program expenses reported for the various functional activities. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Certain types of transactions are reported as program revenues for the City. These transactions include:

- Charges for services,
- Operating grants and contributions, and
- Capital grants and contributions.

Certain eliminations have been made in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- Due to/from other funds or advances to/from other funds,
- Transfers in/out, and
- Charges for services reported in the internal service funds.

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major governmental funds aggregated. The City has presented all major funds that meet the applicable criteria. In addition to the General Fund, the City elected to present the RDA Successor Agency – LMIH Special Revenue Fund and the General Capital Improvement Fund as major funds. The General Fund is used to account for sources and uses of financial resources traditionally associated with governments, and which are not required to be accounted for in another fund. The RDA LMIH fund is used to account for housing assets assumed by the City after the dissolution of the former Redevelopment Agency. The fund collects rental revenue restricted for activities related to low income housing. The General Capital Improvement Fund is used to account for capital improvements for which special projects funds have not been established. A portion of the City’s transient occupancy tax receipts, combined with other funding sources, such as grants, provides funding for capital projects of general benefit, such as storm drain improvements or improvements to public buildings.

All governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current resources. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Generally, revenues are considered available if they are collected within 60 days after fiscal year end. If revenues are not subject to accrual, they are recorded when received in cash. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, intergovernmental revenues, and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, pension liabilities, and other postemployment liability, are recorded only when payment is due.

Unavailable revenues arise when potential revenues do not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, these amounts are removed from the balance sheet and the revenues are recognized.

An accompanying schedule is presented to reconcile and explain the differences in fund balance as presented in the Fund Financial Statements to the net position presented in the Government-Wide Financial Statements.

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for each proprietary fund.

A separate column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the Government-Wide Financial Statements. Internal service funds may be used to report any activity that provides goods or services to other funds, departments, or agencies of the primary government. Examples of Internal Service Funds include Equipment Operations and Risk Management fund.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and deferred outflows of resources, liabilities and deferred inflows of resources (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. The City's fiduciary funds consist of private-purpose trust funds and custodial funds. Private-purpose trust funds are used to account for activities legally held in trust for special purposes, such as the McCaskill Trusts for local history and the visually impaired; the Finkeldey Trust for musical literature; the Whalen Estate Trust for the Felton Library Branch; the Robert Leet Corday Estate Trust for the Central Library Branch; the Morley Estate Trust for the La Selva Library Branch; and the Hale Trust for the Scotts Valley Library Branch. Additionally, the Redevelopment Successor Agency Trust fund is used to account for the assets and deferred outflows of resources, liabilities and deferred inflows of resources of the former Redevelopment Agency and is allocated revenue to pay estimated installment payments of enforceable obligations until the obligations of the former Redevelopment Agency are paid in full and assets have been liquidated.

Custodial funds are used to account for custodial activities of the Library Joint Powers Authority.

Use of Restricted/Unrestricted Net Position

Net Position Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Cash, Cash Equivalents, and Investments

For purposes of both, the Statement of Net Position/Balance Sheet and the Statement of Cash Flows, cash and cash equivalents include currency on hand and deposits in the City's cash and investment pool. These deposits have the same characteristics for the participating funds as demand deposit accounts, in that the funds may deposit additional cash at any time and also effectively withdraw cash at any time without prior notice or penalty. Cash and cash equivalents also include restricted cash and money market funds held by fiscal agents. Except for money market funds which are presented at cost, the City's cash and investments are stated at fair value, which is based on a quoted market price. This includes all investments except the City's investment in the California Local Agency Investment Fund ("LAIF"). The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The City valued its investments in LAIF at June 30, 2021, by multiplying its balance by a fair value factor determined by LAIF (1.00008297). This fair value factor was calculated by dividing the total fair value for all participants by the total amortized cost.

Restricted Cash and Investments with Fiscal Agents

Certain restricted cash and investments are held by fiscal agents for the redemption of bonded debt and for acquisition and construction of capital projects. Cash and investments held in a pension stabilization trust are reported as restricted cash and investments.

Prepaid Items

Certain payments applicable to future accounting periods are recorded as prepaid items. Prepaid items are reported under the consumption method, which recognizes the expenditure/expense in the period associated with the goods consumed or the services rendered. Prepaid items do not reflect current appropriable resources and, thus, an equivalent portion of fund balance is reported as nonspendable in governmental funds.

Inventories

Inventories consist of material and supplies which are stated at cost using the first-in, first-out method. Inventories are recognized as expenditures (expense in proprietary funds) when consumed rather than when purchased.

Interfund Transactions

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the long-term portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the Government-Wide Financial Statements as "internal balances."

Capital Assets

Government-Wide Financial Statements

Capital assets are defined by the City as assets having an estimated useful life in excess of one year, and an initial, individual cost in excess of the capitalization thresholds described below:

| | |
|---------------------------------|----------|
| Infrastructure | \$25,000 |
| Buildings and Lease Improvement | 10,000 |
| Land Improvement | 10,000 |
| Machinery and Equipment | 5,000 |
| Software (if qualified) | 5,000 |

All capital assets are valued at historical cost or estimated historical cost if historical cost is not available. Donated capital assets are valued at their acquisition value on the date donated. Assets acquired under capital leases are capitalized in accordance with GAAP. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest accrued during capital assets construction, if any, is capitalized for the business-type activities and proprietary funds as part of the asset cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are not capitalized. Capital assets are reported in the applicable governmental or business-type activities in the Government-Wide Financial Statements.

Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

| | |
|----------------------------------|------------------------------------|
| Land Improvements | 20 years |
| Buildings and Lease Improvements | 15-50 years |
| Water Tanks and Water Mains | 30-50 years |
| Underground Sewer Lines | 50 years |
| Other Infrastructure | 5-100 years |
| Machinery and Equipment | 5-20 years |
| | Software (if qualified) 5 years |

Assets are grouped by asset type into one of the following accounts: land, land improvements, infrastructure (e.g. roads, bridges, sidewalks, and similar items), buildings (and improvements), machinery and equipment, lease improvements, software, and construction in progress.

For all infrastructure systems, the City elected to use the Basic Approach as defined by GAAP for infrastructure reporting. Estimated historical costs were developed in one of three ways: 1) historical records, 2) standard unit costs appropriate for the construction/acquisition date, or 3) present cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the initial reporting period. The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date on a straight line.

Fund Financial Statements

Capital assets are not presented in the governmental fund financial statements; consequently, capital assets are shown as a reconciling item in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.

Interest Payable

In the Government-Wide Financial Statements, interest payable on long-term debt is recognized as the liability is incurred for both, governmental and business-type activities. In the Fund Financial Statements, only proprietary fund types recognize the interest payable when the liability is incurred. Governmental funds recognize interest payable when due.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report 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 City has three items that qualify for reporting in this category. One is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding 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 other deferred outflows of resources is related to pensions and other postemployment liabilities.

In addition to liabilities, the statement of net position and governmental balance sheet will sometimes report 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 City has three items that qualify for reporting in this category. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from sales taxes and grant revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other deferred inflows of resources reported on the statement of net position is related to pensions and other postemployment liabilities.

Compensated Absences

The City has accumulated unpaid regular vacation leave (for all departments) which is accounted for in accordance with GAAP. The maximum accumulation of vacation leave is limited to the total number of hours accruable during two years. Employees are paid 100% of their accumulated vacation pay when they terminate their employment for any reason. Employees are allowed a partial payoff of accumulated sick leave up to a certain maximum amount.

The City accrues for compensated absences in the government-wide financial statements and proprietary fund financial statements for which they are liable to make payment directly. The General, Internal Service, Water, Wastewater, Refuse, and Parking Funds incurred costs associated with compensated absences during the fiscal year. Compensated absences are liquidated by the fund that has recorded the liability. The long-term portion of governmental activities' compensated absences is liquidated primarily by the General Fund.

Bond Premiums and Discounts

For governmental funds, bond premiums and discounts are recognized during the current period. Bond proceeds are reported as other financing sources net of the applicable premium or discount. Bond premiums and discounts are reported as a component of long-term debt and amortized over the life of the bonds using the straight-line method on the proprietary funds and government-wide financial statements.

Long-Term Debt

Government-Wide Financial Statements - Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental and business-type activities.

Fund Financial Statements - With the exception of advances from other funds, the governmental fund financial statements do not present long-term liabilities. Consequently, long-term debt is shown as a reconciling item in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.

Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension liability and deferred outflows of resources/deferred inflows of resources related to OPEB/pension and OPEB liabilities expense, information about the fiduciary net position of the City's defined benefit retirement plan, California Public Employees' Retirement System (CalPERS)/OPEB and additions to/deductions from the Plans' 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. Pension liabilities will be paid by the fund for which the employee worked.

Net Position

In the Government-Wide Financial Statements, net position is classified in the following categories:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Position – This amount is the portion that does not meet the definition of "net investment in capital assets" or "restricted net position."

Fund Balances

In the Fund Financial Statements, governmental funds report nonspendable fund balances for amounts that are not available for appropriation and restricted fund balances for amounts that are legally restricted by outside parties for use for a specific purpose. Fund balance is reported in classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in government funds. Fund balance is classified into five categories: nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.

The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

Nonspendable – This category includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted – This category consists of amounts that have constraints placed on them either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed – This category consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council through approval of Resolutions. Formal action is taken with the passage of a simple majority vote at or prior to the last meeting for the applicable fiscal year. It also includes contractual obligations for which existing resources have been committed. Those committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action it employed previously to commit those amounts.

Assigned – This category consists of amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. Such intent should be expressed by the City Council or its designated officials, such as the City Manager or the Finance Director, to assign amounts to be used. Constraints imposed on the use of assigned amounts can be removed with no formal Council action. The City Manager and the Finance Director have been given authority by City Council to assign funds.

Unassigned – This category represents amounts that have not been restricted, committed, or assigned to specific purposes.

Property Taxes

Assessed property values are determined annually by the County Assessor as of March 1, and become a lien on real property at January 1. Taxes are levied on July 1 and are payable in two installments on November 1 and February 1, and are delinquent if not paid by December 10 and April 10, respectively.

The County bills and collects property taxes and remits them to the City under the State-authorized method of apportioning taxes whereby all local agencies, including cities, receive from the county their respective shares of the amount of ad valorem taxes collected. Property tax revenues are recognized when levied, provided the measurement and availability criteria have been met.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the amounts reported and the disclosure of contingent assets, liabilities, and deferred inflows and outflows. In addition, estimates affect the reported amount of revenues, expenditures/expenses, and disclosures. Actual results could differ from these estimates and assumptions.

New Accounting Pronouncements

Effective this Fiscal Year

GASB Statement No. 84 – In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how governments should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. The impact to the City resulted in a reclassification of assets and liabilities. The effect of the implementation of this standard resulted in an increase of cash and investments, and accounts payable of \$499,995 in the general fund, and governmental activities. In addition, resulted in a \$4,904,605 increase on beginning net position for the custodial funds as of July 1, 2020. The resulting restatement of the custodial funds net position is presented in footnote 16.

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 Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. The primary objectives of this statement are to increase consistency and comparability related to the reporting of fiduciary component units; mitigate costs associated with the reporting; and 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 requirements of this statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this statement that provide that the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. This Statement did not have an impact on the financial statements.

GASB Statement No. 98 – In October 2021, GASB issued Statement No. 98, *the Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021, or the fiscal year 2022/2023. Earlier implementation is encouraged. The City implemented the provisions of this statement effective July 1, 2020.

Effective in Future Fiscal Years

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 by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Statement is effective for the reporting periods beginning after December 15, 2020, or fiscal year 2021-22. The City is evaluating the impact of this Statement on the 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*. GASB Statement No. 89 requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred and no longer included in the historical cost of capital assets. The new standard is effective for periods beginning after December 15, 2020. Application of this statement is effective for the City's year ending June 30, 2022

GASB Statement No. 91 – In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. GASB Statement No. 91 clarifies the definition of conduit debt and establishes new recognition, measurement, and disclosure requirements. The new standard is effective for periods beginning after December 15, 2021. Application of this statement is effective for the City's year ending June 30, 2023.

GASB Statement No. 92 – In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to establish accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021 or fiscal year 2021-22, except for Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. The City is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 93 – In May 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objectives of this Statement is to address those and other accounting and reporting implications resulting from the replacement of an IBOR by providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced and providing clarification to the hedge accounting termination provisions, removing LIBOR as a benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap, identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap and providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021 or FY 2021/2022, except the removal of LIBOR as a benchmark interest rate which is effective for periods beginning after December 31, 2022 or fiscal year 2022-23. The City is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 94 – In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objectives of this Statement improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022 or fiscal year 2022-23. The City is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 96 – In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objectives 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). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022 or fiscal year 2022-23. The City is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 98 - In October 2021, GASB issued Statement No. 98, the Annual Comprehensive Financial Report. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021, or the fiscal year 2022/2023. Earlier implementation is encouraged. The City implemented the provisions of this statement effective July 1, 2020.

Note 2 - Cash Deposits and Investments

The following is a summary of cash, cash equivalents, and investments, including restricted cash and investments with fiscal agents at June 30, 2021:

| | Government-Wide Statement of Net Position | | | Statement of | |
|---|---|----------------|----------------|---------------|----------------|
| | Governmental | Business-Type | Total | Fiduciary | Total |
| | Activities | Activities | | Net Position | |
| Unrestricted assets: | | | | | |
| Cash and cash equivalents | \$ 69,653,693 | \$ 97,191,642 | \$ 166,845,335 | \$ 21,804,112 | \$ 188,649,447 |
| Total unrestricted assets | 69,653,693 | 97,191,642 | 166,845,335 | 21,804,112 | 188,649,447 |
| Restricted assets: | | | | | |
| Cash and cash equivalents | 10,633,745 | 3,614,635 | 14,248,380 | 1,736,430 | 15,984,810 |
| Cash and investments with fiscal agents | - | 2,036,320 | 2,036,320 | - | 2,036,320 |
| Total restricted assets | 10,633,745 | 5,650,955 | 16,284,700 | 1,736,430 | 18,021,130 |
| Total cash and investments | \$ 80,287,438 | \$ 102,842,597 | \$ 183,130,035 | \$ 23,540,542 | \$ 206,670,577 |

The City pools its available cash for investment purposes. Investment income from this pool is allocated to each fund based on its proportionate share of the pool. Cash and investments not pooled include bond proceeds held by fiscal agents and other amounts required to be segregated by bond indentures or other regulations. Investment income from cash and investments with fiscal agents is credited directly to the related fund. Cash, cash equivalents, and investments consisted of the following at June 30, 2021:

| | |
|--|----------------|
| Unrestricted cash and deposits: | |
| Pooled cash deposits | \$ 20,721,779 |
| Other deposits and cash held by city | 64,028 |
| Total cash and deposits | 20,785,807 |
| Certificates of deposit | 306,514 |
| Money market mutual funds available for debt service | 419 |
| Federal agency securities | 18,045,300 |
| State local agency investment fund (LAIF) | 149,511,407 |
| Total unrestricted investments | 188,649,447 |
| Restricted investments: | |
| Money market held by fiscal agents | 9,417,596 |
| Mutual funds | 8,603,534 |
| Total restricted investments | 18,021,130 |
| Total cash, cash equivalents, and investments | \$ 206,670,577 |

Cash Deposits

The total bank balance was collateralized or insured with securities held by the pledging financial institutions. The California Government Code requires California financial institutions to secure the local governments cash deposits by pledging securities in an undivided collateral pool. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor.

The market value of pledged securities must equal at least 110% of the City's cash deposits in the pool. California law also allows institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the pool's total cash deposits. The City may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation.

The City waived the collateral requirements for three of its certificates of deposit with the condition that sufficient collateral be maintained for all amounts in excess of insured levels. As of June 30, 2021, the balances of these certificates of deposit were: Comerica Bank \$100,807; Lighthouse Bank \$104,084; and Santa Cruz County Bank \$101,623.

Investments

The investments made by the City treasurer are limited to those allowable under State statutes as incorporated into the City's Investment Policy, most recently approved by City Council on August 13, 2019, which is more conservative than that allowed by State statute.

The scope of the investment policy includes all activities of the City and the following reporting entities:

- City of Santa Cruz, which includes the City acting in its capacity as Successor Agency to the former Redevelopment Agency of the City of Santa Cruz
- Santa Cruz Public Financing Authority
- Santa Cruz Public Improvement Financing Corporation

Under provisions of this policy, the City is authorized to invest in the following types of investments:

- Money market accounts deposited with a nationally or state-chartered bank.
- Bonds issued by the City. Purchases of this type shall not exceed five years to maturity.
- U.S. Treasury bills, notes, bonds, or certificates of indebtedness, or those securities backed by the full faith and credit of the U.S. Government with maturities not to exceed five years.
- Obligations, participations, or other instruments of, or issued by, a Federal agency or a United States government-sponsored enterprise with maturities not to exceed five years.
- Bankers' acceptances with a term not to exceed 180 days' maturity or 40% of the City's portfolio.
- Nonnegotiable and nontransferable certificates of deposit issued by the following types of financial institutions which have branch office locations within Santa Cruz County: a nationally or state-chartered bank, a state or federal credit union, or a federally or state-licensed branch of a foreign bank. Purchases may not exceed 30% of the City's portfolio with no more than 5% of the portfolio deposited with a single issuer.
- State of California Local Agency Investment Fund (LAIF) as long as the total amount of City funds invested does not exceed the limit set by LAIF.
- Shares of beneficial interest issued by diversified management companies investing in authorized securities and obligations (e.g., money market mutual funds). Purchases shall not exceed 20% of the portfolio with no more than 10% of the portfolio in a single mutual fund.
- Repurchase agreements with primary dealers of the Federal Reserve with specific terms and conditions. The market value of securities that underlie a repurchase agreement shall be valued at 102% or greater of the funds borrowed against those securities, and the value shall be adjusted no less than quarterly. Securities that can be pledged for collateral consist only of investments permitted within this policy with a maximum maturity of five years. Purchases shall not exceed 92 days to maturity and 20% of the portfolio.
- The provisions above do not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements. In addition, the provisions above do not apply to the City's section 115 trust, which was established and approved by the City council.

Bond proceeds held by fiscal agents to be used only for specific capital outlay, payments of certain long-term debt and maintaining required reserves are invested in accordance with the requirements and restrictions of the City's investment policy unless provided for otherwise by the City Council and as permitted by specific State statutes, applicable City ordinance or resolution, and bond indenture requirements.

California Local Agency Investment Fund – The City is a participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in the LAIF pool is reported in the statements provided at amounts based on the City's pro-rata share of the fair value provided by LAIF, for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdraw is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis, which is different from the fair value of the City's position in the LAIF pool. The fund is subject to regulatory oversight by the State of California and is not registered with the SEC.

Fair Value Hierarchy – The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 2 – Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. Level 3 inputs are significant unobservable inputs. Investments in LAIF are uncategorized as deposits and withdrawals are made on the basis of \$1 and not fair value.

The City has the following recurring fair value measurements as of June 30, 2021:

| | | Level | | | Not subject to fair value or Uncategorized |
|-----------------------------|-----------------------|-------------|---------------------|-------------|--|
| | | 1 | 2 | 3 | |
| Certificates of Deposit | \$ 306,514 | \$ - | \$ - | \$ - | \$ 306,514 |
| Federal Government Agencies | 18,045,300 | - | - | - | 18,045,300 |
| LAIF | 149,511,407 | - | - | - | 149,511,407 |
| Money Market | 9,418,015 | - | - | - | 9,418,015 |
| Mutual Funds | 8,603,534 | - | 8,603,534 | - | - |
| Cash and Deposits | 20,785,807 | - | - | - | 20,785,807 |
| Total | <u>\$ 206,670,577</u> | <u>\$ -</u> | <u>\$ 8,603,534</u> | <u>\$ -</u> | <u>\$ 198,067,043</u> |

Risk Disclosures

Interest Rate Risk - In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to two and one-half (2½) years or less. The City is in compliance with this provision of the investment policy with a weighted average maturity of 81 days at June 30, 2021. At June 30, 2021, the City had the following investment maturities:

| Investment Type | Fair Value | No Maturity | Investment Maturities in Years | | |
|------------------------------|-----------------------|----------------------|--------------------------------|---------------------|----------------------|
| | | | < 1 Year | 1-2 Years | 4-5 Years |
| Federal Government Agencies | \$ 18,045,300 | \$ - | \$ 5,030,540 | \$ 2,031,080 | \$ 10,983,680 |
| Certificates of Deposit | 306,514 | - | - | 306,514 | - |
| Local Agency Investment Fund | 149,511,407 | - | 149,511,407 | - | - |
| Money Market | 9,418,015 | 9,418,015 | - | - | - |
| Mutual Funds | 8,603,534 | 8,603,534 | - | - | - |
| Cash and Deposits | 20,785,807 | 20,785,807 | - | - | - |
| Total | <u>\$ 206,670,577</u> | <u>\$ 38,807,356</u> | <u>\$ 154,541,947</u> | <u>\$ 2,337,594</u> | <u>\$ 10,983,680</u> |

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations - Investments in callable bonds are investments that, although having clearly defined maturities, allow for the issuer to redeem or call such bonds earlier than their respective maturity dates. The investor must then replace the called bonds with investments that may have lower yield than the original bonds. As a result, the fair value of the callable bonds is highly sensitive to changes in interest rates. As of June 30, 2021, the City held \$10,983,680 in callable securities, which amounted to approximately 4% of investments at June 30, 2021. The investment policy limits the purchase of callable U.S. Agency instruments to discreet calls and those that pay 100% of the principal at the redemption date. In addition, purchases of callable U.S. Agency instruments are not to exceed 30% of the value of the portfolio. The City is in compliance with these provisions of the investment policy.

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City manages credit risk by evaluating and pre-qualifying banks and primary dealers and by investing in securities with top ratings issued by nationally recognized statistical rating organizations. The City's investments are rated as follows:

| | <u>Moody's</u> | <u>Standard and Poor's</u> |
|--|----------------|----------------------------|
| <u>U.S. Agencies</u> | | |
| Federal Farm Credit Bank | Aaa | AA+* |
| Federal Home Loan Bank | Aaa | AA+* |
| Federal Home Loan Mortgage Corporation | Aaa | AA+* |
| Federal National Mortgage Association | Aaa | AA+* |
| *Standard & Poor's downgraded these investments from AAA to AA+ on August 5, 2011. | | |
| <u>U.S. Treasury Money Market Mutual Funds</u> | | |
| BlackRock - T-Fund | Aaa-mf | AAAm |
| Federated Government Obligations Fund | Aaa-mf | AAAm |
| <u>Other Money Market Funds</u> | | |
| Dreyfus California AMT-Free Muni Fund | Not Rated | Not Rated |
| <u>External Pool</u> | | |
| State of California - Local Agency Investment Fund | Not Rated | Not Rated |
| <u>Pension Stabilization Mutual funds</u> | | |
| | Not Rated | Not Rated |
| <u>US Treasury Bonds</u> | | |
| | Exempt | Exempt |

The City's investment policy requires that the management company of mutual funds must have attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations. Although the investment in the Dreyfus California AMT-Free Muni Fund is not rated, and therefore, not in compliance with the City's policy, it was authorized by City Council and City Officials as a necessary investment to preserve the tax- exempt status of the related bond proceeds.

Concentration of Credit Risk – The City's investment policy states that not more than 25% of the portfolio shall be invested in any one entity or any one instrument to protect the City from concentration of credit risk, with the following exceptions: U.S. Treasury Obligations and the external investment pool (LAIF). In addition, purchases of mutual funds must not exceed 20% of the value of the portfolio. Purchases in a single mutual fund may not exceed 10% of the value of the portfolio. The City is in compliance with these provisions of the investment policy. The City did not maintain investments in any one issuer (other than U.S. Treasury securities and external investment pools) that represent 5% or more of total investments at June 30, 2021.

Custodial Credit Risk – For deposits, custodial credit risk is the risk that, in the event of the failure of a deposit financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the provision for deposits stated in Note 2A. \$20,760,655 of the City's deposits with financial institutions in excess of federal depository insurance limits was held in collateralized accounts.

Note 3 - Notes and Loans Receivables

Government-Wide Statements

The following is a summary of notes and loans receivables net of allowances at June 30, 2021:

| | Notes Receivables | Loans Receivables | Total | Amount Due Within One Year | Amount Due in More Than One Year |
|-----------------------------|----------------------|----------------------|----------------------|----------------------------------|--|
| Governmental Funds: | | | | | |
| General Fund | \$ 2,987,852 | \$ - | \$ 2,987,852 | \$ 417,846 | \$ 2,570,006 |
| RDA Successor Agency - LMIH | 11,519,592 | - | 11,519,592 | - | 11,519,592 |
| Other Governmental Funds | 358,037 | 2,577,024 | 2,935,061 | 1,920 | 2,933,141 |
| Total Governmental Funds | <u>14,865,481</u> | <u>2,577,024</u> | <u>17,442,505</u> | <u>419,766</u> | <u>17,022,739</u> |
| Proprietary Funds: | | | | | |
| Water | 1,049,425 | - | 1,049,425 | - | 1,049,425 |
| Total loans and notes | <u>\$ 15,914,906</u> | <u>\$ 2,577,024</u> | <u>\$ 18,491,930</u> | <u>\$ 419,766</u> | <u>\$ 18,072,164</u> |

* Some of those receivables are from other governments and therefore are reported in the intergovernmental line item on the statement of net position

Fund Financial Statements

At June 30, 2021, the Fund Financial Statements show the following notes, loans, and intergovernmental receivables:

Notes Receivable in the General Fund of \$2,987,852 (net of an allowance for doubtful amounts of \$576,348) consist primarily of \$927,651 due from SC Warriors LLC for construction of a temporary arena facility and \$1,085,918 due from Santa Cruz Solar One, LLC for installation of solar panels on various City facilities. The Warrior's note accrues interest at 3% per annum and was approved by council for a one year extension which matures on 9/17/2022. Payments on the Solar One note are due monthly at an interest rate of 4%. The added two in the current year for 350 Ocean St., \$300,000, and \$70,072 for 712 Water St. The remaining balance is made up of an (uncollectible) note to Neary Lagoon Partners in the amount of \$208,800, which accrues interest at 2.25% per annum; a note from Economic Development's Microloan Program for \$246,642; a note to First Night Santa Cruz for \$20,000; Harvey West Assessment District notes in the amount of \$52,723 with an interest rate of 6.8%; and \$70,000 in loans with an interest rate of 4.5% to two borrowers participating in the Accessory Dwelling Unit Loan Program. No periodic payments on these loans are required until the occurrence of any triggering event as specified in the loan agreement. Some notes are secured by a deed of trust. In addition, the City recognizes a note receivable from the State for reimbursable state-mandated costs in the amount of \$481,488 and various other (doubtful) notes in the amount of \$100,906.

Notes Receivable in the City's RDA Successor Agency - LMIH fund of \$11,519,592 (net of an allowance for uncollectible amounts of \$337,575), is made up of loans for low/moderate income housing projects. These loans were made with tax increment revenue from the former Redevelopment Agency. There are several types of loan repayment for these notes: due upon sale or transfer, a percentage of residual receipts from property operations, and no repayment if the property remains in use for low/moderate income housing for a specified time period. Interest rates range from 0% to 3.75%. The notes are all secured by a deed of trust.

Notes and Loans Receivable in the other governmental funds consist of loans of \$2,935,061 (net of an allowance for uncollectible amounts of \$13,410,614) for rehabilitation of low/moderate income housing. The bulk of these loans were made with Federal funds from the Department of Housing and Urban Development. There are various types of loan repayment schedules: monthly installments, due upon sale or transfer, deferred to a future date when monthly repayment will begin, a percentage of residual receipts from property operations, and no repayment if the property remains in use for low/moderate income housing for a specified time period. Interest rates range from 0% to 7%. The loans are all secured by a deed of trust on the property being rehabilitated.

Notes Receivable in the enterprise funds total \$1,049,425, which represents a note in the Water Enterprise Fund due from Neary Lagoon Partners for water system connection fees pertaining to a low/moderate income housing project. This note bears interest at a rate of 2.25% per annum, and repayment is deferred until 12/1/2067.

Allowance for Uncollectible Notes and Loans - When considerable uncertainty exists as to the collectability of a note (as determined by management) due to the terms of the loan or other factors, it is offset by an allowance for uncollectible amounts.

Note 4 - Deposits

The City had deposits in the amount of \$4,243,587 at June 30, 2021:

| | |
|-------------------------------|----------------------------|
| Governmental Activities: | |
| Housing Programs | \$ 70,602 |
| Mailing House | 12,100 |
| Economic Development | 260,851 |
| Workers' Compensation | 230,000 |
| Liability Insurance | 3,640,034 |
| Total Governmental Activities | <u>4,213,587</u> |
| Business-type Activities: | |
| Parking | 30,000 |
| Total Deposits | <u><u>\$ 4,243,587</u></u> |

Governmental Activities

Deposits in the City's governmental funds total \$4,213,587 at June 30, 2021. A deposit in the amount of \$70,000 was established with the Santa Cruz Community Credit Union for the purpose of maintaining an Accessory Dwelling Unit Loan Program. The deposit has accumulated interest of \$602 for a total deposit at June 30, 2021 of \$70,602. A deposit in the amount of \$12,100 has been placed with the City's outside mailing company. A deposit in the amount of \$500,000 was established with the Santa Cruz Community Credit Union for the purpose of giving small business loans to local business through Economic Development's Microloan Program. There was a total of \$498,500 in loans distributed. The deposit has accumulated interest of \$1,500 over the original balance of \$259,351 for a total deposit at June 30, 2021 of \$260,851. In FY 2005, the Workers Compensation Internal Service Fund established a deposit in the amount of \$160,000 with the Sedgwick CMS which equals approximately 6 weeks of expected claims. In FY 2019, Sedgwick changed banks and required a new Workers Compensation deposit. Claims will be paid from this deposit and then invoiced to the City in order to replenish the deposit back to \$160,000. In FY 2019 the amount increased by \$70,000 to \$230,000. As referenced in the Risk Management and Self Insurance Note, the City is self-insured for up to \$1,000,000. At June 30, 2021 the City had a deposit in the amount of \$3,640,034 with ACCEL.

Business-type Activities

In Fiscal Year 2005, a deposit in the amount \$30,000 was established with Katzoff & Riggs relating to a Commingled Plume Investigation and Remediation settlement between the City and Friend, Friend & Friend, L.P.

Note 5 - Interfund Balances and Transactions

Government-Wide Financial Statements

Transfers

The City had the following transfers for the year ending June 30, 2021:

| | |
|---|--|
| | Transfers In Governmental Activities |
| Transfers Out Business-Type Activities | \$ (1,058,506) |

Transfers between Governmental Activities and Business-Type Activities are to the Capital Improvement Fund from the Enterprise funds.

Funds Financial Statements

Long-Term Advances

The City had the following long-term advances as of June 30, 2021:

| Advances to Other Funds | Advances from Other Funds | | | |
|---------------------------------|---------------------------|-------------------|---------------------|----------------------|
| | General | LMIH | Risk Mgmnt | |
| | Fund | Successor | Internal | |
| | | Agency Fund | Service Fund | Total |
| General Fund | \$ - | \$ - | \$ 4,844,531 | \$ 4,844,531 |
| General CIP | 2,509,687 | - | 3,000,000 | 5,509,687 |
| Non-Major Governmental Funds | - | 500,000 | - | 500,000 |
| Total | <u>\$ 2,509,687</u> | <u>\$ 500,000</u> | <u>\$ 7,844,531</u> | <u>\$ 10,854,218</u> |

Long-term advances consist of 1) from the Risk Management Internal Service Fund to the General Fund for various projects; 2) from the General Fund and the Risk Management Internal Service Fund to the General Capital Improvement Fund to fund various projects; and 3) from Low and Moderate Housing (LMIH) Fund to the Affordable Housing and Community Development Fund to fund housing projects.

Transfers In/Out

The City had the following transfers for the year ending June 30, 2021:

| | Transfers In | | | | | | | | | |
|---------------------------|---------------------|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|------------------|---------------------|
| | General | Capital | Non-Major | Water | Wastewater | Refuse | Parking | Equipment | Library | |
| | Fund | Improvement | Governmental | Fund | Fund | Fund | Fund | Operations | Joint Powers | Total |
| | | Fund | Funds | | | | | Fund | Authority | |
| Governmental Funds: | | | | | | | | | | |
| General Fund | \$ - | \$ 950,468 | \$ - | \$ 1,169 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 951,637 |
| Non-Major | | | | | | | | | | |
| Governmental Funds | 98,534 | 1,163,794 | 429,045 | - | - | - | 57,379 | - | - | 1,748,752 |
| Enterprise Funds: | | | | | | | | | | |
| Water | 28,296 | 93,381 | - | - | - | - | - | - | - | 121,677 |
| Wastewater | 38,118 | 31,958 | - | - | - | - | - | - | - | 70,076 |
| Refuse | 92,386 | 18,968 | - | - | - | - | - | - | - | 111,354 |
| Parking | 24,379 | 15,845 | - | - | - | - | - | - | - | 40,224 |
| Storm Water | - | 6,139 | - | - | - | - | - | - | - | 6,139 |
| Internal Service Funds | | | | | | | | | | |
| Equipment Operations Fund | 11,462 | - | - | - | - | - | - | - | - | 11,462 |
| Risk Management Fund | 2,070,336 | 178,583 | 10,112 | 682,545 | 282,260 | 340,029 | 44,594 | 36,949 | 33,175 | 3,678,583 |
| Total | <u>\$ 2,363,511</u> | <u>\$ 2,459,136</u> | <u>\$ 439,157</u> | <u>\$ 683,714</u> | <u>\$ 282,260</u> | <u>\$ 340,029</u> | <u>\$ 101,973</u> | <u>\$ 36,949</u> | <u>\$ 33,175</u> | <u>\$ 6,739,904</u> |

Transfers are used to 1) move revenues from the various funds to the General Capital Improvement Fund for financing various capital projects; 2) to move monies from Non-Major Governmental Funds to the General Fund to partially fund capital projects; 3) to move monies from various Enterprise funds to the General Fund to contribute to the after-hours call duty program; 4) to move monies from the Equipment Operations Fund to the General Fund for purchase of equipment; 5) to move monies from the Traffic Impact Fee to Measure D (gas tax); 6) to move monies from the Risk Management Fund to various funds for costs associated with self-insurance; 7) to move monies from the General Fund to the Water Fund for carbon reduction costs; and 8) to move monies from the Measure D to the Parking Fund to partially fund capital projects.

Note 6 - Capital Assets

Government-Wide Financial Statements

At June 30, 2021 the City's capital assets consisted of the following:

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|-----------------------|
| Capital Assets: | | | |
| Capital assets, not being depreciated: | | | |
| Land | \$ 74,310,760 | \$ 2,662,704 | \$ 76,973,464 |
| Construction in progress | 2,467,012 | 95,261,605 | 97,728,617 |
| Total capital assets, not being depreciated | <u>76,777,772</u> | <u>97,924,309</u> | <u>174,702,081</u> |
| Capital assets, being depreciated: | | | |
| Land improvements | 23,193,901 | 4,999,522 | 28,193,423 |
| Infrastructure | 235,749,306 | 240,119,583 | 475,868,889 |
| Buildings | 61,894,309 | 170,892,176 | 232,786,485 |
| Machinery and equipment | 25,518,208 | 53,766,562 | 79,284,770 |
| Lease improvements | 545,943 | 70,000 | 615,943 |
| Intangibles | 1,218,025 | 1,242,658 | 2,460,683 |
| Total capital assets, being depreciated | <u>348,119,692</u> | <u>471,090,501</u> | <u>819,210,193</u> |
| Total capital assets | <u>424,897,464</u> | <u>569,014,810</u> | <u>993,912,274</u> |
| Less accumulated depreciation: | | | |
| Land improvements | (12,843,102) | (2,055,142) | (14,898,244) |
| Infrastructure | (168,025,905) | (121,257,795) | (289,283,700) |
| Buildings | (26,107,417) | (103,457,458) | (129,564,875) |
| Machinery and equipment | (19,018,453) | (36,883,838) | (55,902,291) |
| Lease improvements | (545,943) | (55,829) | (601,772) |
| Intangibles | (1,206,051) | (1,233,349) | (2,439,400) |
| Total accumulated depreciation | <u>(227,746,871)</u> | <u>(264,943,411)</u> | <u>(492,690,282)</u> |
| Total capital assets, net | <u>\$ 197,150,593</u> | <u>\$ 304,071,399</u> | <u>\$ 501,221,992</u> |

Governmental Activities

The following is a summary of capital assets for governmental activities:

| | Balance July 1, 2020 | Additions | Deletions | Balance June 30, 2021 |
|--|-------------------------|----------------------|------------------------|--------------------------|
| Governmental Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 72,182,011 | \$ 2,128,749 | \$ - | \$ 74,310,760 |
| Construction in progress | 11,822,523 | 736,789 | (10,092,300) | 2,467,012 |
| Subtotal: | <u>84,004,534</u> | <u>2,865,538</u> | <u>(10,092,300)</u> | <u>76,777,772</u> |
| Capital assets, being depreciated: | | | | |
| Land improvements | 22,300,158 | 893,743 | - | 23,193,901 |
| Infrastructure | 224,286,946 | 11,462,360 | - | 235,749,306 |
| Buildings | 57,777,850 | 4,116,459 | - | 61,894,309 |
| Machinery and equipment | 24,360,394 | 1,722,658 | (564,844) | 25,518,208 |
| Lease improvements | 545,943 | - | - | 545,943 |
| Software | 1,218,025 | - | - | 1,218,025 |
| Subtotal: | <u>330,489,316</u> | <u>18,195,220</u> | <u>(564,844)</u> | <u>348,119,692</u> |
| Total capital assets | <u>414,493,850</u> | <u>21,060,758</u> | <u>(10,657,144)</u> | <u>424,897,464</u> |
| Less accumulated depreciation: | | | | |
| Land improvements | (11,860,622) | (982,480) | - | (12,843,102) |
| Infrastructure | (164,763,748) | (3,262,157) | - | (168,025,905) |
| Buildings | (24,654,411) | (1,453,006) | - | (26,107,417) |
| Machinery and equipment | (18,330,962) | (1,250,524) | 563,033 | (19,018,453) |
| Lease improvements | (560,273) | - | 14,330 | (545,943) |
| Software | (1,198,403) | (7,648) | - | (1,206,051) |
| Total accumulated depreciation | <u>(221,368,419)</u> | <u>(6,955,815)</u> | <u>577,363</u> | <u>(227,746,871)</u> |
| Total capital assets, net | <u>\$ 193,125,431</u> | <u>\$ 14,104,943</u> | <u>\$ (10,079,781)</u> | <u>\$ 197,150,593</u> |

Depreciation expense of the governmental activities for the year ended June 30, 2021 was \$6,955,815 and was distributed as follows:

| | |
|---|---------------------|
| General Government | \$ 77,537 |
| Public Safety | 789,078 |
| Parks and Recreation | 1,432,019 |
| Library - City | 343 |
| Public Works | 3,688,741 |
| Community & Economic Development | 590,690 |
| Total depreciation expense- general government | <u>6,578,408</u> |
| Internal Service Funds | 377,407 |
| Total depreciation expense- governmental activities | <u>\$ 6,955,815</u> |

Business-Type Activities

The following is a summary of capital assets for business-type activities:

| | Balance July 1, 2020 | Additions | Deletions | Balance June 30, 2021 |
|--|-------------------------|----------------------|----------------------------|--------------------------|
| Business-Type Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 2,662,704 | \$ - | \$ - | \$ 2,662,704 |
| Construction in process | 54,017,443 | 46,125,720 | (4,881,558) ⁽¹⁾ | 95,261,605 |
| Subtotal: | <u>56,680,147</u> | <u>46,125,720</u> | <u>(4,881,558)</u> | <u>97,924,309</u> |
| Capital assets, being depreciated: | | | | |
| Land improvements | 4,999,522 | - | - | 4,999,522 |
| Infrastructure | 238,118,411 | 2,001,172 | - | 240,119,583 |
| Buildings | 169,136,369 | 1,755,807 | - | 170,892,176 |
| Machinery and equipment | 48,222,972 | 6,080,804 | (537,214) | 53,766,562 |
| Lease improvements | 70,000 | - | - | 70,000 |
| Software | 1,242,658 | - | - | 1,242,658 |
| Subtotal: | <u>461,789,932</u> | <u>9,837,783</u> | <u>(537,214)</u> | <u>471,090,501</u> |
| Total capital assets | <u>518,470,079</u> | <u>55,963,503</u> | <u>(5,418,772)</u> | <u>569,014,810</u> |
| Less accumulated depreciation: | | | | |
| Land improvements | (1,843,195) | (211,947) | - | (2,055,142) |
| Infrastructure | (116,914,199) | (4,343,596) | - | (121,257,795) |
| Buildings | (99,958,437) | (3,499,021) | - | (103,457,458) |
| Machinery and equipment | (34,226,381) | (3,194,671) | 537,214 | (36,883,838) |
| Lease improvements | (51,879) | (3,950) | - | (55,829) |
| Software | (1,208,128) | (25,221) | - | (1,233,349) |
| Total accumulated depreciation | <u>(254,202,219)</u> | <u>(11,278,406)</u> | <u>537,214</u> | <u>(264,943,411)</u> |
| Total capital assets, net | <u>\$ 264,267,860</u> | <u>\$ 44,685,097</u> | <u>\$ (4,881,558)</u> | <u>\$ 304,071,399</u> |

Business-type activities depreciation expense for the year ended June 30, 2021 is as follows:

| | |
|----------------------------|----------------------|
| Water | \$ 3,602,244 |
| Wastewater | 4,333,564 |
| Refuse | 1,890,949 |
| Parking | 689,393 |
| Storm Water | 762,256 |
| Total depreciation expense | <u>\$ 11,278,406</u> |

Note 7 - Long-Term Debt

Government Activities

For the year ended June 30, 2021, long-term debt for governmental activities consisted of the following amounts:

| Description/Purpose | Maturity | Interest Rates | Annual Principal Installments | Original Issue Amount | Balance at June 30, 2021 |
|--|-------------------|----------------|-------------------------------|------------------------------|--------------------------|
| <i>Compensated Absences</i> | | | | | |
| Accumulated, unpaid vacation, holiday and comp time leave | n/a | n/a | n/a | n/a | \$ 4,973,513 |
| <i>Claims and Judgments</i> | | | | | |
| Liability and workers compensation claims paid by Risk Management internal service fund | n/a | n/a | n/a | n/a | 13,538,618 |
| <i>2009 General Obligation Refunding Bonds</i> | | | | | |
| Refinanced 1999 GO Bonds issued for the acquisition and construction of municipal improvements | 9/1/10 - 9/1/29 | 2.00%-4.38% | \$180,000-\$605,000 | \$6,995,000 | 4,265,000 |
| | | | | Unamortized Premium | 12,718 |
| | | | | Net Balance | 4,277,718 |
| <i>2010 Pension Obligation Bonds</i> | | | | | |
| To refund public safety retirement obligations | 6/1/11 - 6/1/22 | 2.11%-5.38% | \$810,000-\$3,150,000 | \$24,150,000 | 3,150,000 |
| <i>2017 Refunding 2007 Lease Revenue Bonds</i> | | | | | |
| Refinanced 2007 Lease Revenue Bonds. Original issue was for land acquisition and improvements for public library and water department purposes | 11/1/17 - 11/1/37 | 2.00%-5.00% | \$125,000-\$390,000 | \$5,265,000 | 4,620,000 |
| | | | | Unamortized Premium | 181,910 |
| | | | | Net Balance | 4,801,910 |
| <i>2017 Refunding 2010 Refunding Lease Revenue Bonds, Series B</i> | | | | | |
| Refinanced 2010 Series B Refunding. Original issue was for Civic Center acquisition, construction and improvement | 11/1/17 - 11/1/31 | 2.00%-5.00% | \$140,000-\$220,000 | \$2,420,000 | 1,995,000 |
| | | | | Unamortized Premium | 111,580 |
| | | | | Net Balance | 2,106,580 |
| | | | | Lease Revenue Bonds Subtotal | 6,908,490 |

Table continued on next page

Table continued from previous page

| Description/Purpose | Maturity | Interest Rates | Annual Principal Installments | Original Issue Amount | Balance at June 30, 2021 |
|--|-------------------|----------------|-------------------------------|-----------------------|--------------------------|
| <i>Public Works Loans Payable to PG&E - Direct Borrowing</i> | | | | | |
| For city-wide enhancements | various | 0.00% | \$57,429 | various | \$ 256,732 |
| <i>2015 I-Bank Arterial Roads Loan - Direct Borrowing</i> | | | | | |
| For City-wide road improvements | 8/1/15- 8/1/24 | 2.00% | \$1,306,455-\$1,524,530 | \$14,130,000 | 5,944,321 |
| <i>2012 Golf COP 13 Refunding</i> | | | | | |
| Issued for golf course improvements - Refunding of 2004 Golf COP 13 | 5/1/2029 | 3.50% | \$67,344-\$115,309 | \$2,960,536 | 1,633,766 |
| <i>2018 California Energy Commission Loan - Direct Borrowing</i> | | | | | |
| For comprehensive energy efficiency retrofit project | 12/22/2033 | 1.00% | | \$483,697 | 1,186,201 |
| Total debt of governmental activities | | | | | <u>\$ 41,869,359</u> |

Events of Default and Acceleration Clauses

For the City's pension obligation bonds, lease revenue bonds, loans and revenue bonds, the City is considered to be in default if the City fails to pay the principal of and interest on the outstanding long-term debt when become due and payable. If an event of default has occurred and is continuing, the aggregate principal of the long-term debt, together with the accrued interest, may be declared due and payable immediately.

The following table summarizes long-term debt activity for the year ended June 30, 2021:

| | Balance July 1, 2020 | Additions | Retirements | Balance June 30, 2021 | Amount Due Within One Year | Amount Due in More Than One Year |
|-----------------------------------|-------------------------|--------------|-----------------|--------------------------|----------------------------------|--|
| General obligation bonds | \$ 4,600,000 | \$ - | \$ (335,000) | \$ 4,265,000 | \$ 360,000 | \$ 3,905,000 |
| Bond issuance premiums | 14,276 | - | (1,558) | 12,718 | 1,558 | 11,160 |
| Total general obligation bonds | 4,614,276 | - | (336,558) | 4,277,718 | 361,558 | 3,916,160 |
| Lease revenue bonds | 6,940,000 | - | (325,000) | 6,615,000 | 345,000 | 6,270,000 |
| Bond issuance premiums | 315,283 | - | (21,793) | 293,490 | 21,792 | 271,698 |
| Total lease revenue bonds | 7,255,283 | - | (346,793) | 6,908,490 | 366,792 | 6,541,698 |
| Pension obligation bonds | 6,040,000 | - | (2,890,000) | 3,150,000 | 3,150,000 | - |
| Notes payable | 10,504,623 | 222,500 | (1,706,103) | 9,021,020 | 1,772,050 | 7,248,970 |
| Capital lease obligations | 42,813 | - | (42,813) | - | - | - |
| Total Bonds, notes, loans, leases | 28,456,995 | 222,500 | (5,322,267) | 23,357,228 | 5,650,400 | 17,706,828 |
| Claims and judgments | 13,551,443 | 4,584,366 | (4,597,191) | 13,538,618 | 3,714,974 | 9,823,644 |
| Compensated absences | \$ 4,505,023 | \$ 3,003,349 | \$ (2,534,859) | \$ 4,973,513 | \$ 3,315,674 | \$ 1,657,839 |
| Total | \$ 46,513,461 | \$ 7,810,215 | \$ (12,454,317) | \$ 41,869,359 | \$ 12,681,048 | \$ 29,188,311 |

As of June 30, 2021, the future debt service requirements to maturity for outstanding debt were:

Combined Debt Schedule - Governmental Activities

| For Year Ending June 30, | General Obligation Bonds | | Lease Revenue Bonds | | Pension Obligation Bonds | |
|--------------------------------|--------------------------|------------|---------------------|--------------|--------------------------|------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2022 | \$ 360,000 | \$ 171,951 | \$ 345,000 | \$ 249,588 | \$ 3,150,000 | \$169,313 |
| 2023 | 385,000 | 157,051 | 350,000 | 235,788 | - | - |
| 2024 | 410,000 | 140,946 | 360,000 | 228,788 | - | - |
| 2025 | 440,000 | 123,411 | 375,000 | 210,788 | - | - |
| 2026 | 465,000 | 104,516 | 390,000 | 197,813 | - | - |
| 2027-2031 | 2,205,000 | 198,109 | 2,200,000 | 713,463 | - | - |
| 2032-2036 | - | - | 1,830,000 | 326,213 | - | - |
| 2037-2038 | - | - | 765,000 | 42,844 | - | - |
| | 4,265,000 | 895,986 | 6,615,000 | 2,205,281 | 3,150,000 | 169,313 |
| Unamortized Premiums | 12,718 | - | 293,490 | - | - | - |
| Totals | \$ 4,277,718 | \$ 895,986 | \$ 6,908,490 | \$ 2,205,281 | \$ 3,150,000 | \$ 169,313 |

Business-Type Activities

For the year ended June 30, 2021, long-term debt for business-type activities consisted of the following amounts:

| Description/Purpose | Maturity | Interest Rates | Annual Principal Installments | Original Issue Amount | Balance at June 30, 2021 |
|---|-------------------|----------------|-------------------------------|-----------------------|--------------------------|
| <i>Compensated Absences</i> | | | | | |
| Accumulated, unpaid vacation, holiday and comp time leave | n/a | n/a | n/a | n/a | \$ 1,987,946 |
| <i>Landfill Closure and Postclosure Costs</i> | | | | | |
| Percentage of estimated costs | n/a | n/a | n/a | n/a | 8,611,980 |
| <i>2014 Storm Water Refunding Revenue Bonds</i> | | | | | |
| Issued to refinance 2005 Revenue Bonds | 4/1/15-10/1/28 | 2.0%-3.0% | \$210,000-\$380,000 | \$4,520,000 | \$2,690,000 |
| | | | | Unamortized Premium | 15,972 |
| | | | | Net Balance | \$2,705,972 |
| <i>2014 Water Revenue Bonds</i> | | | | | |
| Issued to refinance 2006 Water Revenue Bonds and Water Note Payable to the State | 9/1/14-3/1/36 | 2.0%-3.75% | \$400,000-\$675,000 | \$11,260,000 | \$8,165,000 |
| | | | | Unamortized Premium | 5,586 |
| | | | | Net Balance | \$8,170,586 |
| <i>2019 Water Revenue Bonds</i> | | | | | |
| Issued to finance capital improvement projects for the City's water system and to repay outstanding amounts on bank loan. | 3/1/20 - 3/1/49 | 5.00% | \$70,000 - 1,310,000 | \$20,925,000 | \$20,520,000 |
| | | | | Unamortized Premium | 5,034,442 |
| | | | | Net Balance | \$25,554,442 |
| <i>2017 Refunding 2010 Parking Lease Revenue Bonds</i> | | | | | |
| Refinanced 2010 Parking Lease Revenue Bonds | 11/1/17 - 11/1/28 | 2.0%-5.0% | \$235,000-\$330,000 | \$3,350,000 | \$2,340,000 |
| | | | | Unamortized Premium | 189,770 |
| | | | | Net Balance | \$2,529,770 |
| <i>2010 Refuse Enterprise Revenue Bonds</i> | | | | | |
| Refinanced 2001 Certificates of Participation | 10/1/11 - 10/1/21 | 3.0%-4.0% | \$265,000-\$400,000 | \$3,755,000 | \$400,000 |
| | | | | Unamortized Premium | 2,077 |
| | | | | Net Balance | \$402,077 |
| <i>2013 Wastewater Refunding Bonds</i> | | | | | |
| Refinanced 2005 Wastewater Revenue Bonds and Wastewater Note payable to State | 5/1/14 - 11/1/22 | 1.6%-2.59% | \$135,474-\$3,322,098 | \$18,710,084 | \$653,339 |
| Revenue Bonds Subtotal | | | | | \$40,016,186 |

Table continued on next page

Table continued from previous page

| Description/Purpose | Maturity | Interest Rates | Annual Principal Installments | Original Issue Amount | Balance at June 30, 2021 |
|--|-----------------|----------------|-------------------------------|-----------------------|--------------------------|
| <i>2016 I-Bank Water Infrastructure Loan - Direct Borrowing</i> | | | | | |
| For City-wide improvements to the water system | 8/1/16-8/1/46 | 3.240% | \$505,367-\$1,274,087 | \$25,000,000 | \$22,878,148 |
| <i>2009 Refuse Refunding Loan - Direct Borrowing</i> | | | | | |
| Issued to refinance 1999 Certificates of Participation | 10/1/10-10/1/23 | 4.87% | \$77,300-\$144,400 | \$2,903,000 | \$688,700 |
| <i>Refuse Loans Payable to PG&E - Direct Borrowing</i> | | | | | |
| For enhancements made at 605 Dimeo Ln. | 7/1/20-4/1/24 | 0.00% | \$17,825 | \$59,418 | \$41,394 |
| <i>2020 Water California State Water Resources Control Board Loan - Direct Borrowing¹</i> | | | | | |
| For the Newell Creek Inlet - Outlet Replacement Project | 3/1/21-10/1/52 | 1.40% | \$746,570-\$1,117,304* | \$27,598,290 | \$27,598,290 |
| <i>2020 I-Bank Wastewater Loan - Direct Borrowing</i> | | | | | |
| UV Replacement Project | 2/1/21 - 8/1/50 | 2.50% | \$79,721-\$163,143 | \$3,500,000 | \$3,500,000 |
| <i>Parking Loans Payable to PG&E - Direct Borrowing</i> | | | | | |
| For enhancements made at 601 Front | 6/1/21-9/1/25 | 0.00% | \$27,017 | \$103,564 | \$101,312 |
| <i>2021 Water Fund Bank of America Loan - Direct Borrowing</i> | | | | | |
| For water related projects | 6/15/21-6/14/24 | 2.16%** | n/a | n/a | \$21,000,000 |
| Total debt of business-type activities | | | | | <u>\$ 126,423,956</u> |

¹ The 2020 Water California State Water Resources Control Board Loan is drawable up to the amount of \$103,453,000.

*Variable loan payment amounts depending on total principal amount drawn.

**Variable rate, represents the current year expensed portion.

In April 2021 the City obtained a 2021 Water California State Water Resources Control Board Loan with an amount that can be drawn up to \$45,900,000. The loan has a maturity of April 30, 2054, interest rate of 1.40 percent. As of June 30, 2021, the City has not drawn upon this loan.

The following table summarizes long-term debt activity for the year ended June 30, 2021:

| | Balance July 1, 2020 | Additions | Retirements | Balance June 30, 2021 | Amount Due Within One Year | Amount Due in More than One Year |
|------------------------|-------------------------|----------------------|-----------------------|--------------------------|----------------------------------|--|
| Compensated absences | \$ 1,792,369 | \$ 1,194,912 | \$ (999,335) | \$ 1,987,946 | \$ 1,325,298 | \$ 662,648 |
| Landfill closure costs | 8,316,243 | 295,737 | - | 8,611,980 | - | 8,611,980 |
| Revenue bonds payable | 36,807,858 | - | (2,039,519) | 34,768,339 | 2,044,519 | 32,723,820 |
| Bond issuance premiums | 5,466,296 | - | (218,449) | 5,247,847 | 212,216 | 5,035,631 |
| Total bonds payable | 42,274,154 | - | (2,257,968) | 40,016,186 | 2,256,735 | 37,759,451 |
| Notes payable | 24,376,045 | 52,261,272 | (829,473) | 75,807,844 | 964,279 | 74,843,565 |
| Total Bond and Notes: | 66,650,199 | 52,261,272 | (3,087,441) | 115,824,030 | 3,221,014 | 112,603,016 |
| Total | \$ 76,758,811 | \$ 53,751,921 | \$ (4,086,776) | \$ 126,423,956 | \$ 4,546,312 | \$121,877,644 |

As of June 30, 2021, the future debt service requirements to maturity for outstanding debt were:

| For Year Ending June 30, | Revenue Bonds | | Notes | | Total ¹ | |
|--------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2022 | \$ 2,103,734 | \$ 1,462,180 | \$ 964,278 | \$ 1,052,676 | \$ 3,068,012 | \$ 2,514,857 |
| 2023 | 1,764,605 | 1,399,877 | 997,974 | 1,201,163 | 2,762,579 | 2,601,039 |
| 2024 | 1,475,000 | 1,350,494 | 1,619,410 | 1,165,843 | 3,094,410 | 2,516,336 |
| 2025 | 1,525,000 | 1,294,725 | 1,494,882 | 1,129,607 | 3,019,882 | 2,424,332 |
| 2026 | 1,570,000 | 1,244,429 | 1,507,835 | 1,096,036 | 3,077,835 | 2,340,465 |
| 2027-2031 | 7,070,000 | 5,336,379 | 8,068,538 | 4,945,021 | 15,138,538 | 10,281,400 |
| 2032-2036 | 6,325,000 | 4,024,400 | 9,039,827 | 3,962,894 | 15,364,827 | 7,987,294 |
| 2037-2041 | 4,035,000 | 2,783,000 | 10,147,356 | 2,842,687 | 14,182,356 | 5,625,687 |
| 2042-2046 | 5,150,000 | 1,649,667 | 11,412,245 | 1,562,968 | 16,562,245 | 3,212,635 |
| 2047-2051 | 3,750,000 | 318,500 | 7,336,318 | 449,539 | 11,086,318 | 768,039 |
| 2052-2054 | - | - | 2,219,181 | 46,711 | 2,219,181 | 46,711 |
| | 34,768,339 | 20,863,651 | 54,807,844 | 19,455,145 | 89,576,183 | 40,318,796 |
| Unamortized Premiums | 5,247,847 | - | - | - | 5,247,847 | - |
| Totals | \$ 40,016,186 | \$ 20,863,651 | \$ 54,807,844 | \$ 19,455,145 | \$ 94,824,030 | \$ 40,318,796 |

¹ The Totals do not include a Direct Borrowing amortization table as the 2021 Water Fund Bank of America Loan - Direct Borrowing in the amount of \$21 million requires full repayment of principal by June 14, 2024 with no fixed debt maturity schedule.

Pledged Revenues

Certain long-term debt issues require a pledge of revenues to secure future debt service obligations as described below.

The Trust Indenture for the 2014 Storm Water Refunding Revenue Bonds requires the City to pledge its annual Net Revenues (defined as gross revenues received during the period minus the amount required to pay all operation and maintenance costs payable during the period excluding depreciation) in an amount equal to at least 125% of the annual debt service requirement each fiscal year, through final maturity of the Bonds in October 2029 or early retirement of the Bonds, whichever first occurs. A principal payment of \$325,000 and an interest payment in the amount of \$71,088 were made for a debt service total of \$396,088. The current year Storm Water net revenues were \$316,204, resulting in a revenue source to debt service ratio of 79.8%. (The ratio fell below the 125% threshold due increased expenses in annual vegetation management and reduced grants and contributions).

The Trust Indenture for the 2014 Water Refunding Revenue Bonds requires the City to pledge its annual Net Revenues (defined as gross revenues received during the period minus the amount required to pay all operation and maintenance costs payable during the period excluding depreciation) in an amount equal to at least 115% of the annual debt service requirement each fiscal year, through final maturity of the Bonds in March 2036 or early retirement of the Bonds, whichever first occurs. Principal payments of \$430,000 and interest payments of \$272,438 were made in the current year for a debt service total of \$702,438. Net Water revenues for the fiscal year ended June 30, 2021, were \$14,070,349 resulting in a revenue source to debt service ratio of 2,003.1%.

The Trust Indenture for the 2013 Wastewater Refunding Revenue Bonds requires the City to pledge its annual Net Revenues (defined as gross revenues received during the period minus the amount required to pay all operation and maintenance costs payable during the period excluding depreciation) in an amount equal to at least 115% of the annual debt service requirement each fiscal year, through final maturity of the Bonds in November 2022 or early retirement of the Bonds, whichever first occurs. Principal payments of \$314,519 and interest payments of \$23,044 were made in the current year for a debt service total of \$337,563 was applied against this indenture for the fiscal year ended June 30, 2021. The current year Wastewater revenues were \$7,391,902, resulting in a revenue source to debt service ratio of 2,189.8%.

The 2009 Refuse Loan Agreement requires the City to pledge its annual Net Revenues (defined as gross revenues received during the period minus the amount required to pay all operation and maintenance costs payable during the period excluding depreciation) in an amount equal to at least 125% of the annual debt service requirement each fiscal year, through final maturity of the Loan in October 2023 or early prepayment, whichever first occurs. Debt service for the fiscal year ended June 30, 2021, consisted of \$253,100 in principal and \$42,822 in interest for a total of \$295,922. Net Refuse revenues for the fiscal year ended June 30, 2021, were \$3,352,982, resulting in a revenue source to debt service ratio of 1,133.1%.

The Trust Indenture for the 2010 Refuse Enterprise Revenue Bonds requires the City to pledge its annual Net Revenues (defined as gross revenues received during the period minus the amount required to pay all operation and maintenance costs payable during the period excluding depreciation) in an amount equal to at least 125% of the annual debt service requirement each fiscal year, through final maturity of the Bonds on October 2021 or early retirement of the Bonds, whichever first occurs. Debt service for the fiscal year ended June 30, 2021, consisted of \$385,000 in principal and \$23,700 in interest for a total of \$408,700. Net Refuse revenues for the fiscal year ended June 30, 2021, were \$3,352,982, resulting in a revenue source to debt service ratio of 820.4%.

The Trust Indenture for the 2019 Water Revenue Bonds requires the City to pledge its annual Net Revenues (defined as gross revenues received during the period minus the amount required to pay all operation and maintenance costs payable during the period excluding depreciation) in an amount equal to at least 115% of the annual debt service requirement each fiscal year, through final maturity of the Bonds in March 2049 or early retirement of the Bonds, whichever first occurs. Principal payments of \$335,000 and interest payments of \$1,042,750 were made in the current year for a debt service total of \$1,377,750. Net Water revenues for the fiscal year ended June 30, 2021, were \$9,957,969, resulting in a revenue source to debt service ratio of 722.8%.

The Trust Indenture for the 2020 Water California State Water Resources Control Board Loan requires the City to pledge its annual Net Revenues (defined as gross revenues received during the period minus the amount required to pay all operation and maintenance costs payable during the period excluding depreciation) in an amount equal to at least 120% of the annual debt service requirement each fiscal year, through final maturity of the Bonds in October 2052 or early retirement of the Bonds, whichever first occurs. No principal payments were made and interest of \$105,431 was accrued in the current year for a debt service total of \$105,431. Net Water revenues for the fiscal year ended June 30, 2021, were \$9,957,969, resulting in a revenue source to debt service ratio of 9,445.0%.

The Trust Indenture for the 2020 I-Bank Wastewater Loan requires the City to pledge its annual Net Revenues (defined as gross revenues received during the period minus the amount required to pay all operation and maintenance costs payable during the period excluding depreciation) in an amount equal to at least 125% of the annual debt service requirement each fiscal year, through final maturity of the Bonds in August 2050 or early retirement of the Bonds, whichever first occurs. No principal payments were made and interest payments of \$17,257 were made in the current year for a debt service total of \$17,257 was applied against this indenture for the fiscal year ended June 30, 2021. The current year Wastewater revenues were \$7,391,902, resulting in a revenue source to debt service ratio of 42,834.2%.

Events of Default and Acceleration Clauses

For the City's lease revenue bonds, loans and revenue bonds, the City is considered to be in default if the City fails to pay the principal of and interest on the outstanding long-term debt when become due and payable. If an event of default has occurred and is continuing, the aggregate principal of the long-term debt, together with the accrued interest, may be declared due and payable immediately.

Conduit Debt

During the fiscal year ended June 30, 2003, the Former Redevelopment Agency (Agency) issued variable rate demand multifamily housing revenue bonds to provide funding for loans made to Santa Cruz Shaffer Road Investors L.P., and 1010 Pacific Investors L.P. (both California limited partnerships). The revenue bonds were used to finance a portion of the costs of building a 206-unit multifamily residential development and for the rehabilitation and equipping of a 113-unit multifamily residential development within the City limits. The housing facilities are to be occupied by persons of low and very low income, to the extent required by federal tax law.

The bonds were issued under a Trust Indenture, dated July 1, 2002 between the Agency, and Wells Fargo Bank, National Association, as trustee. For the Shaffer Road Apartments, the Agency issued 2002 Series A bonds in the amount of \$29,925,000 and 2002 Series A-T bonds in the amount of \$985,000. The 2002 Series A-T bonds were called in full on March 15, 2011. For the 1010 Pacific Avenue Apartments, 2002 Series B bonds in the amount of \$21,650,000 were issued. As of June 30, 2021, the total amounts outstanding for all the 2002 Bonds were as follows: \$28,025,000 for Series A; \$0 for Series A-T; and \$18,895,000 for Series B. The remaining bonds mature on August 15, 2035. The bonds and interest are limited obligations of the Agency, payable solely from the "trust estate," which is specifically assigned and pledged to such purposes to the extent provided in the Official Statements.

During the fiscal year ended June 30, 2008, the Agency issued multifamily housing revenue bonds to provide funding for loans made to Tannery Artists Lofts Limited Partnership (a California Limited Partnership). The revenue bonds were used to finance the Borrower's construction and development of a 100-unit multifamily housing rental facility to be located within the City limits. The housing facilities are to be occupied by persons of low and very low income, to the extent required by federal tax law.

The bonds were issued under a Master Agency Agreement, dated August 1, 2007 between the Agency and Chase Bank. For the Tannery Artists Lofts, the Agency issued 2007 Series A-1 bonds in the amount of \$4,195,000, which mature March 1, 2045. The balance of the Series A-1 bonds was \$3,504,696 at June 30, 2021. The bonds and interest are limited obligations of the Agency, payable solely from the "trust estate," which is specifically assigned and pledged to such purposes to the extent provided in the Official Statements.

Note 8 - Risk Management and Self-Insurance

The City has established a Risk Management Fund (an internal service fund) to account for a self-insurance program. For the period ending June 30, 2021, the City was self-insured for workers' compensation up to \$500,000 per occurrence and for general liability up to \$1,000,000 per occurrence. Claims in excess of these amounts are insured. The City is also completely self-insured for unemployment insurance, vision, and dental insurance claims; Unemployment is accounted for in the General Fund and the self-insurance for vision and dental is accounted for in the Risk Internal Service Fund. The City contracts with outside administrators to administer these programs.

In January 1997, the City joined the Authority for California Cities Excess Liability (ACCEL). ACCEL is a joint powers authority organized under the provisions of Section 6500 et. seq. of the California Government Code for the purpose of establishing a risk management pool for certain California municipalities. ACCEL began operations in 1986 and provides certain limited coverage for catastrophic general liability, automobile liability and public official errors and omission losses. ACCEL operates a liability risk pooling program which is subject to an annual independent financial audit and biennial actuarial study. ACCEL is governed by a thirteen member Board of Directors. Each member agency, including the City, appoints a representative to the Board of Directors. ACCEL is funded by its member participants and, at the discretion of its Board of Directors, may assess the members for additional premiums (in an unlimited amount) in the event the assets at any time are insufficient to discharge its liabilities.

ACCEL's day-to-day operations are administered by Alliant Insurance Services, Inc. (Alliant) contracted by ACCEL to provide accounting, risk consulting, insurance brokerage, and program administration services. Alliant's responsibility also includes the administration of policies and procedures as set forth by the ACCEL Joint Powers Authority Agreement, By-laws, and by the Board of Directors.

ACCEL has a retrospective rated refund liability plan which represents the amount of equity that is eligible for return to the Members of the pool. The liability is computed as the amount of the premiums paid in the pool, plus investment income earned in excess of the estimated losses and loss expenses calculated separately for each program year and Member. Members are eligible to receive distributions of equity (retro-refunds) five years after the end of the program year. At the June 2021 Board of Directors meeting, a retro calculation resulted in an initial available amount of \$7,773,185. The Board of Directors took action to restrict 100% of the available funds, resulting in a final retro liability of \$0. The amount of retrospectively rated refund that was retained in the name of the City of Santa Cruz was \$0. At June 30, 2021, claims outstanding against the City are \$13,538,618.

As of June 30, 2021, coverage provided by self-insurance and excess coverage (purchased by the City from ACCEL) is generally summarized as follows:

| Type of coverage | Self-Insured Retention | Excess Insurance |
|-----------------------|----------------------------|---------------------------|
| General Liability | \$1,000,000 per occurrence | \$75,000,000 aggregate |
| Workers' Compensation | \$500,000 per occurrence | Statutory limits |
| Property of Others | \$1,000 per occurrence | \$1,000,000,000 aggregate |
| Boiler and Machinery | \$5,000 per occurrence | \$100,000,000 aggregation |
| Pollution Liability | \$100,000 per occurrence | \$25,000,000 aggregate |
| Crime | \$25,000 per occurrence | \$1,000,000 aggregate |
| Cyber Liability | \$50,000 per occurrence | \$25,000,000 aggregate |
| Watercraft | \$1,000 per occurrence | \$1,000,000 aggregate |

There were no significant reductions in insurance coverage. Settlements have not exceeded insurance coverage in any of the past three fiscal years.

Changes in the balances of claims liability for the last two fiscal years were as follows:

| | Beginning of Fiscal Year Liability | Claims and Changes in Estimates | Claim Payments | Balance at Fiscal Year End |
|-----------|--|---------------------------------------|----------------|-------------------------------|
| 2019-2020 | \$ 13,207,683 | \$ 3,424,971 | \$ (3,081,211) | \$ 13,551,443 |
| 2020-2021 | 13,551,443 | 4,584,366 | (4,597,191) | 13,538,618 |

Note 9 - Retirement Plans

CalPERS Miscellaneous and Safety Employees' Pension Plans

The City contributes to the California Public Employee Retirement System (CalPERS). CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. The miscellaneous employees of the City are part of a three-tier agent multiple-employer defined benefit pension plan. The safety plan consists of individual six-tier cost sharing plans within safety risk pool. All qualified permanent and probationary employees are eligible to participate in the City's separate Safety (police and fire) and Miscellaneous (all other) Employee Pension Plans administered by CalPERS. Benefit provisions under the Plans are established by State statute and City resolutions. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, and assumptions at the CalPERS website.

Miscellaneous Plan

Plan Description

The City contributes to the California Public Employees Retirement System (CalPERS), an agent multiple employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of CalPERS' Annual Financial Report may be obtained from CalPERS' website.

Benefits Provided

Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are, generally, 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 provisions and benefits in effect at June 30, 2021, are summarized as follows:

| | Tier 1 | Tier 2 | Tier 3 |
|--------------------------------------|--------------------|--------------------|--------------------|
| Hire Date | Prior to 5/12/2012 | 5/12 - 12/31/2012 | After 12/31/2012 |
| Benefit formula | 2.0% @ 55 | 2.0% @ 60 | 2.0% @ 62 |
| Benefit vesting schedule | 5 years of service | 5 years of service | 5 years of service |
| Benefit payments | Monthly for life | Monthly for life | Monthly for life |
| Minimum retirement age | 50 | 50 | 52 |
| Required employer contribution rates | 9.873% | 9.873% | 9.873% |
| Required employee contribution rates | 7.250% | 7.250% | 7.250% |

Additional employer contributions of \$7,807,558 of UAL was made at the beginning of the year.

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. 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 employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The net pension liabilities have been paid out through contributions by the fund employees worked for which was mainly by the General Fund in the prior years.

Employees Covered

At June 30, 2021, the following employees were covered by the benefit terms for Miscellaneous Plan.

| Member Type | Miscellaneous Plan |
|-----------------------------------|--------------------|
| Active Members | 684 |
| Transferred Members | 330 |
| Terminated Members | 327 |
| Retired Members and Beneficiaries | 890 |
| Total | 2231 |

Actuarial Assumptions

For the measurement period ended June 30, 2020, (the measurement date), the total pension liability was determined by rolling forward the June 30, 2019, total pension liability. The June 30, 2020, total pension liabilities were based on the following actuarial methods and assumptions.

| | |
|--|---|
| Valuation Date | June 30, 2019 |
| Measurement Date | June 30, 2020 |
| Actuarial Cost Method | Entry Age Normal |
| Asset Valuation Method | Fair Value of Assets |
| Actuarial Assumptions | |
| Discount Rate | 7.15% |
| Inflation | 2.50% |
| Salary Increases ⁽¹⁾ | Varies by Entry Age and Service |
| Investment Rate of Return ⁽²⁾ | 7.15% |
| Mortality Rate Table ⁽³⁾ | Derived using CALPERS' membership data for all Funds |
| Post Retirement Benefit Increase | Contract COLA up to 2.50% until purchasing power protection allowance floor on purchasing power applies, 2.50% thereafter |

⁽¹⁾ Annual increases vary by category, entry age, and duration of service.

⁽²⁾ Net of pension plan investment expenses; includes inflation.

⁽³⁾ The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using 90% of Scale MP-2016 published by the Society of Actuaries.

Discount Rate

The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans ran out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

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

Discount Rate, Continued

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. 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 were 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 ⁽¹⁾ | Assumed Asset Allocation | Real Return Years 1 – 10 ⁽²⁾ | Real Return Years 11+ ⁽³⁾ |
|----------------------------|-----------------------------|--|---|
| Global Equity | 50.00% | 4.80% | 5.98% |
| Fixed Income | 28.00% | 1.00% | 2.62% |
| Inflation Assets | 0.00% | 0.77% | 1.81% |
| Private Equity | 8.00% | 6.30% | 7.23% |
| Real Estate | 13.00% | 3.75% | 4.93% |
| Liquidity | 1.00% | 0.00% | -0.92% |
| | <u>100.00%</u> | | |

⁽¹⁾In the Basic Financial Statements, Fixed Income is included in Global Debt Securities; Liquidities included in Short-Term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities

⁽²⁾An expected inflation of 2.0% used for this period.

⁽³⁾An expected inflation of 2.92% used for this period.

Changes in Net Pension Liability

The following table shows the changes in net pension liability for the Miscellaneous Plan recognized over the measurement period:

| | Increase (Decrease) | | |
|---|-------------------------|-----------------------------|---------------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability / (Asset) |
| Balance at June 30, 2020 | \$ 428,129,657 | \$ 331,377,514 | \$ 96,752,143 |
| Period: | | | |
| Service cost | 7,885,876 | - | 7,885,876 |
| Interest on the total pension liability | 30,039,327 | - | 30,039,327 |
| Changes of benefit terms | - | - | - |
| Differences between expected and actual experience | (1,476,176) | - | (1,476,176) |
| Changes of assumptions | - | - | - |
| Plan to plan resource movement | - | (24,593) | 24,593 |
| Contributions from the employer | - | 11,514,417 | (11,514,417) |
| Contributions from employees | - | 3,647,909 | (3,647,909) |
| Net investment income | - | 16,613,297 | (16,613,297) |
| Benefit payments, including refunds of employee contributions | (20,931,911) | (20,931,911) | - |
| Administrative expense | - | (467,161) | 467,161 |
| Net Changes | 15,517,116 | 10,351,958 | 5,165,158 |
| Balance at June 30, 2021 | \$ 443,646,773 | \$ 341,729,472 | \$ 101,917,301 |

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

| Plan | Discount Rate - 1 % (6.15%) | Current Discount Rate (7.15%) | Discount Rate + 1 % (8.15%) |
|-----------------------|--------------------------------|----------------------------------|--------------------------------|
| Net Pension Liability | \$ 158,046,441 | \$ 101,917,301 | \$ 55,194,414 |

Pension Expenses, Contributions and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2021, the City recognized pension expense of \$18,685,181 for the Miscellaneous Plan. For the year ended June 30, 2020, the City contributed \$12,053,650. At June 30, 2021 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| Plan | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Pension contributions subsequent to the measurement date | \$ 12,053,650 | \$ - |
| Changes of Assumptions | - | - |
| Differences between expected and actual experiences | 818,419 | (967,150) |
| Net difference between projected and actual earnings on pension plan investments | 2,659,051 | - |
| Total | <u>\$ 15,531,120</u> | <u>\$ (967,150)</u> |

\$12,053,650 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Fiscal Year | Outflows/(Inflows) of Resources |
|-------------|------------------------------------|
| 2022 | \$ (1,098,209) |
| 2023 | 544,806 |
| 2024 | 1,694,915 |
| 2025 | 1,368,808 |
| Total | <u>\$ 2,510,320</u> |

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan

At June 30, 2021, the City reported no payables outstanding to the pension plan.

Safety Plans

Plan Description

The City contributes to the California Public Employees Retirement System (CalPERS), a cost sharing multiple-employer public employee defined benefit plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of CalPERS' annual financial report may be obtained from CalPERS website.

Benefits Provided

Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are generally 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 provisions and benefits in effect at June 30, 2021, are summarized as follows:

| <u>Police</u> | <u>Tier 1</u> | <u>Tier 2</u> | <u>Tier 3</u> |
|--|--------------------|-----------------------|--------------------|
| Hire Date | Prior to 9/3/2011 | 9/3/2011 - 12/31/2012 | After 12/31/2012 |
| Benefit formula - Sworn | 3.0% @ 50 | 3.0% @ 55 | 2.7% @ 57 |
| Benefit formula - Non-Sworn | 2.0% @ 55 | 2.0% @ 60 | 2.0% @ 62 |
| Benefit vesting schedule | 5 years of service | 5 years of service | 5 years of service |
| Benefit payments | Monthly for life | Monthly for life | Monthly for life |
| Minimum retirement age - Sworn | 50 | 50 | 50 |
| Minimum retirement age - Non-Sworn | 50 | 50 | 52 |
| Required employer contribution rates - Sworn | 25.54% | 22.397% | 13.884% |
| Required employer contribution rates - Non-Sworn | 9.49% | 9.49% | 7.25% |
| Required employee contribution rates - Sworn | 9.00% | 9.00% | 12.75% |
| Required employee contribution rates - Non-Sworn | 7.00% | 7.00% | 6.75% |
| <u>Fire</u> | <u>Tier 1</u> | <u>Tier 2</u> | <u>Tier 3</u> |
| Hire Date | Prior to 9/3/2011 | 9/3/2011 - 12/31/2012 | After 12/31/2012 |
| Benefit formula | 3.0% @ 50 | 3.0% @ 55 | 2.7% @ 57 |
| Benefit vesting schedule | 5 years of service | 5 years of service | 5 years of service |
| Benefit payments | Monthly for life | Monthly for life | Monthly for life |
| Minimum retirement age | 50 | 50 | 50 |
| Required employer contribution rates | 25.54% | 22.397% | 13.884% |
| Required employee contribution rates | 9.00% | 9.00% | 12.75% |

Additional employer contributions of \$5,055,270 of UAL was made at the beginning of the year.

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The net pension liabilities have been paid out through contributions by General Fund in the prior years.

Pension Liabilities, Pension Contributions, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2021, the City reported a liability of \$81,628,137 for its proportionate share of the Plan's net pension Liability. The City's contribution to the Safety plan for the year ended June 30, 2021, was \$8,998,387 and recognized a pension expense in the amount of \$14,565,210. The net pension liability of the Plan is measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020, using standard update procedures. The City's net pension liability for the Safety Plan is measured as the proportionate share of the net pension liability of its risk pool with CalPERS. The City's proportion of the net pension liability was based on CalPERS' Public Agency Cost-Sharing Allocation Methodology Report, which can be obtained on the CalPERS website.

The City's proportionate share of the cost-sharing net pension liability for the Safety Plan as of June 30, 2020 (measurement date) was as follows:

| | Proportions - June 30, 2020 | Proportions - June 30, 2019 | Change - Increase (Decrease) |
|--------|--------------------------------|--------------------------------|------------------------------------|
| Safety | 1.22521% | 1.18903% | 0.03618% |

Pension Liabilities, Pension Contributions, Pension Expenses and Deferred Outflows/Inflows of Resources
Related to Pensions, Continued

At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| Plan | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Pension contributions subsequent to the measurement date | 8,998,387 | - |
| Changes of Assumptions | - | (271,905) |
| Differences between expected and actual experiences | 6,329,848 | - |
| Difference in actual contribution and proportionate share of contribution | - | (3,346,560) |
| Changes in proportion | 2,699,453 | |
| Net difference between projected and actual earnings on pension plan investments | 1,774,123 | - |
| Adjustment due to differences in proportions | - | - |
| Total | <u>\$ 19,801,811</u> | <u>\$ (3,618,465)</u> |

The contributions of \$8,998,387 were made subsequent to the measurement date and will be recognized in June 30, 2022. The remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Fiscal Year | Deferred Outflows/ (Inflows) of Resources |
|-------------|---|
| 2022 | \$ 1,702,621 |
| 2023 | 2,689,130 |
| 2024 | 1,904,273 |
| 2025 | 888,935 |
| Total | <u>\$ 7,184,959</u> |

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2020, (the measurement date), the total pension liability was determined by rolling forward the June 30, 2019, total pension liability. The June 30, 2020, total pension liabilities were based on the following actuarial methods and assumptions:

| | |
|--|---|
| Valuation Date | June 30, 2019 |
| Measurement Date | June 30, 2020 |
| Actuarial Cost Method | Entry Age Normal |
| Asset Valuation Method | Fair Value of Assets |
| Actuarial Assumptions | |
| Discount Rate | 7.15% |
| Inflation | 2.50% |
| Salary Increases ⁽¹⁾ | Varies by Entry Age and Service |
| Investment Rate of Return ⁽²⁾ | 7.15% |
| Mortality Rate Table ⁽³⁾ | Derived using CALPERS' membership data for all Funds |
| Post Retirement Benefit Increase | Contract COLA up to 2.50% until purchasing power protection allowance floor on purchasing power applies, 2.50% thereafter |

⁽¹⁾ Annual increases vary by category, entry age, and duration of service.

⁽²⁾ Net of pension plan investment expenses; includes inflation.

⁽³⁾ The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using 90% of Scale MP-2016 published by the Society of Actuaries.

Discount Rate

The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans ran out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. 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 were 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 ⁽¹⁾ | Assumed Asset Allocation | Real Return Years 1 – 10 ⁽²⁾ | Real Return Years 11+ ⁽³⁾ |
|----------------------------|--------------------------|---|--------------------------------------|
| Global Equity | 50.00% | 4.80% | 5.98% |
| Fixed Income | 28.00% | 1.00% | 2.62% |
| Inflation Assets | 0.00% | 0.77% | 1.81% |
| Private Equity | 8.00% | 6.30% | 7.23% |
| Real Estate | 13.00% | 3.75% | 4.93% |
| Liquidity | 1.00% | 0.00% | -0.92% |
| | <u>100.00%</u> | | |

⁽¹⁾In the Basic Financial Statements, Fixed Income is included in Global Debt Securities; Liquidities included in Short-Term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities

⁽²⁾An expected inflation of 2.0% used for this period.

⁽³⁾An expected inflation of 2.92% used for this period.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

| Plan | Discount Rate - 1% (6.15%) | Current Discount Rate (7.15%) | Discount Rate + 1% (8.15%) |
|-----------------------|-------------------------------|----------------------------------|-------------------------------|
| Net Pension Liability | \$ 102,403,034 | \$ 81,628,137 | \$ 38,807,234 |

Pension Plan Fiduciary Net Position

Detailed information about the pension plans' fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan

At June 30, 2021, the City reported no payables outstanding to the pension plan.

Aggregate Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources

As of June 30, 2021, the City reported total net pension liability, pension expense, deferred outflows of resources and deferred inflows of resources for both Miscellaneous and Safety Plans as follows:

| | Net Pension Liability | Deferred Inflows of Resources | Deferred Outflows of Resources | Pension Expense |
|---------------|--------------------------|----------------------------------|-----------------------------------|----------------------|
| Miscellaneous | \$ 101,917,301 | \$ (967,150) | \$ 15,531,120 | \$ 18,685,181 |
| Safety | 81,628,137 | (3,618,465) | 19,801,811 | 14,565,210 |
| Total | <u>\$ 183,545,438</u> | <u>\$ (4,585,615)</u> | <u>\$ 35,332,931</u> | <u>\$ 33,250,391</u> |

Note 10 - Post-Employment Retirement Benefits

Retiree Medical Plan Description

The City of Santa Cruz Post-Retirement Health Care Plan is a agent-employer defined benefit healthcare plan administered by the California Public Employees' Retirement System (CalPERS). The Plan provides healthcare insurance benefits to eligible retirees. The City contributes the Public Employees' Medical and Hospital Care Act (PEMHCA) minimum required employer contribution of \$139 per month for calendar year 2020, and \$143 per month for calendar year 2021 towards the retiree monthly premium for eligible retirees participating in PEMHCA. The City also pays a 0.24%-of-premium administrative fee to PEMCA for each retiree. The Plan does not issue a financial report because no assets were accumulated in a trust fund.

All part-time and full-time regular employees that meet specified Memorandum of Understanding (MOU) continuous service and minimum age requirements are also eligible to receive a Retiree Medical Incentive. Employees must meet the following minimum eligibility requirements:

- Service – Ten years of continued service with the City and be at least 55 years of age.
- Supervisor – Ten years of continued service with the City and be at least 55 years of age.
- Management – Five years of continued service with the City and be at least 50 years of age.
- Public Safety – Five years of continued service with the City and be at least 50 years of age.

Retiree medical incentives will be provided until the retiree becomes eligible for Medicare or discontinues CalPERS medical coverage.

The City Council and unions have the authority to negotiate and amend benefit provisions to the Retiree Medical Incentive after City Council approval.

Employees Covered

| | | |
|---|------------------|-------------|
| | Active employees | 821 |
| Inactive employees or beneficiaries currently receiving benefits payments | | 283 |
| Inactive employees entitled to, but not yet receiving benefits | | - |
| | | <u>1104</u> |

Contributions

The contributions requirements of plan members are established and may be amended with City Council approval. The City is currently contributing to OPEB on a pay-as-you-go basis. OPEB liabilities will be paid by the fund for which the employee worked. Actuarial assumptions assume pay-as-you-go funding will continue. In fiscal year 2021, the City made benefit payments in the amount of \$1,226,765 excluding the implicit subsidy. The Net OPEB liabilities have been paid out through contributions by the fund where the employee worked which mainly was the General Fund in the prior years.

Assumption

The City's total OPEB liability was measured as of June 30, 2020 and was determined by an actuarial valuation dated June 30, 2020 that was based on the following actuarial methods and assumptions:

| | |
|-----------------------|--|
| Discount Rate | 3.05% which is the 20 year municipal bond index |
| Inflation | 2.75% |
| Salary Increases | 3.00% |
| Mortality Rate | Pre-retirement and Post-retirement Mortality Rates for Public Agency Miscellaneous from 2017 CalPERS Experience Study. |
| | Pre-retirement and Post-retirement Mortality Rates for Public Agency Police from 2017 CalPERS Experience Study. |
| Healthcare Trend Rate | 4.75 percent for 2020 decreasing to 4.00 percent for 2023, 5.20 percent for 2024-2069, and 4.00 percent for 2070 and later years; Medicare ages: 4.00 percent for all years. |

Changes in Net OPEB Liability

| | Increase (Decrease) | | |
|--|----------------------|-----------------------------|--------------------|
| | Total OPEB Liability | Plan Fiduciary net Position | Net OPEB Liability |
| Balance at June 30, 2019 | \$ 43,571,318 | \$ - | \$ 43,571,318 |
| Changes recognized for year: | | | |
| Service Cost | 2,636,320 | - | 2,636,320 |
| Interest | 1,427,248 | - | 1,427,248 |
| Changes of benefit terms | - | - | - |
| Difference in expected and actual experience | (4,007,945) | - | (4,007,945) |
| Changes of assumptions | 1,104,915 | - | 1,104,915 |
| Contributions | - | 1,226,765 | (1,226,765) |
| Other income - recognition of OPEB trust | - | 3,463,974 | (3,463,974) |
| Net investment income | - | 228,367 | (228,367) |
| Administrative expenses | - | (3,431) | 3,431 |
| Benefit payments | (1,226,765) | (1,226,765) | - |
| Net changes | (66,227) | 3,688,910 | (3,755,137) |
| Balance at June 30, 2020 | \$ 43,505,091 | \$ 3,688,910 | \$ 39,816,181 |

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the City if it were calculated using a discount rate that is one percentage point lower (2.05%) or one percentage point higher (4.05%) than the current rate, for year ended June 30, 2021:

| Net OPEB Liability | | |
|-------------------------------|----------------------------------|------------------------------|
| Discount Rate - 1% (2.05%) | Current Discount Rate (3.05%) | Discount Rate +1% (4.05%) |
| \$ 46,260,625 | \$ 39,816,181 | \$ 34,560,894 |

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the City if it were calculated using health care cost trend rates that are one percentage point lower or one percentage higher than the current rate, for year ended June 30, 2021:

| Net OPEB Liability | | |
|------------------------------|---|------------------------------|
| Trend Rate Decrease of 1% | Current Healthcare Cost Trend Rates | Trend Rate Increase of 1% |
| \$ 33,725,275 | \$ 39,816,181 | \$ 47,516,145 |

Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in Net OPEB liability are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in the future OPEB expense. For the fiscal year ended June 30, 2021, the City recognized OPEB expense of \$117,189.

| | Deferred Outflows | Deferred Inflows |
|---|----------------------|---------------------|
| OPEB contributions subsequent to measurement date | \$ 1,387,130 | \$ - |
| Difference between expected and actual experience | - | 4,730,490 |
| Differences between projected and actual return on investment | - | 20,606 |
| Changes in assumptions | 2,806,125 | 1,075,952 |
| | <u>\$ 4,193,255</u> | <u>\$ 5,827,048</u> |

As of fiscal year, ended June 30, 2021, the City reported deferred outflows of resources related to OPEB in the amount of \$1,387,130 for its benefit payments subsequent to the measurement date. This amount will be recognized as an OPEB expense in fiscal year 2022. Other amounts will be recognized to OPEB expenses as follows:

| | Deferred Outflows | Deferred Inflows |
|------------|----------------------|---------------------|
| 2022 | \$ 517,029 | \$ 1,057,963 |
| 2023 | 517,029 | 1,057,963 |
| 2024 | 517,029 | 1,057,963 |
| 2025 | 517,029 | 1,057,963 |
| 2026 | 517,029 | 793,607 |
| Thereafter | 220,980 | 801,589 |
| | <u>\$ 2,806,125</u> | <u>\$ 5,827,048</u> |

Note 11 - Landfill Closure and Postclosure Costs

In accordance with requirements established by the Department of Resources, Recycling, and Recovery, the City has recognized a portion of the landfill's closure and post closure care (closure) costs. These cost estimates are based on the amount of landfill used to date. The estimated closure and corrective action costs are current estimates based on data provided by an independent consultant and are subject to changes in inflation, technological advancements, or regulatory changes.

| | |
|---|----------------------|
| Total estimated closure costs | \$ 4,382,888 |
| Total estimated postclosure costs | 13,603,837 |
| Total estimated closure and postclosure costs | <u>\$ 17,986,725</u> |

The City has increased the landfill's capacity through excavations, and plans to continue excavating in future years to increase capacity. At June 30, 2021, the estimated landfill closure cost liabilities of \$8,611,980 and estimated annual landfill closure cost adjustment of \$295,737 were calculated as follows:

| | |
|---|--------------------|
| Total estimated closure and postclosure costs | \$ 17,986,725 |
| Percent of used capacity to total capacity | 47.88% |
| Revised estimated total closure and postclosure costs liability | <u>8,611,980</u> |
| Previous closure costs accrued | <u>(8,316,243)</u> |
| Expense for closure and postclosure costs | <u>\$ 295,737</u> |

The landfill has an estimated remaining capacity of 4,391,050 cubic yards and has a current projected closure date of 2054.

Based upon the requirements of the Department of Resources, Recycling, and Recovery, the City has set aside invested cash (including pooled cash interest receivable) to equal the respective liabilities in each fund. The net position in each fund is zero with the exception of the allowance for fair value adjustment account. The market value of the invested cash at June 30, 2021 was \$8,611,980, and is available to provide for closure and post closure costs. Total funds accumulated as of June 30, 2021, are comprised as follows:

| | | |
|-------------|----|------------------|
| Closure | \$ | 2,098,511 |
| Postclosure | | 6,513,469 |
| Total | \$ | <u>8,611,980</u> |

Note 12 - Commitments and Contingencies

The City participates in a number of federally assisted grant programs, of which the principal grants are the Disaster Assistance Program, Community Development Block Grant (CDBG), Home Investments Partnership Program (HOME), and various Department of Justice and Department of Transportation grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies upon audit cannot be determined at this time, although the City expects such amounts to be immaterial.

The California Legislature granted tidal and submerged lands in trust to the City to be used for a number of statewide purposes in furtherance of navigation, commerce, and fisheries. In accordance with this legislation, revenues derived from the Wharf are required to be used for purposes permitted under the grant statute.

There are a number of lawsuits presently against the City. While the ultimate outcome of these lawsuits is not determinable, in the opinion of the City Attorney and City management, recovery from the City, if any, would not have a material effect on the accompanying financial statements.

At year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

| | | |
|-----------------------------|----|------------|
| General Fund | \$ | 605,842 |
| RDA Successor Agency - LMIH | | 3,064 |
| General Capital Improvement | | 10,855,603 |
| Other governmental funds | | 7,955,945 |

The following is a list of major commitments and contracts as of June 30, 2021:

| <u>Major Commitments and Contracts:</u> | |
|--|-----------------------------|
| NCD I/O Replacement Project | \$ 10,849,740 |
| State Route 1/9 Intersection Impr | 7,368,766 |
| MB Sanctuary Scenic Trail -Segment 8 & 9 | 4,072,113 |
| Branciforte Measure S Facility Remodel | 3,050,154 |
| GHWTP CC Tanks Replacement | 2,977,601 |
| Laguna Creek Diversion Retrofit Project | 1,845,281 |
| Garfield Park Measure S Facility Remodel | 969,306 |
| Water Program Administration | 774,763 |
| WWTF Infra. and Major Equip Study | 751,992 |
| Landfill Master Plan Development | 656,925 |
| all other remaining commitments | 9,357,813 |
| Total Commitments and Contracts: | <u><u>\$ 42,674,453</u></u> |

Note 13 - Operating Leases

The City is obligated under various operating leases for the use of land, buildings, office space and equipment. Lease expenditures, primarily for governmental funds, for the year ended June 30, 2021, were \$385,771. Future minimum lease payments required by lease agreements that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2021, are as follows:

| <u>Year Ending June 30,</u> | <u>Amount</u> |
|-------------------------------------|----------------------------|
| 2022 | \$ 410,240 |
| 2023 | 385,464 |
| 2024 | 90,850 |
| 2025 | 93,576 |
| 2026 | 85,018 |
| 2027-2031 | 278,123 |
| Total future minimum lease payments | <u><u>\$ 1,343,271</u></u> |

The City leases (as lessor) office facilities, buildings, and wharf facilities under operating leases to various entities and individuals. Total revenues from these leases for the year ending June 30, 2021, were \$1,599,484. The total cost of leased assets as of June 30, 2021, was \$38,867,196, and the accumulated depreciation of those assets that are depreciable amounted to \$17,013,718.

Future estimated revenues from these leases are as follows:

| Year Ending June 30, | Amount |
|----------------------|---------------------|
| 2022 | \$ 1,553,342 |
| 2023 | 1,054,111 |
| 2024 | 702,501 |
| 2025 | 680,173 |
| 2026 | 629,831 |
| 2027-2031 | 2,005,722 |
| 2032-2036 | 1,440,817 |
| 2037-2041 | 547,735 |
| 2042-2046 | 238,637 |
| 2047-2051 | 180,015 |
| Future years | 191,811 |
| Total | <u>\$ 9,224,695</u> |

Note 14 - Fund Balance

Fund balance classification. The order of fund balance classification within each fund is determined by the fund's total nonspendable amount and remaining fund balance. All nonspendable funds such as inventories and prepaid expenditures must always be classified first, even if this action creates a deficit unassigned fund balance, and classifying funds under the remaining categories is not allowable if the action creates a deficit unassigned fund balance. Unless prohibited by legal requirements, the following fund balance category order should be used when classifying any remaining funds: *restricted, committed, assigned, and unassigned*. Approved by Council through resolution, Council has been designated as the highest authority to establish, modify, or rescind a fund balance commitment, and the authority to establish, modify or rescind fund balance assignments has been delegated to the City Manager or the Finance Director.

On June 11, 2013, City Council adopted Resolution NS-28,655 which established an emergency contingency reserve equivalent to a minimum of two-months of the current fiscal year's Adopted Total General Fund Operating Expenditure Budget. City Council authorized the City Manager to maintain a minimum balance defined above through transfers of available ending Fund Balance after the Budget is adopted but before the end of the fiscal year. The reserve may be used for expenditures in the event of a declaration of a state or federal state of emergency or a local emergency as defined in the City Charter's Municipal Code Section 612. At June 30, 2021, the City had \$6,264,800 earmarked pursuant to Resolution NS-28,655.

The emergency contingency can be used, if any one of the unforeseen and non-recurring events listed below occur that create significant financial difficulty for the City:

- a) Sudden and unexpected significant facility failures that threaten the immediate safety of City patrons, staff or the community;
- b) Declaration of a State of Emergency by the Governor;
- c) Acts of Terrorism declared by the Governor or the President of the United States; or
- d) Acts of Nature, which are infrequent in occurrence.

Deficit fund equity. The General Capital Improvement Fund reported deficit fund equity of \$4,685,290 which will be reduced through recognition of future available revenues and future program income.

The following table shows the classifications of the City's fund balances at the end of June 30, 2021:

| Fund Balance Category | General Fund | RDA Successor Agency - LMIH | General Capital Improvement | Other Governmental Funds | Total |
|--------------------------------------|----------------------|--------------------------------|-----------------------------------|--------------------------------|----------------------|
| Nonspendable: | | | | | |
| Interfund advances | \$ 2,509,687 | \$ - | \$ - | \$ - | \$ 2,509,687 |
| Noncurrent receivables | 2,987,852 | - | - | - | 2,987,852 |
| Prepaid items | 1,407 | - | - | - | 1,407 |
| Restricted: | | | | | |
| Clean rivers, oceans, and beaches | - | - | - | 1,851,961 | 1,851,961 |
| Debt service | - | - | - | 1,814,621 | 1,814,621 |
| Hardship grants | 272,684 | - | - | - | 272,684 |
| Housing programs | - | 12,449,485 | - | 5,006,869 | 17,456,354 |
| Parks and Recreation | - | - | - | 2,633,896 | 2,633,896 |
| Police programs | - | - | - | 752,543 | 752,543 |
| Streets and roads | - | - | - | 10,141,713 | 10,141,713 |
| Traffic impact | - | - | - | 1,977,055 | 1,977,055 |
| Retiree benefits | 9,729,291 | - | - | - | 9,729,291 |
| Committed: | | | | | |
| Capital projects | 9,895,162 | - | - | - | 9,895,162 |
| Assigned | 4,356,223 | - | - | - | 4,356,223 |
| Unassigned | 6,264,915 | - | (4,685,290) | - | 1,579,625 |
| Total Fund Balances | \$ 36,017,221 | \$ 12,449,485 | \$ (4,685,290) | \$ 24,178,658 | \$ 67,960,074 |

Note 15 - Successor Agency Trust

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Santa Cruz that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. On January 24, 2011, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number NS-28,450.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

Cash and investments

Cash and investments reported in the accompanying financial statements consisted of the following:

| | Amount |
|---|----------------------|
| Cash and investments pooled with the City | \$ 14,579,680 |
| Cash and investments with fiscal agent | 1,736,430 |
| | <u>\$ 16,316,110</u> |

Loans Receivable

At June 30, 2021, loans receivable consisted of \$310,087 to Artspace Tannery, LLC to repay the Sachs Foundation Loan; assist with financing construction of tenant improvements; and assist with financing the initial subleasing and marketing obligations necessary for the opening of the Digital Media Center. The interest rate on this loan is 3% simple.

Capital Assets

An analysis of capital assets as of June 30, 2021, follows:

| | Balance July 1, 2020 | Additions | Deletions | Balance June 30, 2021 |
|-----------------------------------|-------------------------|---------------------|-------------|--------------------------|
| Nondepreciable Assets: | | | | |
| Land - parking lot | \$ 902,621 | \$ - | \$ - | \$ 902,621 |
| Subtotal Nondepreciable Assets | <u>902,621</u> | <u>-</u> | <u>-</u> | <u>902,621</u> |
| Depreciable Assets: | | | | |
| Land improvements | 513,741 | - | - | 513,741 |
| Buildings | 10,209,815 | - | - | 10,209,815 |
| Machinery and equipment | 110,026 | - | - | 110,026 |
| Lease improvements | 240,268 | - | - | 240,268 |
| Intangibles | 10,966 | - | - | 10,966 |
| Subtotal Depreciable Assets | <u>11,084,816</u> | <u>-</u> | <u>-</u> | <u>11,084,816</u> |
| Total Capital Assets | <u>11,987,437</u> | <u>-</u> | <u>-</u> | <u>11,987,437</u> |
| Less Accumulated Depreciation: | | | | |
| Land improvements | (191,050) | (25,687) | - | (216,737) |
| Buildings | (3,194,135) | (348,213) | - | (3,542,348) |
| Machinery and equipment | (101,763) | (8,262) | - | (110,025) |
| Lease improvements | (207,875) | (11,767) | - | (219,642) |
| Intangibles | (10,966) | - | - | (10,966) |
| Subtotal Accumulated Depreciation | <u>(3,705,789)</u> | <u>(393,929)</u> | <u>-</u> | <u>(4,099,718)</u> |
| Net Capital Assets | <u>\$ 8,281,648</u> | <u>\$ (393,929)</u> | <u>\$ -</u> | <u>\$ 7,887,719</u> |

Long-Term Debt

For the year ended June 30, 2021, long-term debt in the Successor Agency Trust consisted of the following amounts:

| Description/Purpose | Maturity | Interest Rates | Annual Principal Installments | Original Issue Amount | Balance at June 30, 2021 |
|--|-----------------|----------------|-------------------------------|-----------------------|--------------------------|
| <i>2004 Tax Allocation Bonds</i> | | | | | |
| Refinanced Redevelopment Agency earthquake recovery and reconstruction bonds | 10/1/05-10/1/31 | 2.5%-4.625% | \$120,000-\$320,000 | \$5,245,000 | \$2,830,000 |
| <i>2011 Taxable Housing Tax Allocation Bonds, Series A</i> | | | | | |
| To fund housing-related projects in the Merged Earthquake Reconstruction Project Area ("Project Area") | 10/1/11-10/1/24 | 6.59% | \$220,000-\$880,000 | \$8,250,000 | \$3,205,000 |
| | | | | | \$6,035,000 |

| | Balance July 1, 2020 | Transfers from Governmental Activities | Retirements | Balance June 30, 2021 | Amount Due Within One Year | Amount Due in More Than One Year |
|----------------------------|-------------------------|--|-----------------|--------------------------|----------------------------------|--|
| Tax allocation bonds | \$ 22,435,000 | \$ - | \$ (16,400,000) | \$ 6,035,000 | \$ 930,000 | \$ 5,105,000 |
| Bond issuance premiums | 375 | - | (375) | - | - | - |
| Total tax allocation bonds | 22,435,375 | - | (16,400,375) | 6,035,000 | 930,000 | 5,105,000 |
| Total | \$ 22,435,375 | \$ - | \$ (16,400,375) | \$ 6,035,000 | \$ 930,000 | \$ 5,105,000 |

Certain bonds were called in the current year and were fully paid off.

Long-Term Debt, Continued

As of June 30, 2021, future debt service requirements to maturity for outstanding debt were:

| For Year Ending June 30, | Tax Allocation Bonds | |
|--------------------------------|----------------------|---------------------|
| | Principal | Interest |
| 2022 | \$ 930,000 | \$ 310,856 |
| 2023 | 990,000 | 252,452 |
| 2024 | 1,045,000 | 190,297 |
| 2025 | 1,110,000 | 124,130 |
| 2026 | 245,000 | 84,446 |
| 2027-2031 | 1,395,000 | 240,819 |
| 2032-2035 | 320,000 | 7,400 |
| Totals | <u>\$ 6,035,000</u> | <u>\$ 1,210,400</u> |

Pledged Revenue

The City pledged, as security for bonds issued, either directly or through the Financing Authority, a portion of tax increment revenue (including Low and Moderate Income Housing set-aside and pass through allocations) that it receives. The bonds issued were to provide financing for various capital projects, accomplish Low and Moderate Income Housing projects and to defease previously issued bonds. Assembly Bill 1X 26 provided that upon dissolution of the Redevelopment Agency, property taxes allocated to redevelopment agencies no longer are deemed tax increment but rather property tax revenues and will be allocated first to successor agencies to make payments on the indebtedness incurred by the dissolved redevelopment agency. Total principal and interest remaining on the debt is \$7,245,400 with annual debt service requirements as indicated above. For the current year, the total property tax revenue recognized by the City and Successor Agency for the payment of indebtedness incurred by the dissolved redevelopment agency was \$2,524,189, and the debt service payments on the bonds was \$880,000 of principal payments on the 2011 Taxable Tax Allocation Bond Series B, and 2011 Tax-Exempt Tax Allocation Bond Series C Fiscal Year 2021.

Insurance

The Successor Agency is covered under the City of Santa Cruz's insurance policies. Therefore, the limitation and self-insured retentions applicable to the City also apply to the Successor Agency. Additional information as to coverage and self-insured retentions can be found in Note 8.

Note 16 - Restatement

As of July 1, 2020, the city adopted GASB Statement No. 84, *Fiduciary Activities* (GASB 84). As a result of the implementation of GASB 84, the city has reclassified its custodial funds previously reported without net position. The following table describes the effects of the implementation on beginning net position.

| | Custodial Funds |
|--|---------------------|
| Beginning of year, as previously reported Net Position | \$ - |
| Reclassification of agency funds to custodial funds | 4,904,605 |
| Beginning of year, as restated Net Position | <u>\$ 4,904,605</u> |

Note 17 - Subsequent Events

Water Rates

Effective November 2021, City Council approved and adopted a resolution authorizing an updated water rate structure for implementation on July 1, 2022.

Memorandum of Understandings

Effective November 2021, City Council approved and adopted a Memorandum of Understandings with the Temporary Service Employees SEIU Local 521.

State General Fund Revenue, Homeless Response

Effective December 2021, City Council approved and adopted a resolution authorizing the City to accept and appropriate \$14,000,000 from the State General Fund for use in addressing homelessness.

American Rescue Plan Act Fund Revenue

Effective December 2021, City Council approved and adopted a resolution authorizing \$4,243,659 in American Rescue Plan Act (ARPA) funds for use in addressing homelessness.



Required Supplementary Information
June 30, 2021

City of Santa Cruz

City of Santa Cruz

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – General Fund
Year Ended June 30, 2021

| | Budgeted Amounts | | Actual | Variance with |
|---|----------------------|----------------------|--------------------------------------|---------------------|
| | Original | Final | Amounts | Final Budget |
| | | | (Budgetary) | Positive |
| | | | | (Negative) |
| Revenues: | | | | |
| Taxes | \$ 73,380,835 | \$ 71,380,835 | \$ 76,602,978 | \$ 5,222,143 |
| Licenses and permits | 1,403,788 | 1,403,788 | 1,497,268 | 93,480 |
| Intergovernmental | 1,545,000 | 3,335,329 | 1,953,282 | (1,382,047) |
| Charges for services | 17,037,557 | 18,964,949 | 18,546,386 | (418,563) |
| Fines and forfeitures | 1,585,175 | 1,585,175 | 1,105,221 | (479,954) |
| Use of money and property | 6,438,202 | 6,747,320 | 6,506,025 | (241,295) |
| Other revenues | 248,743 | 256,168 | 428,934 | 172,766 |
| Total revenues | 101,639,300 | 103,673,564 | 106,640,094 | 2,966,530 |
| Expenditures: | | | | |
| Current: | | | | |
| City Council | 461,002 | 483,567 | 458,843 | 24,724 |
| City Manager | 5,570,909 | 6,535,652 | 5,437,251 | 1,098,401 |
| City Attorney | 1,608,654 | 1,608,654 | 1,558,318 | 50,336 |
| Human Resources | 1,634,284 | 1,658,789 | 1,405,442 | 253,347 |
| Finance | 3,965,410 | 4,099,146 | 3,484,320 | 614,826 |
| Information Technology | 5,189,695 | 5,266,256 | 4,866,289 | 399,967 |
| Police | 25,533,252 | 25,842,441 | 25,687,722 | 154,719 |
| Fire | 17,684,126 | 19,462,960 | 19,869,446 | (406,486) |
| Parks and Recreation | 12,944,382 | 13,676,026 | 13,519,824 | 156,202 |
| Library | 1,744,751 | 1,744,751 | 1,744,751 | - |
| Public Works | 8,672,082 | 9,468,388 | 9,145,631 | 322,757 |
| Planning and Community Development | 6,170,206 | 7,212,059 | 6,166,179 | 1,045,880 |
| Economic Development | 3,253,677 | 4,447,147 | 3,439,657 | 1,007,490 |
| Debt service: | 5,158,995 | 5,158,995 | 5,164,472 | (5,477) |
| Total expenditures | 99,591,425 | 106,664,831 | 101,948,145 | 4,716,686 |
| Excess (deficiency) of revenues over (under) expenditures | 2,047,875 | (2,991,267) | 4,691,949 | 7,683,216 |
| Other financing sources (uses): | | | | |
| Proceeds from sale of capital assets | 12,057 | 17,750 | - | (17,750) |
| Proceeds from long-term debt issued | - | - | 222,500 | 222,500 |
| Transfers in | 4,379,506 | 4,913,134 | 2,363,511 | (2,549,623) |
| Transfers out | (1,744,391) | (1,856,499) | (951,637) | 904,862 |
| Total other financing sources (uses) | 2,647,172 | 3,074,385 | 1,634,374 | (1,440,011) |
| Net change in fund balances | 4,695,047 | 83,118 | 6,326,323 | 6,243,205 |
| Fund balances, beginning of the year | 28,490,261 | 28,490,261 | 28,490,261 | - |
| Fund balances, end of year | \$ 33,185,308 | \$ 28,573,379 | 34,816,584 | \$ 6,243,205 |
| Reconciliation between actual GAAP amounts and actual budgetary amounts: | | | | |
| | | | Unrealized gain/loss in investments: | 1,200,637 |
| | | | Ending Fund Balance (GAAP) | \$ 36,017,221 |

City of Santa Cruz

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – Low and
Moderate Income Housing – Successor Agency
Year Ended June 30, 2021

| | Budgeted Amounts | | Actual Amounts (Budgetary) | Variance with Final Budget Positive (Negative) |
|---|----------------------|----------------------|----------------------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Charges for services | 25,000 | 25,000 | 25,000 | - |
| Use of money and property | 194,629 | 140,000 | 223,969 | 83,969 |
| Other revenues | - | - | 1,903 | 1,903 |
| Total revenues | 219,629 | 165,000 | 250,872 | 85,872 |
| Expenditures: | | | | |
| Current: | | | | |
| Community and economic development | 236,940 | 351,268 | 33,969 | 317,299 |
| Capital outlay | 1,563,709 | 52,747 | 28,000 | 24,747 |
| Total expenditures | 1,800,649 | 404,015 | 61,969 | 342,046 |
| Excess (deficiency) of revenues over (under) expenditures | (1,581,020) | (239,015) | 188,903 | 427,918 |
| Other financing sources (uses): | | | | |
| Transfers in | 1,544,837 | - | - | - |
| Total other financing sources (uses) | 1,544,837 | - | - | - |
| Net change in fund balances | (36,183) | (239,015) | 188,903 | 427,918 |
| Fund balances, beginning of the year | 12,249,579 | 12,249,579 | 12,249,579 | - |
| Fund balances, end of year | \$ 12,213,396 | \$ 12,010,564 | 12,438,482 | \$ 427,918 |

Reconciliation between actual GAAP amounts and actual budgetary amounts:

| | |
|--------------------------------------|-----------------------------|
| Unrealized gain/loss in investments: | 11,003 |
| Ending Fund Balance (GAAP) | <u><u>\$ 12,449,485</u></u> |

City of Santa Cruz

Miscellaneous Plan – Schedule of Changes in Net Pension Liability and Related Ratios
As of June 30, For the Last Ten Fiscal Years ⁽¹⁾

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Total Pension Liability | | | | | | | |
| Service Cost | \$ 7,885,876 | \$ 7,900,459 | \$ 7,783,394 | \$ 7,610,704 | \$ 6,591,034 | \$ 6,361,790 | \$ 6,509,468 |
| Interest on total pension liability | 30,039,327 | 28,954,157 | 27,583,659 | 26,530,096 | 25,672,408 | 24,481,828 | 23,328,077 |
| Differences between expected and actual experience | (1,476,176) | 2,306,451 | 93,822 | (3,403,096) | (1,235,979) | (1,976,012) | - |
| Changes in assumptions | - | - | (2,696,137) | 21,609,175 | - | (5,898,908) | - |
| Changes in benefit terms | - | - | - | - | - | - | - |
| Benefit payments, including refunds of employee contributions | (20,931,911) | (19,455,950) | (17,672,540) | (16,106,784) | (14,925,407) | (13,392,860) | (12,418,981) |
| Net change in total pension liability | 15,517,116 | 19,705,117 | 15,092,198 | 36,240,095 | 16,102,056 | 9,575,838 | 17,418,564 |
| Total pension liability - beginning | 428,129,657 | 408,424,540 | 393,332,342 | 357,092,247 | 340,990,191 | 331,414,353 | 313,995,789 |
| Total pension liability - ending | <u>\$ 443,646,773</u> | <u>\$ 428,129,657</u> | <u>\$ 408,424,540</u> | <u>\$ 393,332,342</u> | <u>\$ 357,092,247</u> | <u>\$ 340,990,191</u> | <u>\$ 331,414,353</u> |
| Plan fiduciary net position | | | | | | | |
| Contributions - employer | 11,514,417 | 10,017,877 | 17,249,540 | 8,246,952 | 7,535,401 | 6,695,193 | 6,556,875 |
| Contributions - employee | 3,647,909 | 3,376,687 | 3,338,059 | 3,303,116 | 2,970,890 | 2,877,107 | 2,954,292 |
| Net investment income | 16,613,297 | 20,786,561 | 24,652,641 | 30,093,835 | 1,468,227 | 6,037,806 | 40,388,310 |
| Plan to plan resource movement | (24,593) | 12,275 | (718) | 244 | 1,381 | (183,350) | - |
| Administrative expenses | (467,161) | (226,122) | (452,852) | (391,943) | (163,685) | (302,581) | - |
| Other miscellaneous income/ (expense) | | 718 | (859,975) | - | - | - | - |
| Benefit payments | (20,931,911) | (19,455,950) | (17,672,540) | (16,106,784) | (14,925,407) | (13,392,860) | (12,418,981) |
| Net change in plan fiduciary net position | 10,351,958 | 14,512,046 | 26,254,155 | 25,145,420 | (3,113,193) | 1,731,315 | 37,480,496 |
| Plan fiduciary net position - beginning | 331,377,514 | 316,865,468 | 290,611,313 | 265,465,893 | 268,579,086 | 266,847,771 | 229,367,275 |
| Plan fiduciary net position - ending | <u>\$ 341,729,472</u> | <u>\$ 331,377,514</u> | <u>\$ 316,865,468</u> | <u>\$ 290,611,313</u> | <u>\$ 265,465,893</u> | <u>\$ 268,579,086</u> | <u>\$ 266,847,771</u> |
| Net pension liability - ending | <u>\$ 101,917,301</u> | <u>\$ 96,752,143</u> | <u>\$ 91,559,072</u> | <u>\$ 102,721,029</u> | <u>\$ 91,626,354</u> | <u>\$ 72,411,105</u> | <u>\$ 64,566,582</u> |
| Measurement dates: | 6/30/2020 | 6/30/2019 | 6/30/2018 | 6/30/2017 | 6/30/2016 | 6/30/2015 | 6/30/2014 |
| Plan fiduciary net position as a percentage of the total pension liability | 77.03% | 77.40% | 77.58% | 73.88% | 74.34% | 78.76% | 80.52% |
| Covered payroll | \$ 49,672,458 | \$ 46,617,341 | \$ 47,249,126 | \$ 46,983,509 | \$ 42,997,153 | \$ 41,057,056 | \$ 40,191,826 |
| Net pension liability as percentage of covered payroll | 205.18% | 207.55% | 193.78% | 218.63% | 213.10% | 176.37% | 160.65% |
| Significant changes in assumptions | | | | | | | |
| Discount rate | 7.15% | 7.15% | 7.15% | 7.15% | 7.65% | 7.65% | 7.50% |
| Inflation rate | 2.50% | 2.50% | 2.50% | 2.75% | 2.75% | 2.75% | 2.75% |

(1) Fiscal year ended June 30, 2015 was the first year of implementation; therefore, only seven years are shown.
Additional information will be displayed as it becomes available.

City of Santa Cruz
Agent Multiple Employer Benefit Plans – Schedule of Pension Contribution
As of June 30, For the Last Ten Fiscal Years ⁽¹⁾

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Actuarially determined contribution | \$ 12,053,650 | \$ 11,511,262 | \$ 10,017,851 | \$ 9,241,056 | \$ 8,246,665 | \$ 7,450,526 | \$ 6,695,193 |
| Contributions in relation to the actuarially determined contributions | (12,053,650) | (11,511,262) | (10,017,851) | (9,241,056) | (8,246,665) | (7,450,526) | (6,695,193) |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | \$ 45,398,860 | \$ 49,672,458 | \$ 46,617,341 | \$ 47,249,126 | \$ 46,983,509 | \$ 42,997,153 | \$ 41,057,056 |
| Contributions as a percentage of covered payroll | 26.55% | 23.17% | 21.49% | 19.56% | 17.55% | 17.33% | 16.31% |

(1) Fiscal year ended June 30, 2015 was the first year of implentation; therefore, only seven years are shown.
Additional information will be displayed as it becomes available.

City of Santa Cruz

Cost Sharing Multiple Employer Benefit Plan – Schedule of Proportionate Share of the Net Pension Liability
As of June 30, For the Last Ten Fiscal Years ⁽¹⁾

| Safety Plan | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Measurement dates: | 6/30/2020 | 6/30/2019 | 6/30/2018 | 6/30/2017 | 6/30/2016 | 6/30/2015 | 6/30/2014 |
| Proportion of the collective net pension liability | 1.2252% | 1.1890% | 1.1638% | 1.1282% | 1.1262% | 1.0898% | 1.0167% |
| Proportionate share of the collective net pension liability | \$ 81,628,137 | \$ 74,225,347 | \$ 68,287,671 | \$ 67,411,262 | \$ 58,326,239 | \$ 44,902,753 | \$ 38,137,949 |
| Covered payroll | \$ 16,204,876 | \$ 16,620,902 | \$ 18,450,275 | \$ 19,321,503 | \$ 18,222,345 | \$ 17,578,572 | \$ 16,480,683 |
| Proportionate Share of the net pension liability as a percentage of covered employee payroll | 503.73% | 446.58% | 370.12% | 348.89% | 320.08% | 255.44% | 231.41% |
| Plan fiduciary net position as a percentage of the total pension liability | 73.12% | 73.37% | 73.39% | 71.74% | 77.69% | 77.27% | 78.83% |
| Significant changes in assumptions | | | | | | | |
| Discount rate | 7.15% | 7.15% | 7.15% | 7.15% | 7.65% | 7.65% | 7.50% |
| Inflation rate | 2.50% | 2.50% | 2.50% | 2.75% | 2.75% | 2.75% | 2.75% |

(1) Fiscal year ended June 30, 2015 was the first year of implementation; therefore, only seven years are shown.
Additional information will be displayed as it becomes available.

City of Santa Cruz
Cost Sharing Multiple Employer Benefit Plan – Schedule of Pension Contributions
As of June 30, For the Last Ten Fiscal Years ⁽¹⁾

| Safety Plan | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Actuarially determined contribution | \$ 8,998,387 | \$ 8,124,640 | \$ 7,266,279 | \$ 6,330,925 | \$ 6,366,360 | \$ 5,913,845 | \$ 4,731,093 |
| Contributions in relation to the actuarially determined contribution | (8,998,387) | (8,124,640) | (7,266,279) | (6,330,925) | (6,366,360) | (5,913,845) | (4,731,093) |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | \$ 15,967,999 | \$ 16,204,876 | \$ 16,620,902 | \$ 18,450,275 | \$ 19,321,503 | \$ 18,222,345 | \$ 17,578,572 |
| Contributions as a percentage of covered payroll | 56.35% | 50.14% | 43.72% | 34.31% | 32.95% | 32.45% | 26.91% |

(1) Fiscal year ended June 30, 2015 was the first year of implementation; therefore, only seven years are shown.
Additional information will be displayed as it becomes available.

City of Santa Cruz
Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios
As of June 30, For the Last Ten Fiscal Years ⁽¹⁾

Schedule of Changes in Total OPEB Liability
Last Ten Years ⁽¹⁾

| | Fiscal Year Ended | | | |
|---|-------------------|---------------|---------------|---------------|
| | 2021 | 2020 | 2019 | 2018 |
| Total OPEB Liability | | | | |
| Service cost | \$ 2,636,320 | \$ 2,357,686 | \$ 2,602,431 | \$ 1,758,129 |
| Interest | 1,427,248 | 1,448,770 | 1,214,282 | 1,156,132 |
| Changes of benefit terms | - | - | - | - |
| Differences between expected and actual experience | (4,007,945) | - | (2,094,895) | - |
| Change of assumptions | 1,104,915 | 2,587,946 | (1,793,250) | - |
| Benefit payments, included refunds of employee contributions | (1,226,765) | (964,742) | (1,154,846) | (959,486) |
| Net change in total OPEB liability | (66,227) | 5,429,660 | (1,226,278) | 1,954,775 |
| Total OPEB liability - beginning of year | 43,571,318 | 38,141,658 | 39,367,936 | 37,413,161 |
| Total OPEB liability - end of year | \$ 43,505,091 | \$ 43,571,318 | \$ 38,141,658 | \$ 39,367,936 |
| Plan Fiduciary Net Position | | | | |
| Contributions | \$ 1,226,765 | \$ - | \$ - | \$ - |
| Other income - recognition of OPEB trust | 3,463,974 | - | - | - |
| Net investment income | 228,367 | - | - | - |
| Administrative expenses | (3,431) | - | - | - |
| Benefit payments, included refunds of employee contributions | (1,226,765) | - | - | - |
| Net change in plan Fiduciary Net position | 3,688,910 | - | - | - |
| Total OPEB Fiduciary Net position - beginning of year | - | - | - | - |
| Total OPEB Fiduciary Net position - end of year | 3,688,910 | - | - | - |
| Net OPEB Liability | \$ 39,816,181 | \$ 43,571,318 | \$ 38,141,658 | \$ 39,367,936 |
| Measurement dates: | 6/30/2020 | 6/30/2019 | 6/30/2018 | 6/30/2017 |
| Plan fiduciary net position as a percentage of the total OPEB liability | 8.48% | 0.00% | 0.00% | 0.00% |
| Covered employee payroll | 65,797,300 | \$62,330,109 | \$65,699,401 | \$62,434,938 |
| Total OPEB liability as a percentage of covered-employee payroll | 60.51% | 69.90% | 58.05% | 63.05% |

(1) Fiscal year ended June 30, 2018 was the first year of implementation; therefore, only four years are shown.
Additional information will be displayed as it becomes available.

City of Santa Cruz
Net Other Postemployment Benefits Liability – Schedule of Contributions
As of June 30, For the Last Ten Fiscal Years ⁽¹⁾

| OPEB Plan | 2021 | 2020 | 2019 | 2018 |
|--|---------------|---------------|--------------|--------------|
| Actuarially determined contribution | \$ 1,226,765 | \$ 964,742 | \$ 1,154,846 | \$ 959,486 |
| Contributions in relation to the actuarially determined contribution | (1,226,765) | (964,742) | (1,154,846) | (959,486) |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | \$ 61,366,859 | \$ 65,797,300 | \$62,330,109 | \$65,699,401 |
| Contributions as a percentage of covered payroll | 2.00% | 1.47% | 1.85% | 1.46% |

(1) Fiscal year ended June 30, 2018 was the first year of implentation; therefore, only four years are shown.
Additional information will be displayed as it becomes available.

Budgetary Information

An annual budget is adopted by the City Council no later than the first regular meeting in July for the fiscal year beginning July first. As part of the budget process, all City departments submit budget requests for the next fiscal year. These requests are reviewed, and a final City Manager recommended budget showing estimated revenues and expenditures of the City is prepared. This proposed budget is transmitted to the City Council and made available to the public for review. Study sessions and a public hearing are conducted before final adoption of the budget by the City Council.

Transfers of appropriations within any department require the approval of the Director of Finance for transfers up to \$50,000, and the City Manager approval for all transfers over \$50,000. Any new appropriation or appropriation transfer between funds or department requires approval by the City Council. Several supplemental appropriations were necessary during the year and are reflected in the budget amounts in the financial statements. Expenditures may not legally exceed appropriations at the department level.

Under the City Charter, all unexpended appropriations shall lapse at the end of the fiscal year unless they are lawfully committed, or are required by law to be continuously appropriated from year to year.

Lawfully committed amounts include amounts legally encumbered at year end. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental fund types. Encumbrances outstanding at year-end do not constitute expenditures or liabilities, and re-appropriations in the subsequent year provide authority to complete these transactions as expenditures.

In addition, project-length (or non-lapsing) budgets are adopted for capital improvement and other projects, and grant-funded projects or programs that may not be completed within the fiscal year during which the budget appropriation for the project or program originates. Under these circumstances, the appropriation continues until project or program completion, or unless the appropriation is subsequently amended or rescinded by the City Council.

In the Budgetary Comparison Schedules, the "Original Budget" column includes the final adopted budget amounts. Re-appropriations for prior year encumbrances and continuing appropriations for project length budgets automatically carried over from prior years are included in the "Final Budget" column.

The City Charter requires the City Council, upon recommendation of the City Manager and after providing sufficient funds to meet debt service and operating needs, to annually set aside in the enterprise funds an amount to be used for the acquisition and betterment of plant facilities. Such amounts, if any, would be shown in the financial statements as cash and investments held for betterment of plant facilities. No such funds were set aside during the year ended June 30, 2021. Budgets are adopted each year for all general, special revenue, debt service, and capital projects funds. These governmental fund budgets are prepared on a budgetary basis and therefore a reconciliation to GAAP is provided.



Supplementary Information
June 30, 2021

City of Santa Cruz

Non-Major Governmental Funds

Special Revenue Funds

Police - This fund is used to account for state and federal grants and other revenues restricted to be used for police programs.

State Highway Funds - This fund is used to account for the City's apportionment of the State excise tax on gasoline and other related grants or receipts that are restricted for the planning, construction and maintenance of streets and roads. It is also used to account for a subvention of the State sales tax on gasoline (Traffic Congestion Relief Funds) that are restricted for street and highway maintenance, and rehabilitation and reconstruction of necessary associated facilities such as drainage and traffic control devices.

Traffic Impact Fee Funds - This fund is used to account for capital improvements to mitigate traffic impacts generated by land development. The fee provides financial resources for improvements to transit stops, bike and pedestrian facilities, signal coordination, park and ride lots, and other alternative transportation sources impacted by development, and is levied on all Citywide projects requiring a building permit (residential remodels and limited expansions expected to generate less than five new trips per day are exempt).

Clean Rivers, Oceans and Beaches - This fund used to account for parcel tax revenues earned and expenditures incurred as per the voters Measure E ballot measure of 2008.

Parks and Recreation - This fund is used to account for tax and fee revenues restricted for parks and recreation use.

Housing and Community Development - This fund is used to account for receipts and expenditures under the Housing and Community Development Act, which includes Community Development Block Grant funds and HOME program funds. It also is used to account for Red Cross housing reconstruction loan repayments and income and related expenditures for City-owned rental properties.

Transportation Development Act Fund - This fund is used to account for receipts of State Transportation Development Act (TDA) funds restricted to be used for specialized or unmet transit needs. Acting as the public agency sponsor, the City contracts with non-profit agencies to meet these obligations.

American Rescue Plan Act Fund - This fund accounts for receipts and expenditures of the American Rescue Plan Act (ARPA) federal grant award which are provided for specific purposes.

2016 Transportation Measure D Fund - This fund accounts for receipts and expenditures of the 2016 Measure D sales tax received from the Santa Cruz Regional Transportation Commission.

Debt Service Funds

General Obligation Bonds - This fund is used to account for the debt service for a \$7 million general obligation bond issue approved by voters in November 1998. Funds for payment of principal and interest on the bonds are generated by a property tax override assessment of \$9.00 per \$100,000 of assessed value.

Lease Revenue Bonds - This fund is used to account for the debt service for a \$6.9 million revenue bond issued December 19, 2007. Funds for the payment of principal and interest on the bonds are generated by revenues received in the form of lease payments from the Water Enterprise Fund and the Library JPA for occupying the City's Locust/Union Building.

City of Santa Cruz
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2021

| | Special Revenue Funds | | | | | | | | | Debt Service Funds | | |
|--|-----------------------|--------------|--------------|--------------|--------------|--------------|----------------|--------------|----------------|--------------------|------------|---------------|
| | | State | Traffic | Clean River, | Parks and | Housing and | Transportation | American | 2016 | | Lease | Total Other |
| | Police | Highway | Impact Fee | Oceans, | Recreation | Community | Development | Rescue Plan | Transportation | General | Revenue | Governmental |
| | | | | and Beaches | | Development | Act | Act | Measure D | Obligation Bond | Bond | Funds |
| Assets: | | | | | | | | | | | | |
| Cash and investments | \$ 1,218,426 | \$ 7,483,332 | \$ 1,926,863 | \$ 1,829,297 | \$ 2,632,458 | \$ 2,530,060 | \$ - | \$ 7,085,237 | \$ 2,328,465 | \$ 1,386,517 | \$ 400,114 | \$ 28,820,769 |
| Restricted cash and investments | - | 891 | - | - | - | - | - | - | - | - | - | 891 |
| Interest receivable | 609 | 1,070 | 9,285 | 1,221 | 14,416 | 1,458,690 | - | - | 1,409 | 988 | 268 | 1,487,956 |
| Taxes receivable | - | - | - | 61,743 | - | - | - | - | - | 26,734 | - | 88,477 |
| Accounts receivable - net | 736 | 284,671 | 46,941 | - | - | 95,923 | - | - | 290,794 | - | - | 719,065 |
| Intergovernmental receivable | - | 394,937 | - | - | 117 | 390,876 | - | - | - | - | - | 785,930 |
| Prepaid items | - | - | - | - | - | 780 | - | - | - | - | - | 780 |
| Notes receivable - net | - | - | 148,697 | - | 134,340 | 75,000 | - | - | - | - | - | 358,037 |
| Loans receivable - net | - | - | - | - | - | 2,577,024 | - | - | - | - | - | 2,577,024 |
| Total assets | \$ 1,219,771 | \$ 8,164,901 | \$ 2,131,786 | \$ 1,892,261 | \$ 2,781,331 | \$ 7,128,353 | \$ - | \$ 7,085,237 | \$ 2,620,668 | \$ 1,414,239 | \$ 400,382 | \$ 34,838,929 |
| Liabilities: | | | | | | | | | | | | |
| Accounts payable and other current liabilities | \$ 10,401 | \$ 248,919 | \$ - | \$ 40,300 | \$ - | \$ 136,835 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 436,455 |
| Unearned revenue | 456,827 | - | - | - | - | - | - | 7,085,161 | - | - | - | 7,541,988 |
| Deposits payable | - | - | - | - | - | 34 | - | - | - | - | - | 34 |
| Advances from other funds | - | - | - | - | - | 500,000 | - | - | - | - | - | 500,000 |
| Total liabilities | 467,228 | 248,919 | - | 40,300 | - | 636,869 | - | 7,085,161 | - | - | - | 8,478,477 |
| Deferred inflows of resources: | | | | | | | | | | | | |
| Unavailable revenue | - | 394,937 | 154,731 | - | 147,435 | 1,484,691 | - | - | - | - | - | 2,181,794 |
| Fund Balances: | | | | | | | | | | | | |
| Restricted: | | | | | | | | | | | | |
| Clean rivers, oceans, and beaches | - | - | - | 1,851,961 | - | - | - | - | - | - | - | 1,851,961 |
| Debt service | - | - | - | - | - | - | - | - | - | 1,414,239 | 400,382 | 1,814,621 |
| Housing programs | - | - | - | - | - | 5,006,793 | - | 76 | - | - | - | 5,006,869 |
| Parks and recreation | - | - | - | - | 2,633,896 | - | - | - | - | - | - | 2,633,896 |
| Police programs | 752,543 | - | - | - | - | - | - | - | - | - | - | 752,543 |
| Streets and roads | - | 7,521,045 | - | - | - | - | - | - | 2,620,668 | - | - | 10,141,713 |
| Traffic impact | - | - | 1,977,055 | - | - | - | - | - | - | - | - | 1,977,055 |
| Total fund balances | 752,543 | 7,521,045 | 1,977,055 | 1,851,961 | 2,633,896 | 5,006,793 | - | 76 | 2,620,668 | 1,414,239 | 400,382 | 24,178,658 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 1,219,771 | \$ 8,164,901 | \$ 2,131,786 | \$ 1,892,261 | \$ 2,781,331 | \$ 7,128,353 | \$ - | \$ 7,085,237 | \$ 2,620,668 | \$ 1,414,239 | \$ 400,382 | \$ 34,838,929 |

See Notes to Supplementary Information

City of Santa Cruz

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds
Year Ended June 30, 2021

| | Special Revenue Funds | | | | | | | | | Debt Service | | |
|--------------------------------------|-----------------------|--------------|--------------|------------------------|--------------|--------------------------|--------------------|--------------------|-----------------------------|----------------------------|-----------------|-----------------------|
| | | State | Traffic | Clean River, | Parks and | Housing and | Transportation | American | 2016 | | Lease | Total Other |
| | Police | Highway | Impact Fee | Oceans, and Beaches | Recreation | Community Development | Development Act | Rescue Plan Act | Transportation Measure D | General Obligation Bond | Revenue Bond | Governmental Funds |
| Revenues: | | | | | | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ 659,854 | \$ 837,416 | \$ - | \$ - | \$ - | \$ - | \$ 508,290 | \$ - | \$ 2,005,560 |
| Intergovernmental | 196,245 | 6,994,772 | - | - | - | 857,716 | 797,240 | - | 1,491,408 | - | - | 10,337,381 |
| Charges for services | 19,148 | - | - | - | - | 6,473 | - | - | - | - | - | 25,621 |
| Use of money and property | 6,488 | 25,200 | 14,689 | 11,909 | 13,797 | 304,152 | - | 76 | 14,219 | 8,560 | 431,914 | 831,004 |
| Other revenues | 6,552 | 98,733 | 301,236 | - | 2,931 | 477,335 | - | - | - | - | - | 886,787 |
| Total revenues | 228,433 | 7,118,705 | 315,925 | 671,763 | 854,144 | 1,645,676 | 797,240 | 76 | 1,505,627 | 516,850 | 431,914 | 14,086,353 |
| Expenditures: | | | | | | | | | | | | |
| Current | | | | | | | | | | | | |
| Public safety | 148,722 | - | - | - | - | - | - | - | - | - | - | 148,722 |
| Public works | - | 1,030,610 | 51,724 | 511,230 | - | - | - | - | 12,625 | - | - | 1,606,189 |
| Transit | - | - | - | - | - | - | 797,240 | - | - | - | - | 797,240 |
| Community and economic development | - | - | - | - | - | 1,061,895 | - | - | - | - | - | 1,061,895 |
| Capital outlay | - | 1,825,481 | - | - | - | 1,799,840 | - | - | - | - | - | 3,625,321 |
| Debt service: | | | | | | | | | | | | |
| Principal | - | 12,399 | - | - | - | - | - | - | - | 335,000 | 180,000 | 527,399 |
| Interest and fiscal charges | - | - | - | - | - | - | - | - | - | 186,416 | 181,090 | 367,506 |
| Total expenditures | 148,722 | 2,868,490 | 51,724 | 511,230 | - | 2,861,735 | 797,240 | - | 12,625 | 521,416 | 361,090 | 8,134,272 |
| Revenues over (under) expenditures | 79,711 | 4,250,215 | 264,201 | 160,533 | 854,144 | (1,216,059) | - | 76 | 1,493,002 | (4,566) | 70,824 | 5,952,081 |
| Other financing sources (uses): | | | | | | | | | | | | |
| Transfers in | - | 434,968 | - | 4,189 | - | - | - | - | - | - | - | 439,157 |
| Transfers out | - | (628,274) | (429,045) | (2,422) | (57,222) | - | - | - | (631,789) | - | - | (1,748,752) |
| Total other financing sources (uses) | - | (193,306) | (429,045) | 1,767 | (57,222) | - | - | - | (631,789) | - | - | (1,309,595) |
| Net change in fund balances | 79,711 | 4,056,909 | (164,844) | 162,300 | 796,922 | (1,216,059) | - | 76 | 861,213 | (4,566) | 70,824 | 4,642,486 |
| Fund balances: | | | | | | | | | | | | |
| Beginning of year | 672,832 | 3,464,136 | 2,141,899 | 1,689,661 | 1,836,974 | 6,222,852 | - | - | 1,759,455 | 1,418,805 | 329,558 | 19,536,172 |
| End of year | \$ 752,543 | \$ 7,521,045 | \$ 1,977,055 | \$ 1,851,961 | \$ 2,633,896 | \$ 5,006,793 | \$ - | \$ 76 | \$ 2,620,668 | \$ 1,414,239 | \$ 400,382 | \$ 24,178,658 |

City of Santa Cruz

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – General
Capital Improvement Fund
Year Ended June 30, 2021

| | Budgeted Amounts | | Actual | Variance with |
|--|-----------------------|------------------------|------------------------|--|
| | Original | Final | Amounts (Budgetary) | Final Budget Positive (Negative) |
| Revenues: | | | | |
| Taxes | \$ 1,691,759 | \$ 1,651,619 | \$ 2,264,491 | \$ 612,872 |
| Intergovernmental | 8,673,949 | 33,653,344 | 6,882,341 | (26,771,003) |
| Use of money and property | 5,690 | 1,750,672 | 54,399 | (1,696,273) |
| Other revenues | 271,044 | 271,044 | 258,360 | (12,684) |
| Total revenues | 10,642,442 | 37,326,679 | 9,459,591 | (27,867,088) |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 30,532 | 36,014 | 221,629 | (185,615) |
| Public works | 314,221 | 1,116,221 | 2,870,012 | (1,753,791) |
| Capital outlay | 59,368,088 | 64,401,816 | 7,100,495 | 57,301,321 |
| Debt service: | | | | |
| Principal | 272,900 | 272,900 | 145,000 | 127,900 |
| Interest and fiscal charges | 78,494 | 78,494 | 96,683 | (18,189) |
| Total expenditures | 60,064,235 | 65,905,445 | 10,433,819 | 55,471,626 |
| Excess (deficiency) of revenues over (under) expenditures | (49,421,793) | (28,578,766) | (974,228) | 27,604,538 |
| Other financing sources (uses): | | | | |
| Transfers in | 46,103,060 | 18,681,609 | 2,459,136 | (16,222,473) |
| Total other financing sources (uses) | 46,103,060 | 18,681,609 | 2,459,136 | (16,222,473) |
| Net change in fund balances | (3,318,733) | (9,897,157) | 1,484,908 | 11,382,065 |
| Fund balances, beginning of the year | (6,183,533) | (6,183,533) | (6,183,533) | - |
| Fund balances, end of year | \$ (9,502,266) | \$ (16,080,690) | (4,698,625) | \$ 11,382,065 |

Reconciliation between actual GAAP amounts and actual budgetary amounts:

| | |
|--------------------------------------|-----------------------|
| Unrealized gain/loss in investments: | 13,335 |
| Ending Fund Balance (GAAP) | <u>\$ (4,685,290)</u> |

City of Santa Cruz

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – Police Fund
Year Ended June 30, 2021

| | Budgeted Amounts | | Actual | Variance with |
|--------------------------------------|-------------------|-------------------|----------------|---------------------|
| | Original | Final | Amounts | Final Budget |
| | | | (Budgetary) | Positive |
| | | | | (Negative) |
| Revenues: | | | | |
| Intergovernmental | \$ 264,930 | \$ 264,930 | \$ 196,245 | \$ (68,685) |
| Charges for services | 16,850 | 16,850 | 19,148 | 2,298 |
| Use of money and property | 8,500 | 8,500 | 1,096 | (7,404) |
| Other revenues | 24,130 | 24,130 | 6,552 | (17,578) |
| Total revenues | 314,410 | 314,410 | 223,041 | (91,369) |
| Expenditures: | | | | |
| Current: | | | | |
| Public safety | 100,000 | 100,000 | 148,722 | (48,722) |
| Total expenditures | 100,000 | 100,000 | 148,722 | (48,722) |
| Net change in fund balances | 214,410 | 214,410 | 74,319 | (140,091) |
| Fund balances, beginning of the year | 672,832 | 672,832 | 672,832 | - |
| Fund balances, end of year | \$ 887,242 | \$ 887,242 | 747,151 | \$ (140,091) |

Reconciliation between actual GAAP amounts and actual budgetary amounts:

| | |
|--------------------------------------|-------------------|
| Unrealized gain/loss in investments: | 5,392 |
| Ending Fund Balance (GAAP) | <u>\$ 752,543</u> |

City of Santa Cruz
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – State
Highway Fund
Year Ended June 30, 2021

| | Budgeted Amounts | | Actual | Variance with |
|--|-------------------|-------------------|------------------|---------------------|
| | Original | Final | Amounts | Final Budget |
| | | | (Budgetary) | Positive |
| | | | | (Negative) |
| Revenues: | | | | |
| Intergovernmental | 2,698,703 | 19,319,327 | 6,994,772 | (12,324,555) |
| Use of money and property | 7,800 | 7,620 | 13,765 | 6,145 |
| Other revenues | - | - | 98,733 | 98,733 |
| Total revenues | 2,706,503 | 19,326,947 | 7,107,270 | (12,219,677) |
| Expenditures: | | | | |
| Current: | | | | |
| Public works | 694,454 | 708,578 | 1,030,610 | (322,032) |
| Capital outlay | 20,758,144 | 23,044,383 | 1,825,481 | 21,218,902 |
| Debt service: | | | | |
| Principal | 38,428 | 38,428 | 12,399 | 26,029 |
| Total expenditures | 21,491,026 | 23,791,389 | 2,868,490 | 20,922,899 |
| Excess (deficiency) of revenues over (under) expenditures | (18,784,523) | (4,464,442) | 4,238,780 | 8,703,222 |
| Other financing sources (uses): | | | | |
| Transfers in | 16,857,493 | 3,852,637 | 434,968 | (3,417,669) |
| Transfers out | (609,134) | (2,703,672) | (628,274) | 2,075,398 |
| Total other financing sources (uses) | 16,248,359 | 1,148,965 | (193,306) | (1,342,271) |
| Net change in fund balances | (2,536,164) | (3,315,477) | 4,045,474 | 7,360,951 |
| Fund balances, beginning of the year | 3,464,136 | 3,464,136 | 3,464,136 | - |
| Fund balances, end of year | \$ 927,972 | \$ 148,659 | 7,509,610 | \$ 7,360,951 |

Reconciliation between actual GAAP amounts and actual budgetary amounts:

| | |
|--------------------------------------|---------------------|
| Unrealized gain/loss in investments: | 11,435 |
| Ending Fund Balance (GAAP) | <u>\$ 7,521,045</u> |

City of Santa Cruz

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – Traffic Impact
 Fee Fund
 Year Ended June 30, 2021

| | Budgeted Amounts | | Actual | Variance with |
|--|---------------------|---------------------|------------------|---------------------|
| | Original | Final | Amounts | Final Budget |
| | | | (Budgetary) | Positive |
| | | | | (Negative) |
| Revenues: | | | | |
| Use of money and property | \$ 63,430 | \$ 63,430 | \$ (26,107) | \$ (89,537) |
| Other revenues | 500,000 | 500,000 | 301,236 | (198,764) |
| Total revenues | 563,430 | 563,430 | 275,129 | (288,301) |
| Expenditures: | | | | |
| Current: | | | | |
| Public works | 216,607 | 216,607 | 51,724 | 164,883 |
| Total expenditures | 216,607 | 216,607 | 51,724 | 164,883 |
| Excess (deficiency) of revenues over (under) expenditures | 346,823 | 346,823 | 223,405 | (123,418) |
| Other financing sources (uses): | | | | |
| Transfers out | (400,000) | (3,360,914) | (429,045) | 2,931,869 |
| Total other financing sources (uses) | (400,000) | (3,360,914) | (429,045) | 2,931,869 |
| Net change in fund balances | (53,177) | (3,014,091) | (205,640) | 2,808,451 |
| Fund balances, beginning of the year | 2,141,899 | 2,141,899 | 2,141,899 | - |
| Fund balances, end of year | \$ 2,088,722 | \$ (872,192) | 1,936,259 | \$ 2,808,451 |

Reconciliation between actual GAAP amounts and actual budgetary amounts:

| | |
|--------------------------------------|---------------------|
| Unrealized gain/loss in investments: | 40,796 |
| Ending Fund Balance (GAAP) | <u>\$ 1,977,055</u> |

City of Santa Cruz

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – Clean River,
Ocean, and Beaches Fund
Year Ended June 30, 2021

| | Budgeted Amounts | | Actual | Variance with |
|--|---------------------|---------------------|------------------|-------------------|
| | Original | Final | Amounts | Final Budget |
| | | | (Budgetary) | Positive |
| | | | | (Negative) |
| Revenues: | | | | |
| Taxes | \$ 630,434 | \$ 630,434 | \$ 659,854 | \$ 29,420 |
| Use of money and property | 21,800 | 21,800 | 1,055 | (20,745) |
| Total revenues | 652,234 | 652,234 | 660,909 | 8,675 |
| Expenditures: | | | | |
| Current: | | | | |
| Public works | 900,044 | 975,300 | 511,230 | 464,070 |
| Capital outlay | - | 214,023 | - | 214,023 |
| Total expenditures | 900,044 | 1,189,323 | 511,230 | 678,093 |
| Excess (deficiency) of revenues over (under) expenditures | (247,810) | (537,089) | 149,679 | 686,768 |
| Other financing sources (uses): | | | | |
| Transfers in | 29,189 | 29,189 | 4,189 | (25,000) |
| Transfers out | (2,422) | (2,422) | (2,422) | - |
| Total other financing sources (uses) | 26,767 | 26,767 | 1,767 | (25,000) |
| Net change in fund balances | (221,043) | (510,322) | 151,446 | 661,768 |
| Fund balances, beginning of the year | 1,689,661 | 1,689,661 | 1,689,661 | - |
| Fund balances, end of year | \$ 1,468,618 | \$ 1,179,339 | 1,841,107 | \$ 661,768 |

Reconciliation between actual GAAP amounts and actual budgetary amounts:

| | |
|--------------------------------------|---------------------|
| Unrealized gain/loss in investments: | 10,854 |
| Ending Fund Balance (GAAP) | <u>\$ 1,851,961</u> |

City of Santa Cruz

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – Parks and
Recreation Fund
Year Ended June 30, 2021

| | Budgeted Amounts | | Actual | Variance with |
|--|---------------------|---------------------|------------------|---------------------|
| | Original | Final | Amounts | Final Budget |
| | | | (Budgetary) | Positive |
| | | | | (Negative) |
| Revenues: | | | | |
| Taxes | \$ 50,000 | \$ 50,000 | \$ 837,416 | \$ 787,416 |
| Use of money and property | 19,960 | 19,960 | 102 | (19,858) |
| Other revenues | 10,000 | 10,000 | 2,931 | (7,069) |
| Total revenues | 79,960 | 79,960 | 840,449 | 760,489 |
| Other financing sources (uses): | | | | |
| Transfers out | (362,000) | (700,642) | (57,222) | 643,420 |
| Total other financing sources (uses) | (362,000) | (700,642) | (57,222) | 643,420 |
| Net change in fund balances | (282,040) | (620,682) | 783,227 | 1,403,909 |
| Fund balances, beginning of the year | 1,836,974 | 1,836,974 | 1,836,974 | - |
| Fund balances, end of year | \$ 1,554,934 | \$ 1,216,292 | 2,620,201 | \$ 1,403,909 |

Reconciliation between actual GAAP amounts and actual budgetary amounts:

| | |
|--------------------------------------|---------------------|
| Unrealized gain/loss in investments: | 13,695 |
| Ending Fund Balance (GAAP) | <u>\$ 2,633,896</u> |

City of Santa Cruz

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – Housing and
Community Development Fund
Year Ended June 30, 2021

| | Budgeted Amounts | | Actual | Variance with |
|--|---------------------|---------------------|------------------|---------------------|
| | Original | Final | Amounts | Final Budget |
| | | | (Budgetary) | Positive |
| | | | | (Negative) |
| Revenues: | | | | |
| Intergovernmental | \$ 1,608,165 | \$ 2,443,890 | \$ 857,716 | \$ (1,586,174) |
| Charges for services | 11,000 | 11,000 | 6,473 | (4,527) |
| Use of money and property | 190,000 | 542,516 | 277,184 | (265,332) |
| Other revenues | 8,000 | 8,000 | 477,335 | 469,335 |
| Total revenues | 1,817,165 | 3,005,406 | 1,618,708 | (1,386,698) |
| Expenditures: | | | | |
| Current: | | | | |
| Community and economic development | 1,191,728 | 2,497,624 | 1,061,895 | 1,435,729 |
| Capital outlay | - | 1,800,000 | 1,799,840 | 160 |
| Total expenditures | 1,191,728 | 4,297,624 | 2,861,735 | 1,435,889 |
| Excess (deficiency) of revenues over (under) expenditures | 625,437 | (1,292,218) | (1,243,027) | 49,191 |
| Other financing sources (uses): | | | | |
| Transfers out | (777,085) | (1,231,490) | - | 1,231,490 |
| Total other financing sources (uses) | (777,085) | (1,231,490) | - | 1,231,490 |
| Net change in fund balances | (151,648) | (2,523,708) | (1,243,027) | 1,280,681 |
| Fund balances, beginning of the year | 6,222,852 | 6,222,852 | 6,222,852 | - |
| Fund balances, end of year | \$ 6,071,204 | \$ 3,699,144 | 4,979,825 | \$ 1,280,681 |

Reconciliation between actual GAAP amounts and actual budgetary amounts:

| | |
|--------------------------------------|---------------------|
| Unrealized gain/loss in investments: | 26,968 |
| Ending Fund Balance (GAAP) | <u>\$ 5,006,793</u> |

City of Santa Cruz

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual –
Transportation Development Act Fund
Year Ended June 30, 2021

| | Budgeted Amounts | | Actual | Variance with |
|--------------------------------------|------------------|-------------|-------------|---------------|
| | Original | Final | Amounts | Final Budget |
| | | | (Budgetary) | Positive |
| | | | | (Negative) |
| Revenues: | | | | |
| Intergovernmental | \$ 744,077 | \$ 744,077 | \$ 797,240 | \$ 53,163 |
| Total revenues | 744,077 | 744,077 | 797,240 | 53,163 |
| Expenditures: | | | | |
| Transit | 744,077 | 744,077 | 797,240 | (53,163) |
| Total expenditures | 744,077 | 744,077 | 797,240 | (53,163) |
| Net change in fund balances | - | - | - | - |
| Fund balances, beginning of the year | - | - | - | - |
| Fund balances, end of year | \$ - | \$ - | \$ - | \$ - |

City of Santa Cruz

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – American
Rescue Plan Act Fund
Year Ended June 30, 2021

| | Budgeted Amounts | | Actual | Variance with |
|--|------------------|-------------|--------------|---------------|
| | Original | Final | Amounts | Final Budget |
| | | | (Budgetary) | Positive |
| | | | | (Negative) |
| Revenues: | | | | |
| Intergovernmental | \$ - | \$ - | \$ - | \$ - |
| Use of money and property | - | - | 76 | 76 |
| Total revenues | - | - | 76 | 76 |
| Expenditures: | | | | |
| Current: | | | | |
| Community and economic development | - | - | - | - |
| Total expenditures | - | - | - | - |
| Excess (deficiency) of revenues over (under) expenditures | - | - | 76 | 76 |
| Other financing sources (uses): | | | | |
| Transfers out | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - |
| Net change in fund balances | - | - | 76 | 76 |
| Fund balances, beginning of the year | - | - | - | - |
| Fund balances, end of year | \$ - | \$ - | \$ 76 | \$ 76 |

City of Santa Cruz

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – Measure D

Fund

Year Ended June 30, 2021

| | Budgeted Amounts | | Actual | Variance with |
|---|---------------------|-------------------|---------------------|---------------------|
| | Original | Final | Amounts | Final Budget |
| | | | (Budgetary) | Positive |
| | | | | (Negative) |
| Revenues: | | | | |
| Intergovernmental | \$ 1,234,943 | \$ 1,234,943 | \$ 1,491,408 | \$ 256,465 |
| Use of money and property | - | - | 4,197 | 4,197 |
| Total revenues | 1,234,943 | 1,234,943 | 1,495,605 | 260,662 |
| Expenditures: | | | | |
| Current: | | | | |
| Public works | 153,213 | 153,213 | 12,625 | 140,588 |
| Total expenditures | 153,213 | 153,213 | 12,625 | 140,588 |
| Excess (deficiency) of revenues over (under) expenditures | 1,081,730 | 1,081,730 | 1,482,980 | 401,250 |
| Other financing sources (uses): | | | | |
| Transfers out | (981,000) | (2,473,232) | (631,789) | 1,841,443 |
| Total other financing sources (uses) | (981,000) | (2,473,232) | (631,789) | 1,841,443 |
| Net change in fund balances | 100,730 | (1,391,502) | 851,191 | 2,242,693 |
| Fund balances, beginning of the year | 1,759,455 | 1,759,455 | 1,759,455 | - |
| Fund balances, end of year | \$ 1,860,185 | \$ 367,953 | \$ 2,610,646 | \$ 2,242,693 |

Reconciliation between actual GAAP amounts and actual budgetary amounts:

| | |
|--------------------------------------|---------------------|
| Unrealized gain/loss in investments: | 10,022 |
| Ending Fund Balance (GAAP) | <u>\$ 2,620,668</u> |

City of Santa Cruz

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – General
Obligation Bond Fund
Year Ended June 30, 2021

| | Budgeted Amounts | | Actual | Variance with |
|--------------------------------------|---------------------|---------------------|------------------|--------------------|
| | Original | Final | Amounts | Final Budget |
| | | | (Budgetary) | Positive |
| | | | | (Negative) |
| Revenues: | | | | |
| Taxes | \$ 500,000 | \$ 500,000 | \$ 508,290 | \$ 8,290 |
| Use of money and property | 38,250 | 38,250 | 183 | (38,067) |
| Total revenues | 538,250 | 538,250 | 508,473 | (29,777) |
| Expenditures: | | | | |
| Debt service: | | | | |
| Principal | 325,000 | 325,000 | 335,000 | (10,000) |
| Interest and fiscal charges | 199,001 | 199,001 | 186,416 | 12,585 |
| Total expenditures | 524,001 | 524,001 | 521,416 | 2,585 |
| Net change in fund balances | 14,249 | 14,249 | (12,943) | (27,192) |
| Fund balances, beginning of the year | 1,418,805 | 1,418,805 | 1,418,805 | - |
| Fund balances, end of year | \$ 1,433,054 | \$ 1,433,054 | 1,405,862 | \$ (27,192) |

Reconciliation between actual GAAP amounts and actual budgetary amounts:

| | |
|--------------------------------------|---------------------|
| Unrealized gain/loss in investments: | 8,377 |
| Ending Fund Balance (GAAP) | <u>\$ 1,414,239</u> |

City of Santa Cruz

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – Lease
Revenue Bond Fund
Year Ended June 30, 2021

| | Budgeted Amounts | | Actual | Variance with |
|--------------------------------------|-------------------|-------------------|----------------|-------------------|
| | Original | Final | Amounts | Final Budget |
| | | | (Budgetary) | Positive |
| | | | | (Negative) |
| Revenues: | | | | |
| Use of money and property | \$ 435,033 | \$ 435,033 | \$ 429,251 | \$ (5,782) |
| Total revenues | 435,033 | 435,033 | 429,251 | (5,782) |
| Expenditures: | | | | |
| Debt service: | | | | |
| Principal | 180,000 | 180,000 | 180,000 | - |
| Interest and fiscal charges | 181,294 | 181,294 | 181,090 | 204 |
| Total expenditures | 361,294 | 361,294 | 361,090 | 204 |
| Net change in fund balances | 73,739 | 73,739 | 68,161 | (5,578) |
| Fund balances, beginning of the year | 329,558 | 329,558 | 329,558 | - |
| Fund balances, end of year | \$ 403,297 | \$ 403,297 | 397,719 | \$ (5,578) |

Reconciliation between actual GAAP amounts and actual budgetary amounts:

| | |
|--------------------------------------|-------------------|
| Unrealized gain/loss in investments: | 2,663 |
| Ending Fund Balance (GAAP) | <u>\$ 400,382</u> |

Equipment Operations - This fund is used to account for the expenses related to city-wide fleet operations and maintenance activities, including vehicles, communications equipment, and other pooled equipment. Internal contributions to support this fund are based on cost recovery through charges to user departments and funds. These charges do not include the cost of equipment replacement.

Risk Management - This fund is used to account for cash transferred from various funds to pay for payroll liabilities, which are paid out of this fund, as well as the expenses of the City's insurance program, including costs related to claims, administration, legal defense, and insurance premiums. Internal contributions to support this fund are based on cost recovery through charges to departments and funds. The following insurance activities are provided for in this fund:

- Workers' Compensation Insurance
- Liability Insurance
- Unemployment

City of Santa Cruz
Combining Statement of Net Position – All Internal Service Funds
June 30, 2021

| | Equipment Operations | Risk Management | Total |
|--|-------------------------|--------------------|---------------|
| Assets: | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ (1,799,131) | \$ 18,002,934 | \$ 16,203,803 |
| Interest receivable | - | 14,004 | 14,004 |
| Accounts receivable | 23,705 | 5,291 | 28,996 |
| Prepaid items | - | 783,588 | 783,588 |
| Inventories | 84,259 | - | 84,259 |
| Deposits | - | 3,870,034 | 3,870,034 |
| Total current assets | (1,691,167) | 22,675,851 | 20,984,684 |
| Noncurrent assets: | | | |
| Advances to other funds | - | 7,844,531 | 7,844,531 |
| Capital assets: | | | |
| Machinery and equipment | 3,691,960 | 8,160 | 3,700,120 |
| Less accumulated depreciation | (1,930,821) | (8,160) | (1,938,981) |
| Total capital assets (net of accumulated depreciation) | 1,761,139 | - | 1,761,139 |
| Total noncurrent assets | 1,761,139 | 7,844,531 | 9,605,670 |
| Total assets | 69,972 | 30,520,382 | 30,590,354 |
| Deferred outflows of resources: | | | |
| Deferred outflows related to OPEB | 37,196 | 31,776 | 68,972 |
| Deferred outflows related to pension | 444,665 | 526,824 | 971,489 |
| Total deferred outflows of resources | 481,861 | 558,600 | 1,040,461 |
| Liabilities: | | | |
| Current liabilities: | | | |
| Accounts payable and other current liabilities | 199,243 | 1,657,916 | 1,857,159 |
| Claims and judgments payable | - | 3,714,974 | 3,714,974 |
| Compensated absences payable | 21,375 | - | 21,375 |
| Total current liabilities | 220,618 | 5,372,890 | 5,593,508 |
| Noncurrent liabilities: | | | |
| Claims and judgments payable | - | 9,823,644 | 9,823,644 |
| Other postemployment benefits | 420,232 | 156,032 | 576,264 |
| Net pension liability | 2,066,085 | 1,318,603 | 3,384,688 |
| Compensated absences payable | 10,687 | - | 10,687 |
| Total noncurrent liabilities | 2,497,004 | 11,298,279 | 13,795,283 |
| Total liabilities | 2,717,622 | 16,671,169 | 19,388,791 |
| Deferred inflows of resources: | | | |
| Deferred inflows related to OPEB | 51,907 | 42,700 | 94,607 |
| Deferred inflows related to pension activities | 133,525 | 10,556 | 144,081 |
| Total deferred inflows of resources | 185,432 | 53,256 | 238,688 |
| Net position: | | | |
| Net investment in capital assets | 1,761,139 | - | 1,761,139 |
| Unrestricted | (4,112,360) | 14,354,557 | 10,242,197 |
| Total net position (deficit) | \$ (2,351,221) | \$ 14,354,557 | \$ 12,003,336 |

City of Santa Cruz

Combining Statement of Revenues, Expenses and Changes in Net Position – All Internal Service Funds

Year Ended June 30, 2021

| | Equipment Operations | Risk Management | Total |
|--|-------------------------|----------------------|----------------------|
| Operating revenues: | | | |
| Charges for services - internal | \$ 2,630,557 | \$ 26,260,636 | \$ 28,891,193 |
| Charges for services - external | 93,904 | 30,075 | 123,979 |
| Other revenues | 50,453 | 592,705 | 643,158 |
| Total operating revenues | <u>2,774,914</u> | <u>26,883,416</u> | <u>29,658,330</u> |
| Operating expenses: | | | |
| Personnel services | 927,031 | 1,466,836 | 2,393,867 |
| Services, supplies, and other charges | 2,330,801 | 25,888,237 | 28,219,038 |
| Depreciation and amortization | 377,407 | - | 377,407 |
| Total operating expenses | <u>3,635,239</u> | <u>27,355,073</u> | <u>30,990,312</u> |
| Operating income | <u>(860,325)</u> | <u>(471,657)</u> | <u>(1,331,982)</u> |
| Nonoperating revenues (expenses): | | | |
| Investment earnings (loss) | - | 213,974 | 213,974 |
| Gain on sale of capital assets | 1,789 | - | 1,789 |
| Total nonoperating revenues (expenses) | <u>1,789</u> | <u>213,974</u> | <u>215,763</u> |
| Income (loss) before contributions and transfers | | | |
| Transfers in | 36,949 | - | 36,949 |
| Transfers out | (11,462) | (3,678,583) | (3,690,045) |
| Total transfers | <u>25,487</u> | <u>(3,678,583)</u> | <u>(3,653,096)</u> |
| Change in net position | <u>(833,049)</u> | <u>(3,936,266)</u> | <u>(4,769,315)</u> |
| Net position (deficit): | | | |
| Beginning of year as previously reported | (1,518,172) | 18,290,823 | 16,772,651 |
| Net Position (deficit), end of year | <u>\$ (2,351,221)</u> | <u>\$ 14,354,557</u> | <u>\$ 12,003,336</u> |

City of Santa Cruz
Combining Statement of Cash Flows – All Internal Service Funds
Year Ended June 30, 2021

| | Equipment Operations | Risk Management | Total Internal Service Funds |
|--|-------------------------|-----------------------|---------------------------------|
| Cash flows from operating activities: | | | |
| Cash received from customers and users | \$ 93,904 | \$ 30,075 | \$ 123,979 |
| Cash received from interfund services provided | 2,626,028 | 26,260,477 | 28,886,505 |
| Cash payments to suppliers for goods and services | (2,226,996) | (30,298,868) | (32,525,864) |
| Cash payments for employee services and pensions | (887,866) | (1,402,205) | (2,290,071) |
| Cash received from others | 50,453 | 592,705 | 643,158 |
| Net cash provided (used) by operating activities | <u>(344,477)</u> | <u>(4,817,816)</u> | <u>(5,162,293)</u> |
| Cash flows from noncapital financing activities: | | | |
| Transfers from other funds | (1,432,460) | 1,469,409 | 36,949 |
| Transfers to other funds | (11,462) | (3,678,583) | (3,690,045) |
| Net cash provided (used) by noncapital financing activities | <u>(1,443,922)</u> | <u>(2,209,174)</u> | <u>(3,653,096)</u> |
| Cash flows from capital and related financing activities: | | | |
| Purchase/construction of capital assets | (10,732) | - | (10,732) |
| Net cash provided (used) by capital and related financing activities | <u>(10,732)</u> | <u>-</u> | <u>(10,732)</u> |
| Cash flows from investing activities: | | | |
| Interest income received | - | 213,974 | 213,974 |
| Net cash provided (used) by investing activities | <u>-</u> | <u>213,974</u> | <u>213,974</u> |
| Net increase (decrease) in cash and cash equivalents | (1,799,131) | (6,813,016) | (8,612,147) |
| Cash and cash equivalents, beginning of year | - | 24,815,950 | 24,815,950 |
| Cash and cash equivalents, end of year | <u>\$ (1,799,131)</u> | <u>\$ 18,002,934</u> | <u>\$ 16,203,803</u> |
| Reconciliation of operating income/(loss) to net cash provided by operating activities: | | | |
| Operating income | \$ (860,325) | \$ (471,657) | \$ (1,331,982) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | |
| Depreciation and amortization | 377,407 | - | 377,407 |
| Changes in current assets and liabilities: | | | |
| Accounts receivable | (4,529) | (159) | (4,688) |
| Prepaid items | - | (783,588) | (783,588) |
| Inventories | 16,314 | - | 16,314 |
| Deposits | - | (1,001,708) | (1,001,708) |
| Accounts payable and other current liabilities | 87,491 | (2,612,510) | (2,525,019) |
| Claims and judgments payable | - | (12,825) | (12,825) |
| Other postemployment benefits liability and related deferrals | (21,199) | 78,629 | 57,430 |
| Net pension liability and related deferrals | 79,261 | (13,998) | 65,263 |
| Compensated absences payable | (18,897) | - | (18,897) |
| Total adjustments | <u>515,848</u> | <u>(4,346,159)</u> | <u>(3,830,311)</u> |
| Net cash provided (used) by operating activities | <u>\$ (344,477)</u> | <u>\$ (4,817,816)</u> | <u>\$ (5,162,293)</u> |
| Noncash investing, capital and financing activities: | | | |
| Increase/(decrease) in fair value of investments | - | (125,980) | (125,980) |

Private-Purpose Trust Funds

The Library Trust Fund – The Library Trust Fund is a private-purpose trust fund which holds assets for benefit of various branches of the Santa Cruz Library system and the Library Joint Powers Authority. The Library Trust Fund includes the McCaskill Trust restricted in purpose to promulgate local history and provide library materials for the visually impaired and the Finkeldey Trust restricted in purpose to acquire musical literature for benefit of the Library Joint Powers Authority. The Whalen Estate restricted in purpose to benefit the Felton Branch of the Santa Cruz Library for capital improvements and/or new books. The Robert Leet - Corday Estate Trust restricted in purpose to benefit the Santa Cruz Main Library (Central Branch). The Morley Estate restricted in purpose to benefit the La Selva Beach branch. The Hale Trust restricted in purpose to benefit the Scotts Valley branch and the Anna Gruber Living Trust restricted in purpose to benefit the Branciforte branch.

Redevelopment Successor Agency Trust - With the dissolution of the Redevelopment Agency, their assets and liabilities were transferred to a Successor Agency. This fund is used to account for the activities of the Successor Agency as it winds down the former Redevelopment Agency obligations.

City of Santa Cruz

Combining Statement of Fiduciary Net Position – Private-Purpose Trust Funds

June 30, 2021

| | Library Trust Fund | Redevelopment Successor Agency Trust | Total Private-Purpose Trust Funds |
|--|-----------------------|--|---|
| Assets: | | | |
| Cash and cash investments | \$ 599,569 | \$ 14,579,680 | \$ 15,179,249 |
| Restricted cash and equivalent | - | 1,736,430 | 1,736,430 |
| Interest receivable | 501 | 1,835 | 2,336 |
| Notes receivable | - | 310,087 | 310,087 |
| Nondepreciable capital assets | - | 902,621 | 902,621 |
| Depreciable capital assets | - | 6,985,098 | 6,985,098 |
| Total assets | <u>600,070</u> | <u>24,515,751</u> | <u>25,115,821</u> |
| Liabilities: | | | |
| Interest payable | - | 84,775 | 84,775 |
| Bonds, notes, loans and leases payable - due in one year | - | 930,000 | 930,000 |
| Bonds, notes, loans and leases payable - due in more than one year | <u>-</u> | <u>5,105,000</u> | <u>5,105,000</u> |
| Total liabilities | <u>-</u> | <u>6,119,775</u> | <u>6,119,775</u> |
| Net Position: | | | |
| Restricted for Library programs | 600,070 | - | 600,070 |
| Restricted for RDA Successor Agency | <u>-</u> | <u>18,395,976</u> | <u>18,395,976</u> |
| Total held in trust | <u>\$ 600,070</u> | <u>\$ 18,395,976</u> | <u>\$ 18,996,046</u> |

City of Santa Cruz

Combining Statement of Changes in Fiduciary Net Position – Private-Purpose Trust Funds

Year Ended June 30, 2021

| | Library Trust Fund | Redevelopment Successor Agency Trust | Total Private-Purpose Trust Funds |
|-------------------------------|-----------------------|--|---|
| Additions: | | | |
| Taxes | \$ - | \$ 2,614,189 | \$ 2,614,189 |
| Use of money and property | 4,298 | 16,726 | 21,024 |
| Total additions | <u>4,298</u> | <u>2,630,915</u> | <u>2,635,213</u> |
| Deductions: | | | |
| Administrative expenses | - | 90,129 | 90,129 |
| Interest expense | - | 1,569,278 | 1,569,278 |
| Depreciation Expense | - | 393,930 | 393,930 |
| Contractual services | 8,299 | 177,263 | 185,562 |
| Total deductions | <u>8,299</u> | <u>2,230,600</u> | <u>2,238,899</u> |
| Change in net position | (4,001) | 400,315 | 396,314 |
| Net Position: | | | |
| Beginning of year | 604,071 | 17,995,661 | 18,599,732 |
| End of year | <u>\$ 600,070</u> | <u>\$ 18,395,976</u> | <u>\$ 18,996,046</u> |

Statistical Section (Unaudited)

This part of the City of Santa Cruz's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health.

Contents

Financial Trends

These tables contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.

Revenue Capacity

These tables contain information to help the reader assess the city's most significant local revenue source, the property tax.

Debt Capacity

These tables present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.

Demographic and Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place.

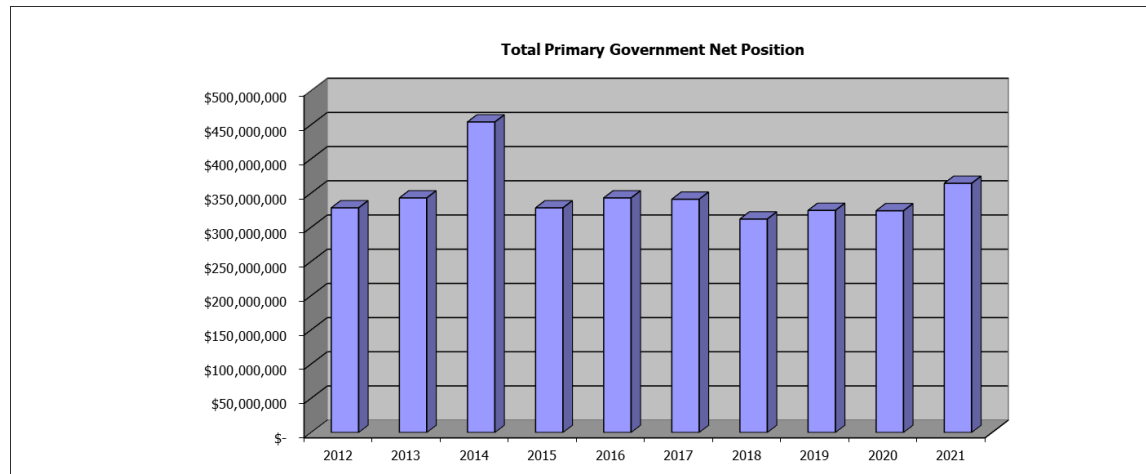
Operating Information

These tables contain service and infrastructure data to help the reader understand how the information in the city's financial report relates to the services the city provides and the activities it performs.

Sources: Unless otherwise noted, the information in these tables is derived from the annual comprehensive financial reports for the relevant year.

City of Santa Cruz
Net Position by Component
Last Ten Fiscal Years

| | Fiscal Year Ended June 30 | | | | | | | | | |
|---|---------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| Governmental activities: | | | | | | | | | | |
| Net investment in capital assets | \$ 173,032,837 | \$ 168,679,595 | \$ 168,718,849 | \$ 174,861,173 | \$ 170,874,890 | \$ 170,120,986 | \$ 174,499,307 | \$ 175,095,083 | \$ 179,686,573 | \$ 184,585,738 |
| Restricted | 26,810,790 | 26,560,061 | 27,924,402 | 32,780,047 | 36,509,334 | 32,106,963 | 37,100,853 | 32,044,904 | 33,807,828 | 40,776,314 |
| Unrestricted | 3,719,223 | 9,174,380 | 8,836,070 | (85,451,031) | (78,202,386) | (79,330,554) | (108,356,521) | (98,607,199) | (107,641,856) | (105,109,136) |
| Total governmental activities net position | <u>\$ 203,562,850</u> | <u>\$ 204,414,036</u> | <u>\$ 205,479,321</u> | <u>\$ 122,190,189</u> | <u>\$ 129,181,838</u> | <u>\$ 122,897,395</u> | <u>\$ 103,243,639</u> | <u>\$ 108,532,788</u> | <u>\$ 105,852,545</u> | <u>\$ 120,252,916</u> |
| Business-type activities: | | | | | | | | | | |
| Net investment in capital assets | \$ 172,502,705 | \$ 184,194,513 | \$ 191,011,006 | \$ 202,323,678 | \$ 207,622,283 | \$ 190,911,518 | \$ 185,244,609 | \$ 191,291,517 | \$ 205,455,757 | \$ 215,604,468 |
| Unrestricted | 77,577,485 | 65,222,752 | 57,607,654 | 4,087,360 | 6,281,769 | 27,360,407 | 23,709,249 | 24,962,438 | 13,005,526 | 10,236,647 |
| Total business-type activities net position | <u>\$ 250,080,190</u> | <u>\$ 249,417,265</u> | <u>\$ 248,618,660</u> | <u>\$ 206,411,038</u> | <u>\$ 213,904,052</u> | <u>\$ 218,271,925</u> | <u>\$ 208,953,858</u> | <u>\$ 216,253,955</u> | <u>\$ 218,461,283</u> | <u>\$ 225,841,115</u> |
| Primary government: | | | | | | | | | | |
| Net investment in capital assets | \$ 377,184,851 | \$ 378,497,173 | \$ 359,729,855 | \$ 377,184,851 | \$ 378,497,173 | \$ 361,032,504 | \$ 359,743,916 | \$ 366,386,600 | \$ 385,142,330 | \$ 400,190,206 |
| Restricted | 32,780,047 | 36,509,334 | 27,924,402 | 32,780,047 | 36,509,334 | 32,106,963 | 37,100,853 | 32,044,904 | 33,807,828 | 40,776,314 |
| Unrestricted | (81,363,671) | (71,920,617) | 66,443,724 | (81,363,671) | (71,920,617) | (51,970,147) | (84,647,272) | (73,644,761) | (94,636,330) | (94,872,489) |
| Total primary government net position | <u>\$ 328,601,227</u> | <u>\$ 343,085,890</u> | <u>\$ 454,097,981</u> | <u>\$ 328,601,227</u> | <u>\$ 343,085,890</u> | <u>\$ 341,169,320</u> | <u>\$ 312,197,497</u> | <u>\$ 324,786,743</u> | <u>\$ 324,313,828</u> | <u>\$ 346,094,031</u> |



City of Santa Cruz

Changes in Net Position

Last Ten Fiscal Years

| | Fiscal Year Ended June 30 | | | | | | | | | |
|---|---------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | \$ 14,868,384 | \$ 16,521,801 | \$ 16,103,854 | \$ 17,104,364 | \$ 12,974,400 | \$ 18,898,202 | \$ 19,350,479 | \$ 20,614,327 | \$ 20,322,085 | \$ 23,476,418 |
| Public safety | 33,966,518 | 34,924,999 | 37,597,008 | 40,273,833 | 42,167,371 | 47,939,341 | 51,394,586 | 56,513,231 | 57,811,196 | 54,785,622 |
| Parks and recreation | 11,077,833 | 11,477,040 | 13,981,398 | 12,854,772 | 13,509,643 | 16,516,857 | 17,650,040 | 17,529,459 | 17,067,868 | 15,098,626 |
| Library | 1,651,069 | 1,550,322 | 1,354,687 | 1,347,161 | 1,207,356 | 1,552,010 | 1,559,242 | 1,553,115 | 1,474,896 | 1,888,881 |
| Public works | 10,666,968 | 12,041,338 | 12,182,288 | 16,430,725 | 13,408,682 | 18,578,171 | 15,609,565 | 16,471,190 | 17,352,820 | 14,170,843 |
| Transit | 576,640 | 605,772 | 686,510 | 707,736 | 701,935 | 748,134 | 745,940 | 798,782 | 1,013,564 | 797,240 |
| Community and economic development | 6,392,899 | 2,081,563 | 3,240,446 | 3,431,560 | 6,108,539 | 4,627,227 | 10,516,746 | 4,185,767 | 6,268,475 | 4,199,540 |
| Social services | 1,027,172 | 1,438,278 | 1,485,470 | 1,378,574 | 1,371,129 | 1,436,421 | 2,159,544 | 2,027,873 | 2,005,337 | 2,191,401 |
| Interest and fiscal charges on long-term debt | 3,330,309 | 1,748,528 | 2,042,943 | 1,975,129 | 2,354,508 | 1,950,851 | 1,581,810 | 1,456,449 | 1,152,581 | 972,836 |
| Total governmental activities expenses | 83,557,792 | 82,389,641 | 88,674,604 | 95,503,854 | 93,803,563 | 112,247,214 | 120,567,952 | 121,150,193 | 124,468,822 | 117,581,407 |
| Business-type activities: | | | | | | | | | | |
| Water | 22,661,597 | 23,097,992 | 27,020,304 | 25,219,745 | 25,319,800 | 28,375,996 | 33,284,532 | 36,562,160 | 37,405,164 | 38,078,715 |
| Wastewater | 17,755,415 | 18,734,344 | 18,349,702 | 19,164,660 | 18,426,042 | 20,760,433 | 21,785,697 | 20,933,694 | 24,170,115 | 23,392,966 |
| Refuse | 15,495,244 | 16,554,729 | 15,715,226 | 15,991,886 | 15,360,501 | 17,099,090 | 18,451,537 | 19,253,241 | 21,556,523 | 19,809,687 |
| Parking | 3,419,668 | 3,693,854 | 4,232,851 | 4,344,177 | 4,231,893 | 4,853,232 | 5,226,564 | 5,530,210 | 6,199,876 | 5,527,325 |
| Storm Water | 1,626,366 | 1,446,463 | 1,512,850 | 1,782,683 | 1,990,558 | 1,761,243 | 1,673,093 | 1,368,656 | 1,565,293 | 1,664,018 |
| Golf course | 1,824,698 | 1,989,726 | 2,096,483 | 2,259,995 | 1,983,470 | - | - | - | - | - |
| Total business-type activities expenses | 62,782,988 | 65,517,108 | 68,927,416 | 68,763,146 | 67,312,264 | 72,849,994 | 80,421,423 | 83,647,961 | 90,896,971 | 88,472,711 |
| Total primary government expenses | 146,340,780 | 147,906,749 | 157,602,020 | 164,267,000 | 161,115,827 | 185,097,208 | 200,989,375 | 204,798,154 | 215,365,793 | 206,054,118 |
| Program Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General government | 10,578,724 | 10,761,301 | 8,755,621 | 10,347,805 | 9,110,127 | 10,188,422 | 10,985,577 | 11,626,464 | 11,076,557 | 11,333,060 |
| Public safety | 1,799,363 | 2,315,985 | 2,241,926 | 3,711,308 | 5,785,089 | 5,492,880 | 6,583,350 | 7,580,577 | 6,016,418 | 7,647,791 |
| Parks and recreation | 3,390,568 | 3,463,516 | 3,601,559 | 3,538,225 | 3,376,136 | 5,384,041 | 5,294,923 | 5,018,462 | 3,760,139 | 4,140,970 |
| Library | 553,911 | 551,651 | 631,305 | 623,334 | 518,681 | 440,100 | 462,438 | 462,438 | 462,444 | 485,560 |
| Public works | 4,526,861 | 4,908,499 | 5,088,698 | 5,291,833 | 6,699,865 | 5,126,400 | 6,023,639 | 5,745,566 | 4,819,236 | 4,345,088 |
| Community and economic development | 262,134 | 142,129 | 455,537 | 377,862 | 514,499 | 336,016 | 980,009 | 2,970,700 | 654,022 | 454,492 |
| Operating grants and contributions | 5,003,822 | 2,752,597 | 4,317,013 | 4,112,975 | 3,495,313 | 6,029,003 | 4,239,889 | 5,702,440 | 9,264,260 | 7,780,766 |
| Capital grants and contributions | 10,427,261 | 3,523,019 | 6,663,071 | 6,157,091 | 3,109,623 | 2,099,106 | 8,697,888 | 5,032,786 | 6,041,232 | 13,972,656 |
| Total governmental activities program revenues | 36,542,644 | 28,418,697 | 31,754,730 | 34,160,433 | 32,609,333 | 35,095,968 | 43,267,713 | 44,139,433 | 42,094,308 | 50,160,383 |
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Water | 24,643,888 | 25,490,105 | 25,327,920 | 24,560,507 | 27,798,717 | 30,920,646 | 41,061,955 | 40,503,745 | 41,982,726 | 41,992,539 |
| Wastewater | 16,648,708 | 16,368,427 | 17,676,130 | 17,244,371 | 18,558,775 | 20,100,738 | 21,018,559 | 19,750,169 | 21,296,244 | 21,647,635 |
| Refuse | 15,729,547 | 15,800,954 | 15,816,452 | 16,944,604 | 18,642,441 | 19,750,388 | 20,664,437 | 21,166,912 | 20,769,432 | 21,324,222 |
| Parking | 3,176,342 | 3,399,187 | 3,990,041 | 4,444,322 | 4,950,879 | 5,102,475 | 5,456,159 | 6,215,875 | 5,378,070 | 3,910,682 |
| Storm Water | 890,059 | 883,384 | 857,649 | 899,925 | 896,171 | 897,693 | 895,130 | 891,611 | 1,036,569 | 2,869,033 |
| Golf course | 1,524,190 | 1,597,442 | 1,562,952 | 1,570,590 | 1,486,366 | - | - | - | - | - |
| Operating grants and contributions | 459,166 | 963,585 | 1,218,151 | 1,314,782 | 1,211,419 | 613,711 | 1,543,354 | 929,175 | 1,459,564 | 2,136,000 |
| Capital grants and contributions | 1,567,286 | 332,823 | 440,849 | - | - | - | - | - | - | - |
| Total business-type activities program revenues | 64,639,186 | 64,835,907 | 66,890,144 | 66,979,101 | 73,544,768 | 77,385,651 | 90,639,594 | 89,457,487 | 91,922,605 | 93,880,111 |
| Total primary government program revenues | 101,181,830 | 93,254,604 | 98,644,874 | 101,139,534 | 106,154,101 | 112,481,619 | 133,907,307 | 133,596,920 | 134,016,913 | 144,040,494 |
| Net (expense)/ revenue: | | | | | | | | | | |
| Governmental activities | (47,015,148) | (53,970,944) | (56,919,874) | (61,343,421) | (61,194,230) | (77,151,246) | (77,300,239) | (77,010,760) | (82,374,514) | (67,421,024) |
| Business-type activities | 1,856,198 | (681,201) | (2,037,272) | (1,784,045) | 6,232,504 | 4,535,657 | 10,218,171 | 5,809,526 | 1,025,634 | 5,407,400 |
| Total primary government net (expense)/ revenue | \$ (45,158,950) | \$ (54,652,145) | \$ (58,957,146) | \$ (63,127,466) | \$ (54,961,726) | \$ (72,615,589) | \$ (67,082,068) | \$ (71,201,234) | \$ (81,348,880) | \$ (62,013,624) |

(Continued on next page)

City of Santa Cruz
Changes on Net Position (Continued)
Last Ten Fiscal Years

| | | Fiscal Year Ended June 30 | | | | | | | | | |
|--|----|---------------------------|---------------|---------------|---------------|---------------|----------------|----------------|---------------|---------------|---------------|
| | | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| General Revenues and Other Changes in Net Assets | | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | | |
| Taxes | | | | | | | | | | | |
| Property taxes | \$ | 20,872,175 | \$ 16,698,020 | \$ 16,376,027 | \$ 17,364,174 | \$ 18,720,421 | \$ 19,890,236 | \$ 20,681,464 | \$ 23,135,942 | \$ 23,836,366 | \$ 24,152,410 |
| Sales and use taxes | | 13,838,216 | 14,925,305 | 15,679,768 | 16,572,267 | 17,934,333 | 17,361,753 | 17,400,320 | 21,860,332 | 21,376,655 | 23,578,620 |
| Franchise taxes | | 3,017,332 | 2,949,193 | 2,875,933 | 3,148,619 | 3,369,016 | 3,538,252 | 3,678,560 | 4,025,643 | 4,014,250 | 3,953,531 |
| Transient occupancy taxes | | 4,739,362 | 5,558,666 | 7,096,947 | 8,255,379 | 9,027,506 | 9,282,551 | 10,185,738 | 10,985,786 | 8,035,134 | 9,121,782 |
| Utility users taxes | | 10,731,997 | 10,729,366 | 10,465,335 | 10,671,804 | 11,028,860 | 11,314,374 | 11,568,654 | 11,517,468 | 11,459,173 | 11,600,692 |
| Admission taxes | | 2,126,484 | 2,298,767 | 2,274,117 | 2,394,716 | 2,523,654 | 2,483,608 | 2,679,859 | 2,646,472 | 1,721,753 | 663,919 |
| Other taxes | | 2,600,429 | 2,767,513 | 2,782,903 | 3,263,780 | 3,718,803 | 4,958,113 | 6,930,592 | 6,219,024 | 6,911,076 | 7,696,545 |
| Unrestricted Investment earnings | | 1,002,709 | 458,917 | 603,037 | 815,789 | 686,914 | 419,090 | 279,220 | 1,383,144 | 1,836,583 | 2,112,366 |
| Gain (loss) on sale of assets | | 13,486 | 235,695 | 171,972 | 16,446 | 1,551,578 | 33,487 | 584,367 | - | 7,479 | - |
| Extraordinary items | | (18,017,623) | - | - | - | - | - | - | - | - | - |
| Transfers | | (259,328) | (362,872) | (340,880) | (487,857) | (375,206) | 404,783 | 990,940 | 526,098 | 495,802 | (1,058,506) |
| Total governmental activities | | 40,665,239 | 56,258,570 | 57,985,159 | 62,015,117 | 68,185,879 | 69,686,247 | 74,979,714 | 82,299,909 | 79,694,271 | 81,821,359 |
| Business-type activities: | | | | | | | | | | | |
| Taxes | | | | | | | | | | | |
| Property taxes | | 32,143 | 142,105 | 105,316 | 68,070 | 68,070 | 112,754 | 128,614 | 68,080 | - | 240,815 |
| Unrestricted Investment earnings | | 1,141,421 | 497,416 | 710,529 | 678,166 | 557,824 | 254,678 | 730,023 | 1,916,038 | 1,677,496 | 563,557 |
| Gain (loss) on sale of assets | | 53,644 | 92,565 | 81,942 | 338,049 | 259,410 | 6,840 | 47,906 | 32,551 | - | 109,554 |
| Transfers | | 259,328 | 362,872 | 340,880 | 487,857 | 375,206 | (404,783) | (990,940) | (526,098) | (495,802) | 1,058,506 |
| Special Item | | - | - | - | - | - | - | (13,667,218) | - | - | - |
| Total business-type activities | | 1,486,536 | 1,094,958 | 1,238,667 | 1,572,142 | 1,260,510 | (30,511) | (13,751,615) | 1,490,571 | 1,181,694 | 1,972,432 |
| Total primary government | | 42,151,775 | 57,353,528 | 59,223,826 | 63,587,259 | 69,446,389 | 69,655,736 | 61,228,099 | 83,790,480 | 80,875,965 | 83,793,791 |
| Change in Net Position | | | | | | | | | | | |
| Governmental activities | | (6,349,909) | 2,287,626 | 1,065,285 | 671,696 | 6,991,649 | (7,464,999) | (2,320,525) | 5,289,149 | (2,680,243) | 14,400,335 |
| Business-type activities | | 3,342,734 | 413,757 | (798,605) | (211,903) | 7,493,014 | 4,505,146 | (3,533,444) | 7,300,097 | 2,207,328 | 7,379,832 |
| Total primary government | \$ | (3,007,175) | \$ 2,701,383 | \$ 266,680 | \$ 459,793 | \$ 14,484,663 | \$ (2,959,853) | \$ (5,853,969) | \$ 12,589,246 | \$ (472,915) | \$ 21,780,167 |

City of Santa Cruz
Fund Balances of Governmental Funds
Last Ten Fiscal Years

| | Fiscal Year Ended June 30 | | | | | | | | | |
|---|---------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| General Fund | | | | | | | | | | |
| Non-spendable | \$ 3,137,315 | \$ 6,827,901 | \$ 7,581,024 | \$ 7,456,064 | \$ 6,905,534 | \$ 8,432,086 | \$ 11,993,475 | \$ 5,788,162 | \$ 5,066,943 | \$ 5,498,946 |
| Restricted | 274,091 | 269,242 | 270,196 | 257,893 | 256,229 | 256,329 | 10,508,749 | 11,215,594 | 11,928,524 | 10,001,975 |
| Committed | 5,652,554 | 1,663,978 | 2,342,099 | 14,450,622 | 17,153,279 | 17,985,712 | 5,706,670 | 4,082,699 | 3,709,804 | 9,895,162 |
| Assigned | 3,120,928 | 3,978,567 | 18,579,309 | 5,831,522 | 5,991,161 | - | - | 3,603,735 | 3,668,540 | 4,356,223 |
| Unassigned | 18,020,657 | 21,989,130 | 656,776 | (1,361,952) | 654,129 | - | - | 7,199,928 | 4,116,415 | 6,264,915 |
| Total General Fund | \$ 30,205,545 | \$ 34,728,818 | \$ 29,429,404 | \$ 26,634,149 | \$ 30,960,332 | \$ 26,674,127 | \$ 28,208,894 | \$ 31,890,118 | \$ 28,490,226 | \$ 36,017,221 |
| All other governmental funds | | | | | | | | | | |
| Non-spendable | | | | | | | | | | |
| Redevelopment Agency fund | 8,938,854 | - | - | 10,952,599 | 11,533,360 | - | - | - | - | - |
| General Capital Improvement fund | - | - | - | - | - | - | 1,949 | - | - | - |
| Special revenue funds | 3,238,759 | 10,373,014 | - | 2,900,207 | 2,889,311 | - | 22,039 | 940 | - | - |
| Restricted | | | | | | | | | | |
| Redevelopment Agency fund | - | - | - | 15,253 | - | 11,123,868 | 11,471,281 | 12,025,370 | 12,249,579 | 12,449,485 |
| Special revenue funds | 12,624,507 | 14,195,882 | 25,668,781 | 8,948,513 | 9,395,720 | 10,856,240 | 13,716,604 | 17,556,668 | 17,787,809 | 22,364,037 |
| Capital projects funds | 273,187 | 270,454 | 269,833 | 10,888,867 | 9,663,216 | 5,337,686 | - | - | (6,183,533) | - |
| Debt service funds | 1,737,754 | 1,720,249 | 1,715,592 | 1,716,922 | 1,728,900 | 1,571,705 | 1,682,256 | 1,729,413 | 1,748,363 | 1,814,621 |
| Unassigned | | | | | | | | | | |
| Special revenue funds | - | - | - | - | (472,996) | - | - | - | - | (4,685,290) |
| Capital projects funds | (5,862,766) | (5,867,781) | (1,362,541) | - | - | - | (301,062) | (2,564,118) | - | - |
| Total all other governmental funds | \$ 20,950,295 | \$ 20,691,818 | \$ 26,291,665 | \$ 35,422,361 | \$ 34,737,511 | \$ 28,889,499 | \$ 26,593,067 | \$ 28,748,273 | \$ 25,602,218 | \$ 31,942,853 |

Source: City of Santa Cruz Finance Department

City of Santa Cruz
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years

| | Fiscal Year Ended June 30 | | | | | | | | | |
|---|---------------------------|------------------|------------------|--------------------|------------------|--------------------|--------------------|------------------|--------------------|-------------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| Revenues | | | | | | | | | | |
| Taxes | \$ 57,925,996 | \$ 55,926,830 | \$ 57,551,029 | \$ 61,670,739 | \$ 66,322,593 | \$ 68,828,889 | \$ 73,781,043 | \$ 80,390,667 | \$ 77,354,407 | \$ 80,873,029 |
| Licenses and permits | 676,571 | 886,624 | 846,682 | 956,587 | 1,237,340 | 1,059,040 | 1,449,842 | 1,617,733 | 1,492,276 | 1,497,268 |
| Intergovernmental | 13,199,139 | 6,080,208 | 9,766,514 | 6,415,667 | 6,464,559 | 6,086,088 | 8,344,392 | 8,785,444 | 10,181,715 | 19,173,004 |
| Charges for services | 12,446,605 | 13,890,562 | 12,279,247 | 13,873,068 | 15,759,647 | 16,765,767 | 18,415,749 | 19,221,412 | 16,376,880 | 18,597,007 |
| Fines and forfeitures | 1,910,212 | 1,818,773 | 1,985,697 | 1,947,157 | 1,943,034 | 1,821,418 | 1,723,744 | 1,753,002 | 1,535,295 | 1,105,221 |
| Use of money and property | 5,702,503 | 5,086,850 | 5,473,973 | 5,774,210 | 6,063,555 | 5,768,075 | 6,889,627 | 8,863,017 | 8,151,370 | 8,840,372 |
| Other revenues | 3,425,067 | 782,281 | 2,008,232 | 4,914,494 | 3,177,854 | 1,829,894 | 7,678,476 | 3,455,888 | 1,557,853 | 1,575,984 |
| Total revenues | 95,286,093 | 84,472,128 | 89,911,374 | 95,551,922 | 100,968,582 | 102,159,171 | 118,282,873 | 124,087,163 | 116,649,796 | 131,661,885 |
| Expenditures | | | | | | | | | | |
| General government | 14,468,366 | 15,453,481 | 15,486,989 | 16,772,766 | 16,422,406 | 18,118,532 | 18,706,083 | 20,548,575 | 19,465,392 | 22,560,800 |
| Public safety | 32,791,088 | 33,998,273 | 36,713,253 | 40,423,564 | 43,100,322 | 45,715,309 | 46,445,392 | 50,084,320 | 49,920,365 | 48,712,588 |
| Parks and recreation | 8,739,970 | 9,575,209 | 10,874,354 | 11,371,378 | 12,009,683 | 14,270,030 | 15,045,740 | 15,969,852 | 14,417,269 | 13,513,957 |
| Library | 1,394,751 | 1,394,751 | 1,394,751 | 1,394,751 | 1,394,751 | 1,464,751 | 1,534,781 | 1,604,751 | 1,674,751 | 1,744,751 |
| Public works | 5,538,535 | 5,953,127 | 6,939,421 | 8,255,477 | 8,677,836 | 7,858,508 | 8,383,175 | 14,685,689 | 8,678,317 | 10,391,455 |
| Transit | 576,640 | 605,772 | 686,510 | 707,736 | 701,935 | 748,134 | 745,940 | 798,782 | 1,013,564 | 797,240 |
| Community and economic development | 5,819,128 | 1,915,903 | 2,379,854 | 4,389,168 | 5,071,783 | 3,417,657 | 4,670,681 | 2,787,499 | 4,480,675 | 3,396,495 |
| Social services | 1,027,172 | 1,438,278 | 1,485,470 | 1,378,574 | 1,371,129 | 1,436,421 | 2,159,544 | 2,027,873 | 2,005,337 | 2,191,401 |
| Capital outlay | 13,833,567 | 6,784,481 | 10,637,976 | 14,394,876 | 4,253,195 | 12,332,342 | 18,603,906 | 5,557,262 | 15,610,522 | 10,968,458 |
| Debt service: | | | | | | | | | | |
| Principal | 3,145,674 | 1,985,754 | 2,135,072 | 2,299,080 | 3,779,157 | 4,042,493 | 4,158,166 | 4,610,644 | 4,992,514 | 5,298,916 |
| Interest and fiscal charges | 3,011,185 | 1,748,987 | 1,693,341 | 1,647,830 | 1,935,405 | 1,695,100 | 1,594,081 | 1,427,030 | 1,257,449 | 1,002,144 |
| Bond issuance costs | - | - | - | - | - | 135,322 | - | - | - | - |
| Total expenditures | 90,346,076 | 80,854,016 | 90,426,991 | 103,035,200 | 98,717,602 | 111,234,599 | 122,047,489 | 120,102,277 | 123,516,155 | 120,578,205 |
| Excess of revenues over (under) expenditures | 4,940,017 | 3,618,112 | (515,617) | (7,483,278) | 2,250,980 | (9,075,428) | (3,764,616) | 3,984,886 | (6,866,359) | 11,083,680 |
| Other financing sources (uses) | | | | | | | | | | |
| Proceeds from asset dispositions | 13,486 | 235,695 | 831,539 | 16,446 | 1,762,040 | 33,487 | 584,367 | 629,237 | 20,528 | - |
| Proceeds from long-term debt issued | - | 249,526 | - | 14,130,000 | - | 7,685,000 | 483,697 | 854,614 | - | 222,500 |
| Payment to refunded bond escrow agent | - | - | - | - | - | (8,665,624) | - | - | - | - |
| Premiums on bonds sold | - | - | - | - | - | 384,292 | - | - | - | - |
| Transfers in | 4,201,330 | 3,298,296 | 9,448,854 | 6,321,861 | 1,715,874 | 4,484,501 | 4,954,350 | 4,393,946 | 5,751,315 | 5,261,804 |
| Transfers out | (4,146,292) | (3,136,833) | (9,464,343) | (6,649,588) | (2,087,561) | (4,980,445) | (3,019,463) | (4,026,253) | (5,421,431) | (2,700,389) |
| Total other financing sources (uses) | 68,524 | 646,684 | 816,050 | 13,818,719 | 1,390,353 | (1,058,789) | 3,002,951 | 1,851,544 | 350,412 | 2,783,915 |
| Extraordinary (loss) on dissolution of Redevelopment Agency | (48,008,934) | - | - | - | - | - | - | - | - | - |
| Net change in fund balances | \$ 5,008,541 | \$ 4,264,796 | \$ 300,433 | \$ 6,335,441 | \$ 3,641,333 | \$ (10,134,217) | \$ (761,665) | \$ 5,836,430 | \$ (6,515,947) | \$ 13,867,595 |
| Total Expenditures | \$ 90,346,076 | \$ 80,854,016 | \$ 90,426,991 | \$ 103,035,200 | \$ 98,717,602 | \$ 111,234,599 | \$ 122,047,489 | \$ 120,102,277 | \$ 123,516,155 | \$ 120,578,205 |
| Capitalized Portion of Capital Outlay | 10,764,058 | 4,614,839 | 6,756,244 | 12,362,613 | 1,560,817 | 4,039,289 | 9,630,958 | 5,557,262 | 10,604,396 | 10,968,458 |
| Total Non-Capitalized Expenditures | \$ 79,582,018 | \$ 76,239,177 | \$ 83,670,747 | \$ 90,672,587 | \$ 97,156,785 | \$ 107,195,310 | \$ 112,416,531 | \$ 114,545,015 | \$ 112,911,759 | \$ 109,609,747 |
| Debt Service: Principal & Interest | \$ 6,156,859 | \$ 3,734,741 | \$ 3,828,413 | \$ 3,946,910 | \$ 5,714,562 | \$ 5,737,593 | \$ 5,752,247 | \$ 6,037,674 | \$ 6,249,963 | \$ 6,301,060 |
| Debt service as a percentage of noncapital expenditures | 7.7% | 4.9% | 4.6% | 4.4% | 5.9% | 5.4% | 5.1% | 5.3% | 5.5% | 5.7% |

Source: City of Santa Cruz Finance Department

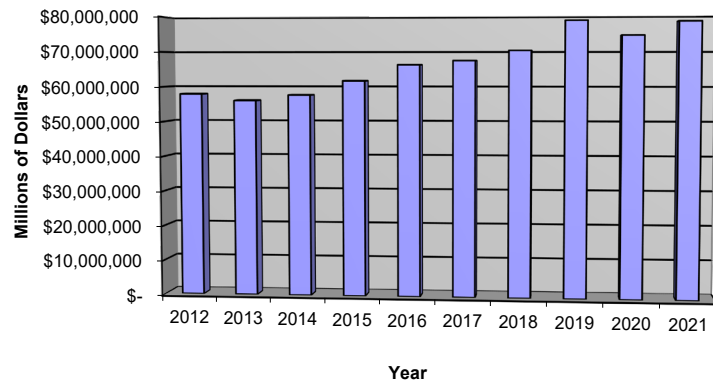
City of Santa Cruz

General Governmental Tax revenues by Source ¹

Last Ten Fiscal Years

| Fiscal Year Ended June 30 | Property | Sales and Use | Franchise | Transient Occupancy | Utility Users | Admission | Clean River, Beaches & Ocean | Parking | Business Improvement ² | Property Transfer | Business License | Parks and Recreation Facilities | Tourism Marketing District Assessment (Less payout) | Cannabis | Total |
|---------------------------------|----------------------------|------------------|--------------|------------------------|------------------|--------------|------------------------------------|------------|--------------------------------------|----------------------|---------------------|---------------------------------------|---|----------------------|---------------|
| 2012 | \$ 20,950,329 ² | \$ 13,838,216 | \$ 3,017,332 | \$ 4,739,362 | \$ 10,731,900 | \$ 2,126,484 | \$ 621,670 | \$ 422,104 | \$ 358,682 | \$ 60,079 | \$ 870,708 | \$ 75,261 | \$ 124,120 | \$ - | \$ 57,936,247 |
| 2013 | 16,840,125 | 14,925,305 | 2,949,193 | 5,558,666 | 10,729,366 | 2,298,767 | 621,051 | 450,191 | 379,537 | 269,340 | 871,329 | 163,690 | 12,375 | - | 56,068,935 |
| 2014 | 16,481,343 | 15,679,768 | 2,875,933 | 7,096,947 | 10,465,335 | 2,274,117 | 625,544 | 489,792 | 390,025 | 261,343 | 885,892 | 285,743 | (155,436) | - | 57,656,346 |
| 2015 | 17,432,244 | 16,572,267 | 3,148,619 | 8,255,379 | 10,671,804 | 2,394,716 | 627,144 | 563,399 | 458,073 | 272,855 | 871,672 | 259,307 | 56,144 | 155,186 | 61,738,809 |
| 2016 | 18,720,421 | 17,934,333 | 3,369,016 | 9,027,506 | 11,028,860 | 2,523,654 | 628,787 | 633,183 | 456,562 | 279,942 | 856,783 | 493,034 | 60,918 | 309,596 ³ | 66,322,595 |
| 2017 | 19,890,236 | 17,361,753 | 3,538,252 | 9,282,551 | 11,314,374 | 2,483,608 | 629,206 | 615,555 | 464,879 | 327,391 | 885,021 | 291,940 | 57,801 | 354,205 | 67,496,772 |
| 2018 | 20,681,464 | 17,400,320 | 3,678,560 | 10,185,738 | 11,568,654 | 2,679,859 | 629,045 | 685,552 | 459,033 | 362,690 | 848,580 | 540,356 | (33,504) | 669,080 | 70,355,427 |
| 2019 | 23,135,942 | 21,860,332 | 4,025,643 | 10,985,786 | 11,517,468 | 2,646,472 | 629,191 | 699,715 | 464,868 | 306,256 | 902,226 | 457,973 | 163,345 | 943,832 | 78,739,049 |
| 2020 | 23,836,366 | 21,376,655 | 4,014,250 | 8,035,134 | 11,459,173 | 1,721,753 | 629,680 | 509,965 | 486,099 | 319,874 | 867,252 | 233,342 | (304,202) | 1,410,175 | 74,595,516 |
| 2021 | 24,152,410 | 23,578,620 | 3,953,531 | 9,121,782 | 11,600,692 | 663,919 | 659,854 | 484,660 | 459,837 | 490,874 | 810,313 | 837,416 | - | 1,689,100 | 78,503,008 |

General Governmental Tax Revenue by Year



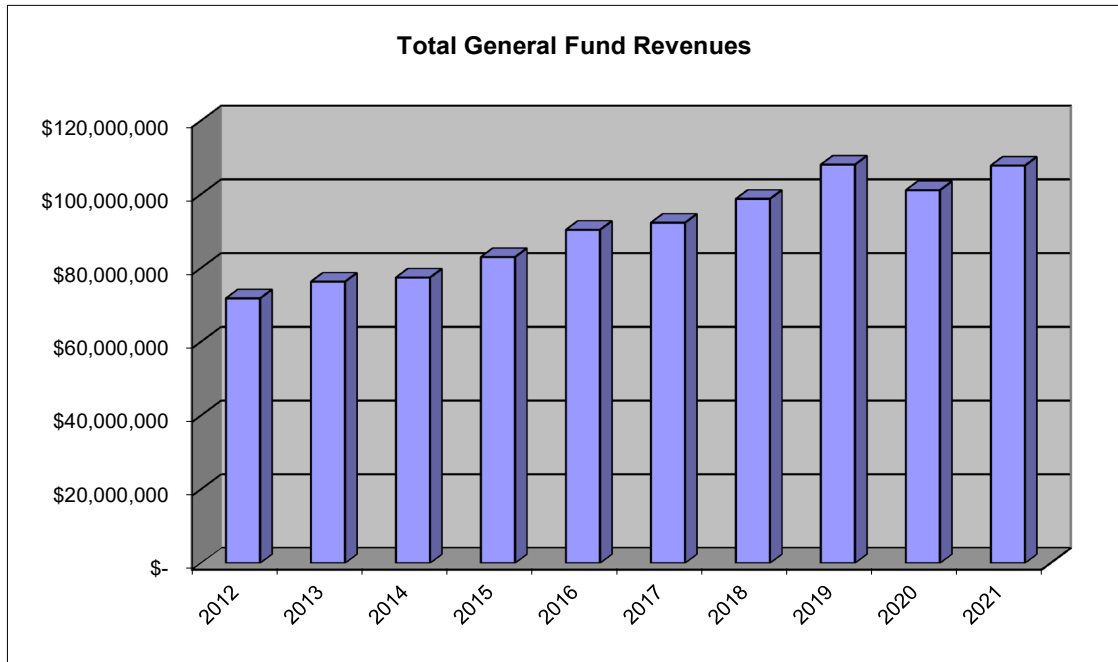
Notes:

- 1 This table includes all governmental fund types.
- 2 Property tax decline due to Redevelopment Agency dissolution
- 3 Cannabis tax new to fiscal year 2015.
- 4 The County of Santa Cruz overpaid Property Transfer Taxes to the City in fiscal year 2007. The County will not remit Property Transfer Tax to the City until they recoup the overpaid portion which will be approximately 2011 or 2012, depending on taxes received on Real Property Sales.
- 5 Clean River, Beaches & Ocean Parcel tax is new to fiscal year 2010.
- 6 Tourism Marketing District Assessment tax is new to fiscal year 2011.

Source: City of Santa Cruz Finance Department

City of Santa Cruz
General Fund Revenues by Source
Last Ten Fiscal Years

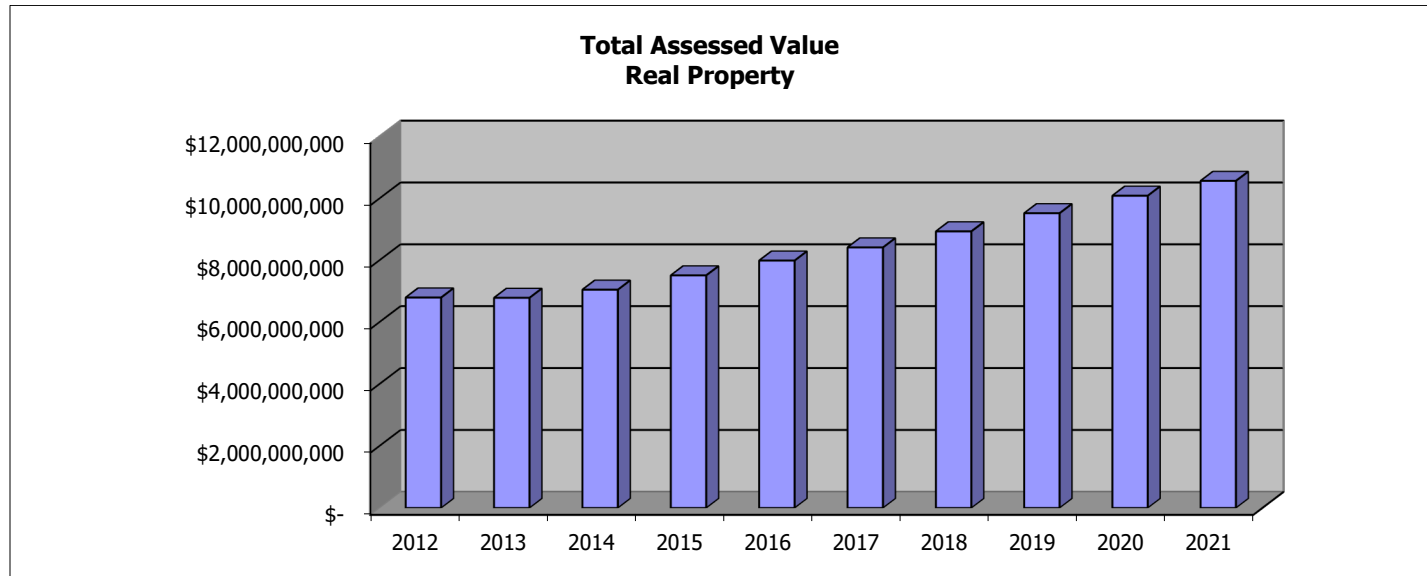
| Fiscal Year Ended June 30 | Taxes | Licenses and Permits | Inter- Governmental | Charges for Services | Fines and Forfeitures | Use of Money and Property | Other Revenues | Total |
|------------------------------|---------------|-------------------------|------------------------|-------------------------|--------------------------|------------------------------|-------------------|---------------|
| 2012 | \$ 49,513,758 | \$ 676,571 | \$ 1,880,388 | \$ 12,403,522 | \$ 1,892,336 | \$ 5,084,755 | \$ 377,081 | \$ 71,828,411 |
| 2013 | 54,713,203 | 886,624 | 493,617 | 13,569,748 | 1,818,773 | 4,541,253 | 340,839 | 76,364,057 |
| 2014 | 56,196,870 | 846,682 | 989,769 | 12,214,540 | 1,985,697 | 4,810,654 | 441,432 | 77,485,644 |
| 2015 | 60,325,657 | 956,587 | 346,773 | 13,818,324 | 1,947,157 | 5,106,451 | 535,425 | 83,036,374 |
| 2016 | 64,729,972 | 1,237,340 | 588,460 | 15,705,991 | 1,943,034 | 5,216,813 | 1,002,839 | 90,424,449 |
| 2017 | 66,079,290 | 1,059,040 | 354,279 | 16,673,446 | 1,820,941 | 5,090,589 | 1,264,153 | 92,341,738 |
| 2018 | 69,841,882 | 1,449,842 | 492,888 | 18,351,158 | 1,689,605 | 5,943,664 | 1,046,712 | 98,815,751 |
| 2019 | 77,141,459 | 1,617,733 | 489,336 | 19,152,126 | 1,750,058 | 7,270,160 | 680,469 | 108,101,341 |
| 2020 | 73,226,236 | 1,492,276 | 1,261,048 | 16,315,020 | 1,535,295 | 6,810,672 | 529,933 | 101,170,480 |
| 2021 | 76,602,978 | 1,497,268 | 1,953,282 | 18,546,386 | 1,105,221 | 7,706,662 | 428,934 | 107,840,731 |



Source: City of Santa Cruz Finance Department

City of Santa Cruz
Assessed Value of Taxable Property
Last Ten Fiscal Years

| Fiscal Year Ended June 30 | Real Property | | | | Personal Property | Total Assessed Value | Total Direct Tax Rate |
|---------------------------------|------------------|------------------|---------------|------------------|-------------------|----------------------------|-----------------------------|
| | Residential | Commercial | Other | Total | | | |
| 2012 | \$ 5,588,544,103 | \$ 1,136,631,529 | \$ 71,720,126 | \$ 6,796,895,758 | \$ 195,024,831 | \$ 6,991,920,589 | 0.009% |
| 2013 | 5,601,358,465 | 1,114,615,266 | 71,691,147 | 6,787,664,878 | 192,825,384 | 6,980,490,262 | 0.009% |
| 2014 | 5,807,549,689 | 886,173,344 | 356,652,877 | 7,050,375,910 | 193,487,470 | 7,243,863,380 | 0.006% |
| 2015 | 6,263,167,155 | 895,240,618 | 355,088,792 | 7,513,496,565 | 212,839,210 | 7,726,335,775 | 0.006% |
| 2016 | 6,679,113,621 | 949,045,750 | 364,381,608 | 7,992,540,979 | 260,412,664 | 8,252,953,643 | 0.006% |
| 2017 | 7,008,164,159 | 1,017,940,619 | 391,194,339 | 8,417,299,117 | 253,665,905 | 8,670,965,022 | 0.006% |
| 2018 | 7,449,222,934 | 1,104,556,139 | 383,212,771 | 8,936,991,844 | 263,601,080 | 9,200,592,924 | 0.006% |
| 2019 | 7,927,418,102 | 1,196,069,243 | 400,653,617 | 9,524,140,962 | 275,180,236 | 9,799,321,198 | 0.006% |
| 2020 | 8,408,918,190 | 1,244,844,880 | 436,735,058 | 10,090,498,128 | 301,488,477 | 10,391,986,605 | 0.006% |
| 2021 | 8,796,161,890 | 1,311,326,779 | 462,768,918 | 10,570,257,587 | 303,544,487 | 10,873,802,074 | 0.005% |



City of Santa Cruz
Direct and Overlapping Property Tax Rates ¹
Last Ten Fiscal Years

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|-----------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Direct Rates: | | | | | | | | | | |
| General Obligation Bonds | 0.006 | 0.006 | 0.006 | 0.006 | 0.006 | 0.005 | 0.005 | 0.005 | 0.005 | 0.005 |
| Total Direct Rate | 0.006 | 0.006 | 0.006 | 0.006 | 0.006 | 0.005 | 0.005 | 0.005 | 0.005 | 0.005 |
| Overlapping Rates ² : | | | | | | | | | | |
| County ³ | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 |
| School Districts: | | | | | | | | | | |
| Cabrillo College | 0.039 | 0.040 | 0.040 | 0.037 | 0.037 | 0.033 | 0.024 | 0.021 | 0.021 | 0.021 |
| Santa Cruz Schools | 0.052 | 0.053 | 0.047 | 0.042 | 0.040 | 0.038 | 0.090 | 0.086 | 0.086 | 0.076 |
| Bonny Doon Schools | 0.025 | 0.026 | 0.025 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Live Oak Schools | 0.053 | 0.055 | 0.054 | 0.053 | 0.046 | 0.036 | 0.020 | 0.021 | 0.021 | 0.021 |
| Scotts Valley Schools | 0.046 | 0.048 | 0.046 | 0.041 | 0.075 | 0.051 | 0.084 | 0.069 | 0.069 | 0.078 |
| Total Overlapping Rate | 1.215 | 1.223 | 1.212 | 1.172 | 1.198 | 1.157 | 1.218 | 1.197 | 1.197 | 1.196 |
| Total Direct and Overlapping Rate | 1.221 | 1.229 | 1.218 | 1.178 | 1.203 | 1.162 | 1.223 | 1.202 | 1.202 | 1.201 |

Notes:

1 Rates are per \$100.00 of assessed value.

2 Overlapping rates are those of entities that apply to property owners within the City of Santa Cruz. Not all overlapping rates apply to all property owners (e.g., the rates for school districts apply only to the proportion of the city's property owners whose property is located within the geographic boundaries of the school district).

3 The passage of a constitutional amendment (Proposition 13) in June 1978 limits the property tax rate to a base of \$1.00 per \$100.00. The \$1.00 rate is levied by the County and apportioned to local agencies according to a formula prescribed by the California legislature.

Source: California Municipal Statistics, Inc.

City of Santa Cruz
Principal Property Tax Owners
Current Year and Nine Years Ago

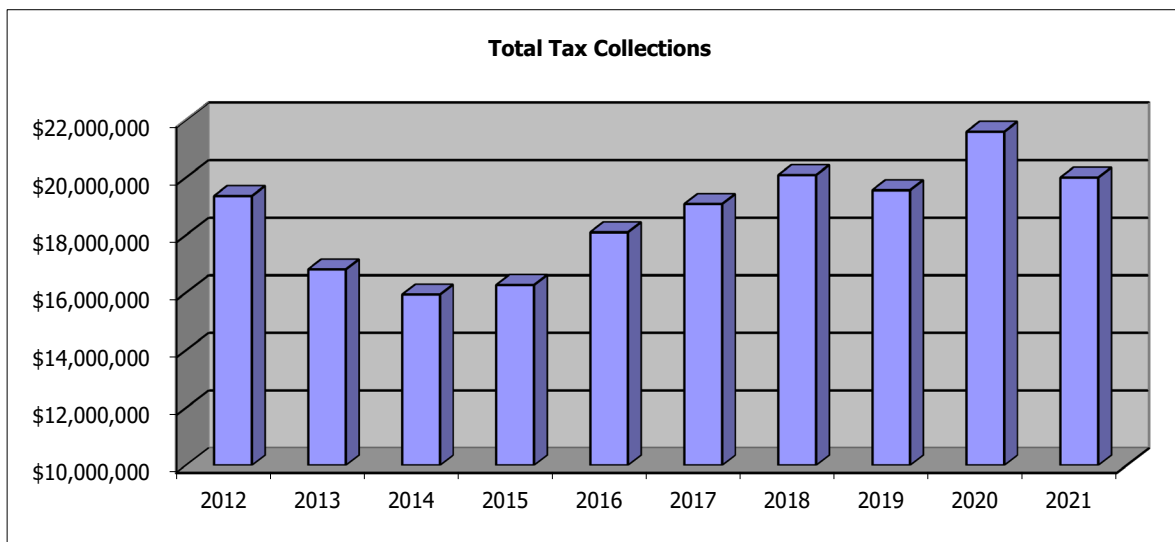
| Tax Owner | 2021 ² | | | 2012 ³ | | |
|-----------------------------------|-----------------------|------|---|-----------------------|------|---|
| | Assessed Valuation | Rank | Percentage of Total Assessed Valuation | Assessed Valuation | Rank | Percentage of Total Assessed Valuation |
| Santa Cruz Seaside Company | \$ 119,318,231 | 1 | 1.10% | \$ 57,121,770 | 1 | 0.84% |
| 363 Western Drive Owner LLC | 58,037,762 | 2 | 0.53% | | | |
| Cypress Point Re Investors LLC | 50,201,801 | 3 | 0.46% | 42,382,155 | 3 | 0.62% |
| Selby Development Group LLC | 43,674,083 | 4 | 0.40% | | | |
| Santa Cruz Shaffer Road Investors | 40,015,153 | 5 | 0.37% | 33,910,772 | 5 | 0.50% |
| BRFII Santa Cruz LLC | 35,000,000 | 6 | 0.32% | | | |
| S C Beach Holdco LLC | 30,812,013 | 7 | 0.28% | 43,727,854 | 2 | 0.64% |
| ROARING PARK PACIFIC LLC | 30,664,888 | 8 | 0.28% | | | |
| 555 Pacific LLC | 28,466,213 | 9 | 0.26% | | | |
| 1010 Pacific Investors | 27,817,126 | 10 | 0.26% | 23,126,919 | 9 | 0.34% |
| Essex Chestnut Apartments LP | | | | | | |
| Cooper House LLC | | | | | | |
| Silicon Systems Inc. | | | | | | |
| Totals | \$ 464,007,270 | | 4.27% | \$ 339,286,063 | | 4.992% |
| Total assessed value | \$ 10,873,802,074 | | | \$ 6,627,555,075 | | |

Notes:

¹ The listed tax owners were not ranked in the top 10 during 2021.

City of Santa Cruz
Property Tax Levies and Collections ¹
Last Ten Fiscal Years

| Fiscal Year Ended June 30 | Total Tax Levy ² | Current Tax Collections ² | Percent of Levy Collected | Delinquent Tax Collections ³ | Total Tax Collections | Total Collections as Percent of Current Levy | Outstanding Delinquent Taxes ³ | Outstanding Delinquent Taxes as Percent of Current Levy |
|------------------------------------|--------------------------------|---|---------------------------------|---|-----------------------------|---|---|---|
| 2012 | \$ 19,356,723 | \$ 19,356,723 | 100.0% | \$ - | \$ 19,356,723 | 100.0% | \$ - | \$ - |
| 2013 | 16,806,695 | 16,806,695 | 100.0% | - | 16,806,695 | 100.0% | - | - |
| 2014 | 15,933,154 | 15,933,154 | 100.0% | - | 15,933,154 | 100.0% | - | - |
| 2015 | 16,266,137 | 16,266,137 | 100.0% | - | 16,266,137 | 100.0% | - | - |
| 2016 | 18,095,927 | 18,095,927 | 100.0% | - | 18,095,927 | 100.0% | - | - |
| 2017 | 19,080,127 | 19,080,127 | 100.0% | - | 19,080,127 | 100.0% | - | - |
| 2018 | 20,085,027 | 20,085,027 | 100.0% | - | 20,085,027 | 100.0% | - | - |
| 2019 | 19,557,083 | 19,557,083 | 100.0% | - | 19,557,083 | 100.0% | - | - |
| 2020 | 21,590,859 | 21,590,859 | 100.0% | - | 21,590,859 | 100.0% | - | - |
| 2021 | 19,997,427 | 19,997,427 | 100.0% | - | 19,997,427 | 100.0% | - | - |



Notes:

- 1 This table includes levies and collections for the Redevelopment Agency.
- 2 Does not include amounts for Property Taxes in Lieu of Vehicle License Fees.
- 3 Because the County adopted a new method of distributing property taxes (commonly referred to as the "Teeter Plan"), the County is now responsible for all delinquent secured property taxes.

Source: County of Santa Cruz Auditor-Controller's Office
City of Santa Cruz Finance Department

City of Santa Cruz
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

| | Fiscal Year Ended June 30 | | | | | | | | | |
|---------------------------------------|---------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| Governmental Activities: | | | | | | | | | | |
| General obligation bonds | \$ 6,580,000 | \$ 6,390,000 | \$ 6,185,000 | \$ 5,965,000 | \$ 5,730,000 | \$ 5,475,000 | \$ 5,205,000 | \$ 4,915,000 | \$ 4,600,000 | \$ 4,265,000 |
| Pension obligation bonds | 21,870,000 | 20,425,000 | 18,860,000 | 17,160,000 | 15,310,000 | 13,295,000 | 11,100,000 | 8,685,000 | 6,040,000 | 3,150,000 |
| Lease revenue bonds payable | 9,890,000 | 9,600,000 | 9,300,000 | 8,995,000 | 8,680,000 | 7,685,000 | 7,560,000 | 7,255,000 | 6,940,000 | 6,615,000 |
| Certificates of participation | - | - | - | - | - | - | - | - | - | - |
| Capital leases | 436,460 | 390,784 | 344,427 | 297,379 | 249,630 | 201,170 | 152,536 | 102,813 | 42,813 | - |
| Notes | - | 234,449 | 215,735 | 14,318,705 | 12,987,297 | 13,920,402 | 12,871,003 | 12,162,137 | 10,504,623 | 9,021,020 |
| Other | - | - | - | - | - | - | - | - | - | - |
| Premiums | 32,020 | 30,201 | 28,832 | 26,565 | 24,747 | 399,607 | 376,258 | 352,907 | 329,558 | 306,208 |
| Total Governmental Activities | 38,776,460 | 37,070,434 | 34,933,993 | 46,762,649 | 42,981,674 | 40,976,180 | 37,264,797 | 33,472,857 | 28,456,994 | 23,357,228 |
| Business-type Activities: | | | | | | | | | | |
| Wastewater revenue bonds | 15,359,178 | 11,925,013 | 8,433,487 | 15,359,178 | 11,925,013 | 8,433,487 | 4,888,944 | 1,272,570 | 967,858 | 653,339 |
| Storm water revenue bonds | 4,520,000 | 4,245,000 | 3,945,000 | 4,520,000 | 4,245,000 | 3,945,000 | 3,640,000 | 3,330,000 | 3,015,000 | 2,690,000 |
| Water revenue bonds | 10,670,000 | 10,235,000 | 9,835,000 | 10,670,000 | 10,235,000 | 9,835,000 | 9,425,000 | 9,015,000 | 29,450,000 | 8,165,000 |
| Refuse revenue bonds | 2,545,000 | 2,215,000 | 1,875,000 | 2,545,000 | 2,215,000 | 1,875,000 | 1,525,000 | 1,160,000 | 785,000 | 400,000 |
| Parking revenue bonds | 4,190,000 | 3,930,000 | 3,350,000 | 4,190,000 | 3,930,000 | 3,350,000 | 3,065,000 | 2,830,000 | 2,590,000 | 22,860,000 |
| Notes | 4,653,748 | 4,277,317 | 26,632,000 | 4,653,748 | 4,277,317 | 26,632,000 | 29,407,533 | 35,655,891 | 24,376,046 | 75,807,844 |
| Premiums | 99,035 | 87,363 | 359,289 | 99,035 | 87,363 | 359,289 | 322,811 | 286,332 | 5,466,295 | 5,247,847 |
| Total Business-type Activities | 42,036,961 | 36,827,330 | 54,429,776 | 42,036,961 | 36,914,693 | 54,429,776 | 52,274,288 | 53,549,793 | 66,650,199 | 115,824,030 |
| Total Primary Government | \$ 80,813,421 | \$ 73,897,764 | \$ 89,363,770 | \$ 88,799,610 | \$ 79,896,367 | \$ 95,405,956 | \$ 89,539,085 | \$ 87,022,650 | \$ 95,107,193 | \$ 139,181,258 |
| Personal income ¹ | \$ 2,937,224,595 | \$ 3,048,930,476 | \$ 3,326,920,480 | \$ 3,334,888,920 | \$ 3,700,634,424 | \$ 3,934,137,350 | \$ 4,254,916,712 | \$ 4,564,044,485 | \$ 4,612,243,008 | \$ 4,265,441,292 |
| Debt as percentage of personal income | 2.75% | 2.42% | 2.69% | 2.66% | 2.16% | 2.43% | 2.10% | 1.91% | 2.06% | 3.26% |
| Population ² | 61,955 | 62,372 | 63,440 | 63,789 | 61,955 | 66,170 | 63,440 | 63,789 | 64,424 | 56,156 |
| Debt per capita | 1,304 | 1,185 | 1,409 | 1,392 | 1,290 | 1,442 | 1,411 | 1,364 | 1,476 | 2,478 |
| Assessed value ³ | 6,991,920,589 | 6,980,490,262 | 7,243,863,380 | 7,726,335,775 | 6,991,920,559 | 8,670,965,022 | 7,243,863,380 | 7,726,335,775 | 10,391,986,605 | 10,873,802,074 |
| Debt as percentage of assessed value | 1.16% | 1.06% | 1.23% | 1.15% | 1.14% | 1.10% | 1.24% | 1.13% | 0.92% | 1.28% |

Notes:

1 Personal income is calculated based on data from the US Department of Commerce, Bureau of Economic Analysis (refer to Table 16).

Source:

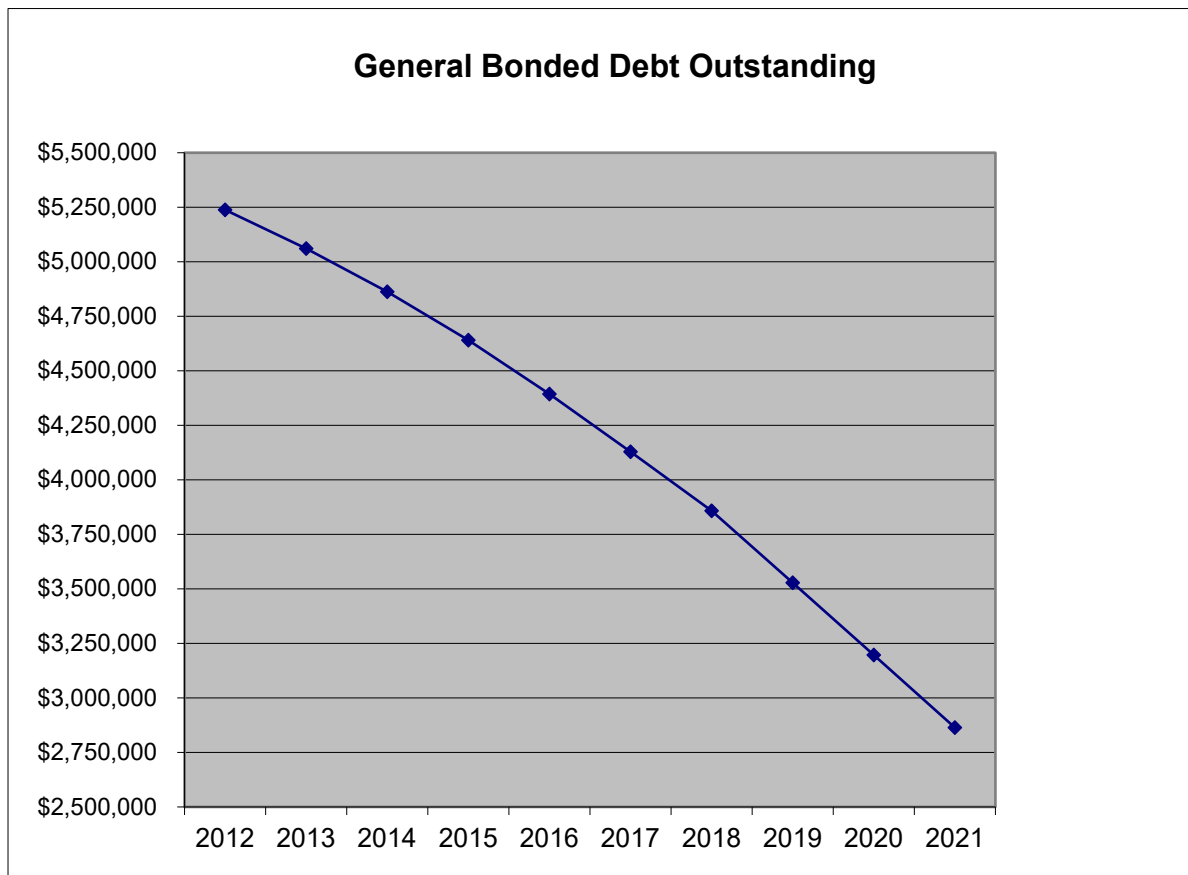
² California Department of Finance

³ California Municipal Statistics, Inc.

City of Santa Cruz Finance Department

City of Santa Cruz
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

| Fiscal Year Ended June 30 | General Obligation Bonds | Less: Amount Available in Debt Service Fund | Total | Percentage of Assessed Value | Debt Per Capita | Assessed Value ¹ | Population ² |
|------------------------------------|--------------------------------|--|--------------|------------------------------------|-----------------------|--------------------------------|-------------------------|
| 2012 | \$ 6,580,000 | \$ 1,342,513 | \$ 5,237,487 | 0.08% | \$ 85 | \$ 6,991,920,559 | 61,955 |
| 2013 | 6,390,000 | 1,328,974 | 5,061,026 | 0.07% | 81 | 7,243,863,380 | 62,372 |
| 2014 | 6,185,000 | 1,322,942 | 4,862,058 | 0.07% | 77 | 7,243,863,380 | 63,440 |
| 2015 | 5,965,000 | 1,324,435 | 4,640,565 | 0.06% | 73 | 7,726,335,775 | 63,789 |
| 2016 | 5,730,000 | 1,336,146 | 4,393,854 | 0.05% | 68 | 8,252,953,643 | 64,632 |
| 2017 | 5,475,000 | 1,346,719 | 4,128,281 | 0.05% | 63 | 8,670,965,022 | 65,070 |
| 2018 | 5,222,390 | 1,364,141 | 3,858,249 | 0.04% | 58 | 9,200,592,924 | 66,454 |
| 2019 | 4,930,833 | 1,402,848 | 3,527,985 | 0.04% | 54 | 9,799,321,198 | 65,807 |
| 2020 | 4,614,275 | 1,418,805 | 3,195,470 | 0.03% | 50 | 10,391,986,605 | 64,424 |
| 2021 | 4,277,718 | 1,414,239 | 2,863,479 | 0.03% | 51 | 10,873,802,074 | 56,156 |



Source: ¹ California Municipal Statistics, Inc.
² California Department of Finance
City of Santa Cruz Finance Department, for all others

City of Santa Cruz
Computation of Direct and Overlapping Debt
June 30, 2021

2020-2021 Assessed Valuation \$ 10,873,802,074

| | Total Debt Outstanding | Percentage Applicable to City ⁽¹⁾ | Amount Applicable to City |
|---|------------------------------|--|---------------------------------|
| <u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u> | | | |
| Cabrillo Joint Community College District | \$ 109,958,214 | 21.390% | \$ 23,520,062 |
| Santa Cruz High School District | 108,795,968 | 46.143% | 50,201,724 |
| Santa Cruz Elementary School District | 53,374,696 | 95.252% | 50,840,465 |
| Live Oak School District | 9,718,000 | 0.649% | 63,070 |
| Scotts Valley Unified School District | 37,220,000 | 0.013% | 4,839 |
| City of Santa Cruz | 4,277,718 | 100.000% | 4,277,718 |
| Santa Cruz Libraries FA Community Facilities District No. 2016-1 | 38,630,000 | 23.780% | 9,186,214 |
| Total Direct and Overlapping Tax and Assessment Debt | <u>\$ 361,974,596</u> | | <u>\$ 138,094,092</u> |
| <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u> | | | |
| Santa Cruz County Certificates of Participation | \$ 65,060,193 | 21.556% | \$ 14,024,375 |
| Santa Cruz County Office of Education Certificates of Participation | 7,790,192 | 21.556% | 1,679,254 |
| Scotts Valley Unified School District Certificates of Participation | 9,670,000 | 0.013% | 1,257 |
| Santa Cruz City Schools Certificates of Participation | 860,000 | 46.143% | 396,830 |
| Live Oak School District Certificates of Participation | 12,013,973 | 0.649% | 77,971 |
| Santa Cruz High School District Certificates of Participation | 1,758,314 | 46.143% | 811,339 |
| City of Santa Cruz General Fund Obligations | 15,929,510 | 100.000% | 15,929,510 |
| City of Santa Cruz Pension Obligations | 3,150,000 | 100.000% | 3,150,000 |
| Total Direct and Overlapping General Fund Debt | 116,232,182 | | 36,070,536 |
| <u>OVERLAPPING TAX INCREMENT DEBT</u> | 6,035,000 | 100.000% | 6,035,000 |
| TOTAL DIRECT DEBT | | | 23,357,228 |
| TOTAL OVERLAPPING DEBT | | | 156,842,400 |
| Combined Total Debt | <u>\$ 484,241,778</u> | | <u>\$ 180,199,628</u> |

Notes:

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

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Ratios to 2020-21 Assessed Valuation:

| | |
|--|-------|
| Direct Debt (\$4,277,718) | 0.04% |
| Total Direct and Overlapping Tax and Assessment Debt | 1.27% |
| Total Direct Debt (\$19,079,5510) | 0.21% |
| Combined Total Debt | 1.66% |

Ratios to Incremental Valuation (\$1,698,845,680)

| | |
|--------------------------------------|-------|
| Total Overlapping Tax Increment Debt | 0.94% |
|--------------------------------------|-------|

Source: California Municipal Statistics, Inc.

City of Santa Cruz
Legal Debt Margin Information
Last Ten Fiscal Years

| | Fiscal Year Ended June 30 | | | | | | | | | |
|---|---------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| Debt limit | \$ 1,048,788,084 | \$ 1,047,073,539 | \$ 1,086,579,507 | \$ 1,158,950,366 | \$ 1,237,943,046 | \$ 1,300,644,753 | \$ 1,380,088,939 | \$ 1,469,898,180 | \$ 1,558,797,991 | \$ 1,631,070,311 |
| Total net debt applicable to limit | 5,237,487 | 5,061,026 | 4,862,058 | 4,640,565 | 4,393,854 | 4,128,281 | 4,128,281 | 3,512,152 | 3,181,195 | 2,850,761 |
| Legal debt margin | <u>\$ 1,043,550,597</u> | <u>\$ 1,042,012,513</u> | <u>\$ 1,081,717,449</u> | <u>\$ 1,154,309,801</u> | <u>\$ 1,233,549,192</u> | <u>\$ 1,296,516,473</u> | <u>\$ 1,375,960,658</u> | <u>\$ 1,466,386,028</u> | <u>\$ 1,555,616,796</u> | <u>\$ 1,628,219,550</u> |
| Total net debt applicable to the limit as a percentage of debt limit | 0.50% | 0.48% | 0.45% | 0.40% | 0.35% | 0.32% | 0.30% | 0.24% | 0.20% | 0.17% |

Legal Debt Margin Calculation For Fiscal Year 2020-21:

| | |
|---|-------------------------|
| Total assessed value | \$ 10,873,802,074 |
| Debt limit (15% of total assessed value) | 1,631,070,311 |
| Debt applicable to limit: | |
| General obligation bonds (reported at accreted value) | 4,265,000 |
| Less: Amount available in debt service fund for repayment of bonds | <u>1,414,239</u> |
| Total net debt applicable to limit | <u>2,850,761</u> |
| Legal debt margin | <u>\$ 1,628,219,550</u> |

Notes:

California Government Code, Section 43605 sets the debt limit at 15%. The Code section was enacted when assessed valuations were based on 25% of full market value. This has since changed to 100% of full market value. Thus, the limit shown is 3.75% is (one-fourth the limit of 15%).

* Revised calculation using 15% of total assessed value as opposed to 3.75% for General Law Cities. As a Charter City, the City of Santa Cruz municipal code states that the legal debt limit will be 15% of the total assessed value.

Source: County of Santa Cruz Auditor-Controller's Office
City of Santa Cruz Finance Department

City of Santa Cruz
Pledge-Revenue Coverage
Last Ten Fiscal Years

| Fiscal Year Ended June 30 | | | | | | | | | | |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| Wastewater Revenue Bonds: | | | | | | | | | | |
| Wastewater charges and other | \$ 17,064,015 | \$ 16,665,280 | \$ 17,351,944 | \$ 17,702,332 | \$ 18,638,430 | \$ 20,294,352 | \$ 21,239,594 | \$ 20,020,688 | \$ 21,534,439 | \$ 24,218,993 |
| Less: operating expenses | 12,928,161 | 13,993,246 | 13,770,395 | 13,317,173 | 13,543,016 | 14,269,230 | 15,535,701 | 15,666,972 | 17,807,641 | 16,827,091 |
| Net available revenue | 4,135,854 | 2,672,034 | 3,581,549 | 4,385,160 | 5,095,414 | 6,025,121 | 5,703,893 | 4,353,716 | 3,726,798 | 7,391,902 |
| Debt service: | | | | | | | | | | |
| Principal | 225,000 | 230,000 | 240,000 | 1,709,898 | 3,434,164 | 3,491,526 | 3,544,544 | 3,616,374 | 304,712 | 314,519 |
| Interest | 143,961 | 136,157 | 44,491 | 48,609 | 234,324 | 176,024 | 116,764 | 43,118 | 35,177 | 23,044 |
| Total | 368,961 | 366,157 | 284,491 | 1,758,507 | 3,668,488 | 3,667,550 | 3,661,308 | 3,659,492 | 339,889 | 337,563 |
| Coverage | 11.21 | 7.30 | 12.59 | 2.49 | 1.39 | 1.64 | 1.56 | 1.19 | 10.96 | 21.90 |
| Water Revenue Bonds: | | | | | | | | | | |
| Water charges and other | \$ 25,071,978 | \$ 25,809,906 | \$ 24,635,604 | \$ 24,654,059 | \$ 26,676,455 | \$ 31,120,650 | \$ 41,515,458 | \$ 41,036,708 | \$ 42,647,198 | \$ 41,820,438 |
| Less: operating expenses | 19,983,914 | 20,264,057 | 23,821,485 | 21,279,237 | 21,949,166 | 22,464,366 | 27,393,908 | 26,631,004 | 28,641,586 | 27,750,088 |
| Net available revenue | 5,088,064 | 5,545,849 | 814,119 | 3,374,822 | 4,727,289 | 8,656,284 | 14,121,550 | 14,405,704 | 14,005,612 | 14,070,349 |
| Debt service: | | | | | | | | | | |
| Principal | 260,000 | 270,000 | 311,368 | - | 348,000 | 320,000 | 328,000 | 328,000 | 406,000 | 765,000 |
| Interest | 498,356 | 487,823 | 386,783 | 72,733 | 279,705 | 242,057 | 235,603 | 229,043 | 799,607 | 1,315,188 |
| Total | 758,356 | 757,823 | 698,151 | 72,733 | 627,705 | 562,057 | 563,603 | 557,043 | 1,205,607 | 2,080,188 |
| Coverage | 6.71 | 7.32 | 1.17 | 46.40 | 7.53 | 15.40 | 25.06 | 25.86 | 11.62 | 6.76 |
| Storm Water Revenue Bonds: | | | | | | | | | | |
| Storm Water charges and other | \$ 916,601 | \$ 893,217 | \$ 856,893 | \$ 889,617 | \$ 1,025,705 | \$ 915,299 | \$ 920,052 | \$ 911,553 | \$ 912,701 | \$ 899,419 |
| Less: operating expenses | 628,349 | 465,600 | 505,896 | 312,574 | 576,609 | 726,257 | 709,824 | 229,031 | 626,822 | 583,215 |
| Net available revenue | 288,252 | 427,617 | 350,997 | 577,043 | 449,096 | 189,042 | 210,228 | 682,522 | 285,879 | 316,204 |
| Debt service: | | | | | | | | | | |
| Principal | 195,000 | 200,000 | 197,815 | 275,000 | 275,000 | 300,000 | 305,000 | 310,000 | 315,000 | 325,000 |
| Interest | 202,685 | 196,535 | 100,175 | 26,109 | 100,313 | 94,438 | 88,363 | 82,188 | 75,912 | 71,088 |
| Total | 397,685 | 396,535 | 297,990 | 301,109 | 375,313 | 394,438 | 393,363 | 392,188 | 390,912 | 396,088 |
| Coverage | 0.72 | 1.08 | 1.18 | 1.92 | 1.20 | 0.48 | 0.53 | 1.74 | 0.73 | 0.80 |

Notes:

Details regarding the city's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest or depreciation.

Source: City of Santa Cruz Finance Department

City of Santa Cruz
Pledge-Revenue Coverage (Continued)
Last Ten Fiscal Years

| Fiscal Year Ended June 30 | | | | | | | | | | |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| Refuse Loan Agreement: | | | | | | | | | | |
| Refuse charges and other | \$ 15,938,918 | \$ 15,878,882 | \$ 15,160,656 | \$ 16,771,121 | \$ 18,011,931 | \$ 19,965,814 | \$ 21,031,042 | \$ 21,539,115 | \$ 21,161,698 | \$ 21,340,183 |
| Less: operating expenses | 13,236,313 | 14,281,118 | 13,705,783 | 14,006,805 | 13,960,753 | 15,011,430 | 16,485,296 | 17,406,827 | 19,399,515 | 17,987,201 |
| Net available revenue | 2,702,605 | 1,597,764 | 1,454,873 | 2,764,316 | 4,051,178 | 4,954,384 | 4,545,746 | 4,132,288 | 1,762,183 | 3,352,982 |
| Debt service: | | | | | | | | | | |
| Principal | 164,200 | 172,200 | 214,033 | 98,300 | 232,333 | 208,700 | 219,100 | 229,900 | 241,200 | 253,100 |
| Interest | 129,781 | 121,589 | 112,997 | 24,833 | 94,517 | 84,591 | 74,176 | 63,243 | 51,775 | 42,822 |
| Total | 293,981 | 293,789 | 327,031 | 123,133 | 326,850 | 293,291 | 293,276 | 293,143 | 292,975 | 295,922 |
| Coverage | 9 | 5.44 | 4.45 | 22.45 | 12.39 | 16.89 | 15.50 | 14.10 | 6.01 | 11.33 |
| Refuse Revenue Bonds: | | | | | | | | | | |
| Refuse charges and other | \$ 16,771,121 | \$ 18,011,931 | \$ 15,160,656 | \$ 16,771,121 | \$ 18,011,931 | \$ 19,969,359 | \$ 21,031,042 | \$ 21,539,115 | \$ 21,161,698 | \$ 21,340,183 |
| Less: operating expenses | 14,006,805 | 13,960,753 | 13,705,783 | 14,006,805 | 13,960,753 | 15,011,430 | 16,485,296 | 17,406,827 | 19,399,515 | 17,987,201 |
| Net available revenue | 2,764,316 | 4,051,178 | 1,454,873 | 2,764,316 | 4,051,178 | 4,957,929 | 4,545,746 | 4,132,288 | 1,762,183 | 3,352,982 |
| Debt service: | | | | | | | | | | |
| Principal | 265,000 | 305,000 | 315,000 | 330,000 | 330,000 | 340,000 | 350,000 | 365,000 | 375,000 | 385,000 |
| Interest | 116,388 | 107,538 | 98,163 | 21,513 | 78,625 | 68,500 | 58,075 | 46,553 | 34,447 | 23,700 |
| Total | 381,388 | 412,538 | 413,163 | 351,513 | 408,625 | 408,500 | 408,075 | 411,553 | 409,447 | 408,700 |
| Coverage | 7 | 9.82 | 3.52 | 7.86 | 9.91 | 12.14 | 11.14 | 10.04 | 4.30 | 8.20 |
| Parking Lease Revenue Bonds: | | | | | | | | | | |
| Parking charges and other | \$ 3,265,001 | \$ 3,569,946 | \$ 4,046,835 | \$ 4,542,711 | \$ 5,049,171 | \$ 5,250,820 | \$ 5,645,434 | \$ 6,354,197 | \$ 5,489,968 | \$ 4,177,266 |
| Less: operating expenses | 2,685,446 | 2,974,546 | 3,407,113 | 3,568,439 | 3,740,393 | 4,073,705 | 4,557,291 | 4,724,064 | 5,463,240 | 4,748,504 |
| Net available revenue | 579,555 | 595,400 | 639,721 | 974,272 | 1,308,778 | 1,177,116 | 1,088,143 | 1,630,133 | 26,728 | (571,238) |
| Debt service: | | | | | | | | | | |
| Principal | 240,000 | 245,000 | 250,000 | - | 260,000 | - | 285,000 | 235,000 | 240,000 | 250,000 |
| Interest | 181,066 | 178,250 | 2,300 | 54,055 | 160,866 | 97,038 | 101,134 | 112,750 | 104,000 | 100,800 |
| Total | 421,066 | 423,250 | 252,300 | 54,055 | 420,866 | 97,038 | 386,134 | 347,750 | 344,000 | 350,800 |
| Coverage | 1 | 1.41 | 2.54 | 18.02 | 3.11 | 12.13 | 2.82 | 4.69 | 0.08 | (1.63) |

Notes:

Details regarding the city's outstanding debt can be found in the notes to the financial statements. Operating expenses do

Source: City of Santa Cruz Finance Department

City of Santa Cruz
Pledge-Revenue Coverage (Continued)
Last Ten Fiscal Years

| | Fiscal Year Ended June 30 | | | | | | | | | |
|------------------------------|---------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| Water Loan Agreement: | | | | | | | | | | |
| Water charges and other | \$ 25,071,978 | \$ 25,809,906 | \$ 24,635,604 | \$ 24,654,059 | \$ 26,676,455 | \$ 31,120,650 | \$ 41,515,458 | \$ 41,036,708 | \$ 42,647,198 | \$ 37,502,187 |
| Less: operating expenses | 19,983,914 | 20,264,057 | 23,821,485 | 21,279,237 | 21,949,166 | 22,464,366 | 27,393,908 | 26,631,004 | 28,641,586 | 27,544,218 |
| Net available revenue | 5,088,064 | 5,545,849 | 814,119 | 3,374,822 | 4,727,289 | 8,656,284 | 14,121,550 | 14,405,704 | 14,005,612 | 9,957,969 |
| Debt service: | | | | | | | | | | |
| Principal | - | - | - | - | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - | - | - | - | 105,431 |
| Total | - | - | - | - | - | - | - | - | - | 105,431 |
| Coverage | - | - | - | - | - | - | - | - | - | 94.45 |
| Wastewater Loan Agreement: | | | | | | | | | | |
| Wastewater charges and other | \$ 17,064,015 | \$ 16,665,280 | \$ 17,351,944 | \$ 17,702,332 | \$ 18,638,430 | \$ 20,294,352 | \$ 21,239,594 | \$ 20,020,688 | \$ 21,534,439 | \$ 24,218,993 |
| Less: operating expenses | 12,928,161 | 13,993,246 | 13,770,395 | 13,317,173 | 13,543,016 | 14,269,230 | 15,535,701 | 15,666,972 | 17,807,641 | 16,827,091 |
| Net available revenue | 4,135,854 | 2,672,034 | 3,581,549 | 4,385,160 | 5,095,414 | 6,025,121 | 5,703,893 | 4,353,716 | 3,726,798 | 7,391,902 |
| Debt service: | | | | | | | | | | |
| Principal | - | - | - | - | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - | - | - | - | 17,257 |
| Total | - | - | - | - | - | - | - | - | - | 17,257 |
| Coverage | - | - | - | - | - | - | - | - | - | 428.34 |

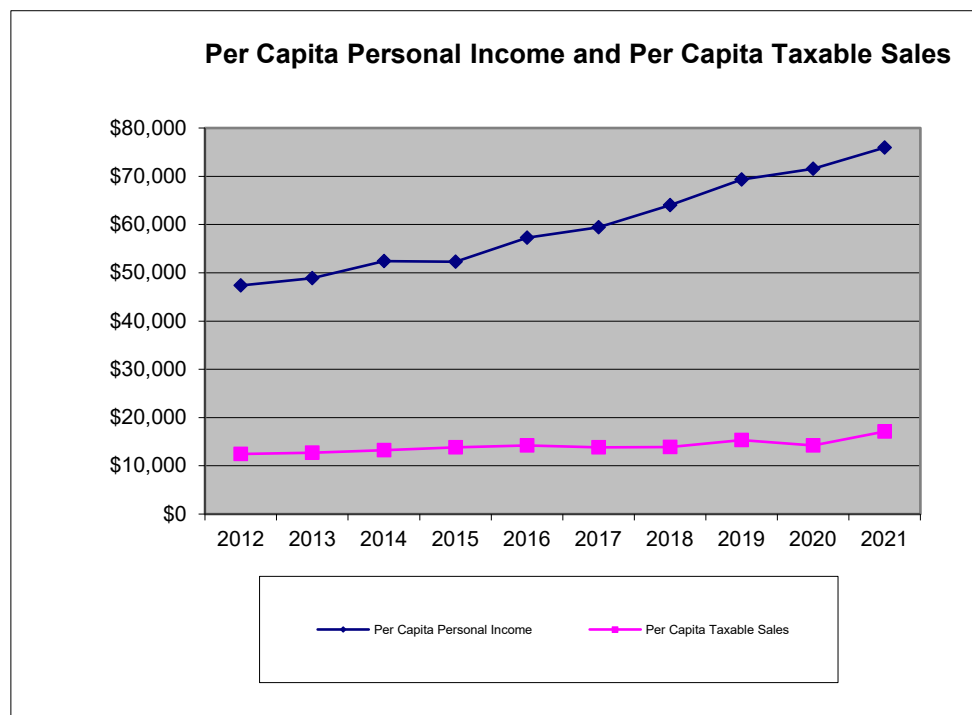
Notes:

Details regarding the city's outstanding debt can be found in the notes to the financial statements. Operating expenses do

Source: City of Santa Cruz Finance Department

City of Santa Cruz
Demographic and Economic Statistics
Last Ten Fiscal Years

| Fiscal Year Ended June 30 | Population ¹ | Unemployment Rate ² | Total Personal Income | Per Capita ³ Personal Income | Taxable Sales ⁴ | Per Capita Taxable Sales |
|---------------------------------|-------------------------|-----------------------------------|-----------------------------|---|-------------------------------|--------------------------------|
| 2012 | 61,955 | 7.8% | \$ 2,937,225 | \$ 47,409 | \$ 768,660 | \$ 12,407 |
| 2013 | 62,372 | 6.8% | 3,048,930 | 48,883 | 791,102 | 12,684 |
| 2014 | 63,440 | 5.3% | 3,326,920 | 52,442 | 840,086 | 13,242 |
| 2015 | 63,789 | 5.1% | 3,334,889 | 52,280 | 882,542 | 13,835 |
| 2016 | 64,632 | 4.8% | 3,700,634 | 57,257 | 916,490 | 14,180 |
| 2017 | 66,170 | 4.5% | 3,934,137 | 59,455 | 913,691 | 13,808 |
| 2018 | 66,454 | 3.4% | 4,254,917 | 64,028 | 922,226 | 13,878 |
| 2019 | 65,807 | 4.2% | 4,564,044 | 69,355 | 1,009,300 | 15,337 |
| 2020 | 64,424 | 11.2% | 4,612,243 | 71,592 | 915,857 | 14,216 |
| 2021 | 56,156 | 6.0% | 4,265,441 | 75,957 | 958,980 | 17,077 |



Notes:

- A For calendar year ending during the fiscal year.
- B Amounts are for the Santa Cruz-Watsonville Metropolitan Area.
- C Total Personal Income and Taxable Sales amounts are in thousands.
- D Calendar year data not yet available.

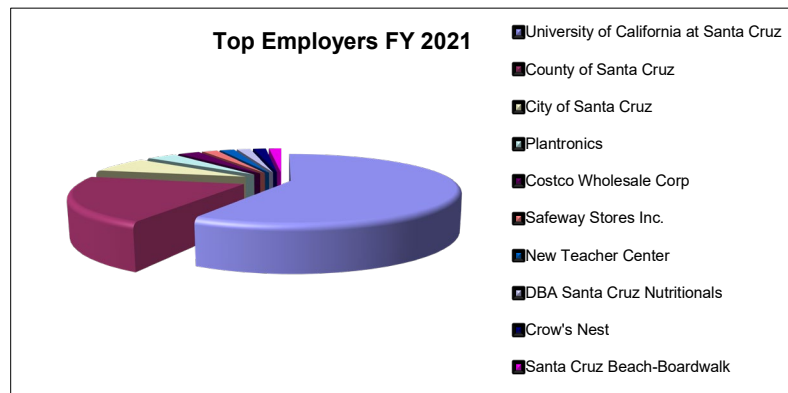
Source: ¹ California Department of Finance

² California Employment Development Department

³ U.S. Department of Commerce, Bureau of Economic Analysis

City of Santa Cruz
Principal Employers
Current Year and Ten Years Ago

| Employer: | Fiscal Year Ended June 30 | | | | | |
|--|---------------------------|------|--------------------------------------|------------------------|------|--------------------------------------|
| | 2021 | | | 2011 | | |
| | Number of Employees | Rank | Percentage of Total Employment | Number of Employees | Rank | Percentage of Total Employment |
| University of California at Santa Cruz | 7,068 | 1 | 23.250% | 7,278 | 1 | 22.959% |
| County of Santa Cruz | 2,513 | 2 | 8.266% | 2,293 | 2 | 7.233% |
| City of Santa Cruz | 883 | 3 | 2.905% | 753 | 3 | 2.375% |
| Plantronics | 431 | 4 | 1.418% | 664 | 4 | 2.095% |
| Costco Wholesale Corp | 314 | 5 | 1.033% | 240 | 6 | 0.757% |
| Safeway Stores Inc. | 224 | 6 | 0.737% | | | |
| New Teacher Center | 211 | 7 | 0.694% | 211 | 9 | 0.666% |
| DBA Santa Cruz Nutritionals | 200 | 8 | 0.658% | | | |
| Crow's Nest | 194 | 9 | 0.638% | | | |
| Santa Cruz Beach-Boardwalk | 186 | 10 | 0.612% | 347 | 5 | 1.095% |
| Sycamore St. Child Development | | | | 209 | 10 | 0.659% |
| Threshold Enterprises Ltd. | | | | 213 | 7 | 0.672% |
| Community Bridges | | | | 212 | 8 | 0.669% |
| Totals | 12,224 | | 40.211% | 12,420 | | 39.180% |
| Total employment ¹ | 30,400 | | | 31,700 | | |



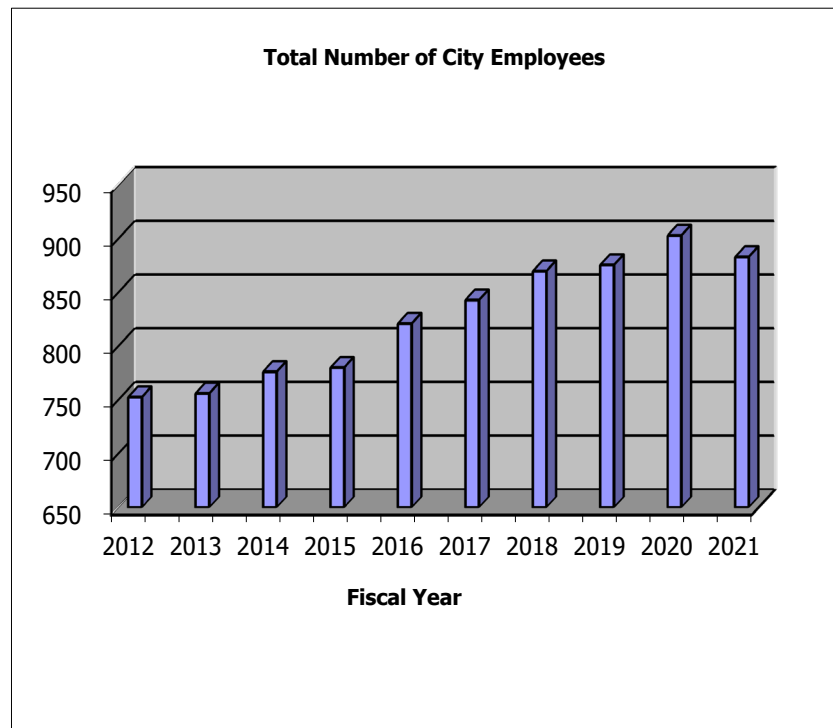
Note

¹ 2011 Total Employment numbers reflect the Santa Cruz-Watsonville metropolitan area, whereas 2020 numbers are only Santa Cruz city.

Source: California Employment Development Department
City of Santa Cruz Business License database
City of Santa Cruz Finance Department

City of Santa Cruz
Number of City Employees ¹ by Department
Last Ten Fiscal Years

| | Fiscal Year Ended June 30 | | | | | | | | | |
|------------------------------------|---------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| Departments ¹ : | | | | | | | | | | |
| City Manager | 11 | 11 | 12 | 12 | 12 | 12 | 12 | 12 | 13 | 13 |
| Administrative Services | 29 | 28 | 28 | 30 | 31 | 31 | 32 | 32 | 34 | 32 |
| Finance | 24 | 24 | 29 | 30 | 30 | 30 | 30 | 32 | 32 | 30 |
| Police | 118 | 118 | 117 | 124 | 124 | 124 | 127 | 136 | 144 | 133 |
| Fire ² | 53 | 54 | 54 | 65 | 65 | 65 | 66 | 66 | 66 | 66 |
| Parks and Recreation | 83 | 82 | 82 | 84 | 88 | 94 | 96 | 87 | 86 | 84 |
| Library | 71 | 77 | 80 | 83 | 84 | 90 | 93 | 93 | 98 | 100 |
| Public Works | 224 | 229 | 233 | 234 | 235 | 240 | 250 | 251 | 258 | 258 |
| Planning and Community Development | 28 | 27 | 35 | 37 | 38 | 39 | 39 | 39 | 38 | 34 |
| Economic Development/Redevelopment | 16 | 10 | 9 | 11 | 12 | 12 | 12 | 14 | 15 | 14 |
| Water | 96 | 96 | 98 | 102 | 102 | 107 | 113 | 114 | 119 | 119 |
| Total | 753 | 756 | 776 | 780 | 821 | 843 | 870 | 876 | 903 | 883 |



Notes:

1 Personnel authorizations budgeted (figures rounded to whole numbers).

2 In the FY 2013 Adopted Budget and FY 2014 Proposed Budget, the Fire Chief position was authorized, but funded through a professional services contract with UCSC.

Source: City of Santa Cruz Budget Document

City of Santa Cruz
Operating Indicators by Function
Last Ten Fiscal Years

| Function: | Fiscal Year Ended June 30 | | | | | | | | | |
|--|---------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| City Clerk | | | | | | | | | | |
| Hours for creating the agenda for posting | 300 | 300 | 300 | 500 | 500 | 500 | 300 | 500 | 500 | 500 |
| Advisory body hours | 575 | 575 | 575 | 300 | 300 | 300 | 300 | 300 | 100 | 300 |
| Election hours | 450 | 450 | 450 | - | - | 450 | 450 | - | 450 | 200 |
| Initiative/referendum petitions processing hours | - | 200 | - | - | - | 200 | 200 | 300 | 400 | 200 |
| Human Resources | | | | | | | | | | |
| Number of recruitments | 69 | 74 | 76 | 101 | 118 | 129 | 127 | 128 | 120 | 82 |
| Number of applications | 1,205 | 1,351 | 3,384 | 3,438 | 4,087 | 3,885 | 3,613 | 3,619 | 3,983 | 2,184 |
| Workers compensation claim payments | \$ 1,670,856 | \$ 1,677,161 | \$ 1,770,711 | \$ 2,059,341 | \$ 1,368,840 | \$ 1,725,200 | \$ 2,339,551 | \$ 2,635,482 | \$ 2,437,257 | \$ 2,825,590 |
| Police | | | | | | | | | | |
| Calls for service | 90,484 | 104,836 | 104,709 | 102,592 | 103,645 | 100,877 | 101,181 | 96,231 | 100,055 | 96,252 |
| Cases | 11,063 | 11,432 | 10,675 | 10,759 | 11,119 | 10,733 | 10,129 | 12,295 | 11,409 | 11,268 |
| Fire | | | | | | | | | | |
| Emergency calls | 7,005 | 7,005 | 7,483 | 8,264 | 8,741 | 8,596 | 9,133 | 8,891 | 8,121 | 8,033 |
| Inspections | 1,575 | 655 | 1,934 | 1,946 | 2,951 | 1,475 | 1,165 | 1,282 | 943 | 815 |
| Parks and Recreation | | | | | | | | | | |
| Number of classes | 891 | 832 | 889 | 901 | 962 | 903 | 843 | 752 | 972 | 148 |
| Facility rentals: | | | | | | | | | | |
| Parks (Picnic Areas) | 2,160 | 2,622 | 1,033 | 598 | 2,506 | 791 | 1,478 | 526 | 238 | 130 |
| Louden Nelson | 5,700 | 4,611 | 5,044 | 5,218 | 6,504 | 5,430 | 5,856 | 5,272 | 3,281 | 596 |
| Civic Auditorium | 150 | 137 | 138 | 142 | 124 | 148 | 163 | 238 | 141 | 2 |
| Swimming pool | n/a | 70 | 77 | 80 | 85 | 975 | 276 | 340 | 62 | 358 |
| Special events produced | 12 | 12 | 12 | 30 | 12 | 10 | 13 | 12 | 8 | 2 |
| Library (all locations) | | | | | | | | | | |
| Items checked out | 2,005,328 | 1,769,845 | 2,367,679 | 1,961,846 | 1,785,427 | 1,756,741 | 1,809,648 | 1,544,328 | 1,252,509 | 785,261 |
| Queries handled | 168,057 | 314,028 | 326,612 | 263,308 | 287,505 | 302,958 | 287,256 | 149,431 | 114,318 | 25,000 |
| Open hours/week | 265 | 359 | 359 | 359 | 359 | 359 | 425 | 384 | 355 | 104 |
| Public Works | | | | | | | | | | |
| Overlay (square footage) | 266,888 | 515,700 | 1,856 | 633,386 | 349,245 | 461,961 | 856,680 | 149,600 | 445,352 | 196,180 |
| Seal coat (square footage) | 515,653 | - | 1,910,000 | - | 817,506 | 2,234,457 | - | 718,902 | - | 547,917 |
| Sewer | | | | | | | | | | |
| New connections | 39 | 57 | 52 | 66 | 57 | 72 | 40 | 37 | 25 | 28 |
| Average daily flow (MGD) | 9 | 9 | 8 | 8 | 8 | 10 | 10 | 8 | 8 | 8 |
| Annual total flow (MG) | 3,294 | 3,182 | 3,011 | 2,767 | 3,077 | 3,687 | 3,650 | 2,920 | 2,920 | 2,920 |
| Water | | | | | | | | | | |
| Active accounts | 24,347 | 24,425 | 24,429 | 24,511 | 24,514 | 24,517 | 24,518 | 24,550 | 24,545 | 24,626 |
| Average daily consumption (MGD) | 8 | 8 | 8 | 8 | 6 | 6 | 7 | 7 | 6 | 6 |
| Annual consumption (MG) | 2,820 | 2,984 | 2,959 | 2,979 | 2,234 | 2,342 | 2,437 | 2,416 | 2,345 | 2,247 |
| Average monthly residential bill | \$ 44 | \$ 45 | \$ 45 | \$ 41 | \$ 48 | \$ 50 | \$ 66 | \$ 68 | \$ 74 | \$ 76 |
| ** Unavailable | | | | | | | | | | |

Notes:

1 Different count beginning in FY 2008 - includes multiple sessions of one course, e.g. if course entered several times in a season now counted as 4 rather than 1.

2 Now includes ball fields and indoor facilities in parks. New booking system count; all confirmed bookings, fewer multiple day rentals.

3 New booking system count; all confirmed bookings, fewer multiple day rentals.

Source: City of Santa Cruz Departments

City of Santa Cruz
Capital Asset Statistics by Function
Last Ten Fiscal Years

| | Fiscal Year Ended June 30 | | | | | | | | | |
|------------------------------|---------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| Function: | | | | | | | | | | |
| Public Safety | | | | | | | | | | |
| Police | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Vehicular patrol units | 67 | 69 | 69 | 69 | 69 | 69 | 70 | 70 | 70 | 72 |
| Fire stations | 3 | 3 | 3 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Lifeguard Headquarters | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Public Parking | | | | | | | | | | |
| Lots | 26 | 26 | 26 | 26 | 24 | 23 | 25 | 24 | 24 | 24 |
| Spaces | 5,322 | 5,300 | 5,301 | 5,514 | 5,244 | 5,174 | 5,357 | 5,470 | 5,460 | 5,454 |
| Parking meters | 1,866 | 1,933 | 1,945 | 1,931 | 1,922 | 1,920 | 1,906 | 1,906 | 1,906 | 1,900 |
| Parks and Recreation | | | | | | | | | | |
| Parks | 30 | 32 | 31 | 31 | 31 | 31 | 31 | 31 | 31 | 46 |
| Parks acreage | 1,970 | 1,704 | 1,706 | 1,706 | 1,706 | 1,706 | 1,706 | 1,706 | 1,706 | 1,700 |
| Playgrounds | 17 | 16 | 17 | 17 | 18 | 18 | 18 | 18 | 18 | 21 |
| Swimming pools | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Tennis courts | 6 | 7 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Golf course | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Libraries | | | | | | | | | | |
| Headquarters | - | - | - | - | 1 | 1 | 1 | 1 | 1 | 1 |
| Central library | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Branch libraries within city | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Streets | | | | | | | | | | |
| Miles of paved streets | 136 | 136 | 136 | 136 | 136 | 136 | 136 | 136 | 136 | 136 |
| Miles of alleys | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 |
| Street lights | 3,087 | 3,091 | 3,094 | 3,096 | 3,136 | 2,926 | 3,136 | 2,904 | 2,861 | 3,000 |
| Sewer | | | | | | | | | | |
| Miles of sanitary sewers | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 |
| Miles of storm drains | 49 | 49 | 49 | 49 | 49 | 49 | 50 | 50 | 50 | 50 |
| Water | | | | | | | | | | |
| Miles of water mains | 298 | 298 | 296 | 298 | 296 | 294 | 296 | 294 | 294 | 294 |
| Fire hydrants | 2,025 | 2,027 | 2,024 | 2,031 | 2,031 | 2,028 | 2,033 | 2,034 | 2,039 | 2,038 |

Source: City of Santa Cruz Departments