

CITY OF SANTA CRUZ
809 Center Street
Santa Cruz, California 95060



JOINT CITY COUNCIL - REDEVELOPMENT AGENCY AGENDA

Regular Meeting

January 12, 2010

1:30 P.M. CLOSED LITIGATION SESSION, COURTYARD CONFERENCE
ROOM

3:00 P.M. CONSENT, GENERAL BUSINESS, PUBLIC HEARINGS, AND
MATTERS OF PUBLIC INTEREST, COUNCIL CHAMBERS

NOTE: There will be no 7:00 p.m. Session.

Written correspondence and telephone calls received after 5:00 p.m. on Monday preceding a Council meeting may not have time to reach Councilmembers, nor be read by them prior to consideration of an item. Please make any communication to Councilmembers regarding Council meeting items prior to 5:00 p.m. Monday.

Council meetings are cablecast on Comcast Channel 25.

Written material for every item listed in the open sessions is available for review at the Central Branch Library Reference Desk.

Time limits set by Council Policy are guidelines. Unless otherwise specified, procedures for all items, except those approved in one motion on the Consent Agenda, are:

- Oral staff report
- Public comment - 2 minutes each; maximum total time may be established by the Presiding Officer at the beginning of the item
- Council/Agency deliberation and action

Closed Litigation Session**1:30 PM**

At 1:30 p.m., the Presiding Officer will open the City Council and Redevelopment Agency Closed Litigation sessions in a public meeting in the Courtyard Conference Room, for the purpose of announcing the agenda and considering item 1; thereafter the meeting will be closed to the public.

Referral to Closed Session

1. Referral to Closed Session - 49-A Municipal Wharf, APN 005-651-012. (ED)

Motion to approve a referral to closed session 1) the potential sale of the business known as Carniglia's located at 49-A Municipal Wharf and 2) the potential assignment of the existing lease for a limited term and/or the execution of a new lease for the purpose of instructing the Director of Economic Development concerning the assignment and terms of a new lease, or both.

Closed Litigation Session

- A. Real Property (Government Code §54956.8).

49A Wharf Lease Negotiations (Carniglia's)
APN: 005-651-012
Bonnie Lipscomb--Negotiator

- B. Conference with Legal Counsel-- Anticipated Litigation (Government Code §54956.9).

Significant exposure of City to Litigation (Government Code §54956.9(b))
(3 cases)

3 cases to be discussed.

- D. Conference With Legal Counsel—Existing Litigation (Government Code §54956.9).

1. Greiner v. City of Santa Cruz, United States District Court Case No. C07-02523-RS.
2. People v. Bradley Kellma, Santa Cruz Superior Court Case No. CV151944.

Closed Litigation Session (continued)

E. Conference with Legal Counsel – Liability Claims (Government Code §54956.95)

1. Claimant: Carol E. Meilicke
2. Claimant: Patricia Kathleen Miller

Claims Against: City of Santa Cruz

F. Labor Negotiations (Government Code §54956.6).

Lisa Sullivan—Negotiator

- Employee Organizations —
1. IAFF - Firefighters
 2. Fire Management
 3. Police Management
 4. Police Officers' Association
 5. SEIU – All Units
 6. Operating Engineers - Supervisors
 7. Operating Engineers – Managers

An oral report will be presented in the 3:00 p.m. Session (item 17).

**Joint City Council/Redevelopment Agency
3:00 PM**

- * Call to Order
- * Roll Call
- * Pledge of Allegiance
- * Spotlight on City Services - Greenhouse Gas Inventory Update
- * Introduction of New Employee
- * Presiding Officer's Announcements
- * Statements of Disqualification
- * Additions and Deletions
- * Joint City Council/Redevelopment Agency Oral Communications - 30 Minutes

Consent Agenda

2. Minutes of the December 8, 2009 Regular City Council Meeting. (CC)
Motion to approve as submitted.

3. Minutes of the December 8, 2009 Regular Redevelopment Agency Meeting. (CC)
Motion to approve as submitted.

4. Educational Revenue Augmentation Fund (ERAF). (ED)
Redevelopment Agency motion directing the Executive Director to pay \$3,746,760 from Agency funds on or before May 10, 2010 to the County Auditor for deposit into the State Supplemental Educational Revenue Augmentation Fund.

Redevelopment Agency resolution appropriating funds and amending the Fiscal Year (FY) 2010 budget in the amount of \$3,746,760 from the Merged and Eastside Project Area Debt Service Funds.

Consent Agenda (continued)

5. Tannery Arts Center – National Endowment of the Humanities Grant Application.
(ED)

Redevelopment Agency resolution authorizing the Executive Director, or her designee, to apply for a grant in an amount not to exceed \$51,901 from the National Endowment of the Humanities to fund Historic Interpretative Exhibits which are being created as part of the rehabilitation of the Tannery's historic buildings and to execute any and all documents, in a form approved by the City Attorney, necessary to accept the grant.

6. U. S. Department of Commerce, Economic Development Administration (EDA), American Recovery and Reinvestment Act (ARRA) Grant - Budget Adjustment.
(ED)

Redevelopment Agency resolution appropriating funds and amending the FY 2010 budget in the amount of \$4,766,250 for the EDA ARRA grant for the Digital Media Center at the Tannery and \$430,805 for project costs which are not grant eligible.

7. Placement of Proceeds from Sale of 913 Cedar Street into Public Trust Fund.
(FN)

Motion to direct staff to place the proceeds from the sale of the property at 913 Cedar Street into the Public Trust Fund.

8. Annual Financial Reports for FY 2009. (FN/ED/RDA)

Motion to authorize the Finance Director to file the Comprehensive Annual Financial Report and Single Audit Report for Fiscal Year 2009.

Motion to authorize the Agency Executive Director to file the Redevelopment Agency Financial Report for Fiscal Year 2009.

9. Liability Claims Filed Against City of Santa Cruz. (HR)

Motion to reject liability claims a) Carol E. Meilicke and b) Patricia Kathleen Miller, based upon staff investigation.

Consent Agenda (continued)

10. Naming of Field 1 "Rich Young Field" and Installation of a Memorial Plaque at Harvey West Park. (PK)

Motion to authorize the naming of Field 1 "Rich Young Field" and authorize the placement of a memorial plaque in honor of Mr. Young at the "Little League Field" at Harvey West Park.

11. Approving and Appointing Representatives to Other Agencies and Groups and Council Committees and Task Forces. (CN)

Motion to appoint or nominate representatives to other agencies and groups and Council committees and task forces as presented.

End Consent Agenda**General Business**

12. Statewide Park Development and Community Revitalization Act of 2008 (Proposition 84) Property Selection. (PK)

Motion to select the preferred property for acquisition and development of a neighborhood park to be submitted for the Statewide Park Development and Community Revitalization Act of 2008 (Statewide Park Program) Prop 84:

- 1) Beach Flats neighborhood; or
- 2) Lower Ocean Neighborhood.

13. Loch Lomond Recreation Area – Changes for 2010 Season. (WT)

Introduction of an ordinance for publication amending the Santa Cruz Municipal Code Chapter 16.05, changing the name from Recreational Use of the Loch Lomond Reservoir to Loch Lomond Recreation Area; and 16.05.030 Places and Times to change the schedule and hours of operation; and 16.05.100 General Regulations concerning (c) pets; and (e) trees, shrubs and other plants.

Resolution amending the Loch Lomond Recreation Area Fee Schedule to increase the Boat Storage Fee to \$200 per season, and rescinding Resolution No. NS-28,075 in its entirety.

General Business (continued)

14. Resolution Establishing the Interest Rate for Residential Rental Property Security Deposits. (ED)

Resolution establishing the interest rate for residential security deposits at 0.10% and rescinding Resolution No. NS-27,997.

Public Hearing

15. Authorization to Participate in a Renewable Energy Assessment District Program. (PL)

Resolution authorizing the City of Santa Cruz to join the CaliforniaFIRST Program.

Resolution authorizing Sacramento County to serve as the Lead Collaborative Entity to apply for California Energy Commission SEP grant funds.

General Business

16. Council Meeting Calendar.

That the City Council review the meeting calendar attached to the agenda and revise as necessary.

17. City Attorney Oral Report on Closed Session. (See Page 2)

18. Council Memberships in City Groups and Outside Agencies.

The Presiding Officer will provide Councilmembers with the opportunity to update Council and the public regarding City Groups and Outside Agencies.

Adjournment — The Redevelopment Agency will adjourn from the regularly scheduled meeting of January 12, 2010 to the next regularly scheduled meeting on January 26, 2010, for a closed litigation session at 1:30 p.m., in the Courtyard Conference Room, followed by open sessions at the approximate hours of 3:00 p.m. and 7:00 p.m. in Council Chambers.

Adjournment — The City Council will adjourn from the regularly scheduled meeting of January 12, 2010 to a Special Meeting on January 19, 2009 in the City Council Chambers for Advisory Body Interviews. The next regularly scheduled meeting will be on January 26, 2010, for a closed litigation session at 1:30 p.m., in the Courtyard Conference Room, followed by open sessions at the approximate hour of 3:00 p.m. and 7:00 p.m. in Council Chambers.

Note: The Council Chambers will be closed ten minutes after the meeting is adjourned.

Advisory Body Appointments

The following at-large positions are will be open for reappointment and or appointment in January 2010. Council will make appointments at the meeting of January 26, 2010.

Arts Commission	One (1) reappointment
Commission for the Prevention of Violence Against Women	One (1) vacancy; Councilmember Robinson’s nomination
Downtown Commission	One (1) vacancy
Historic Preservation Commission	Two (2) vacancies
Parks and Recreation Commission	Two (2) reappointments
Planning Commission	Two (2) reappointments
Public Works Commission	One (1) vacancy
San Lorenzo River Committee	Two (2) vacancies
S.C. City Transportation Commission	Two (2) vacancies
Sister Cities Committee	One (1) reappointment and three (3) vacancies
Water Commission	Two (2) vacancies

Public Hearing: If, in the future, you wish to challenge in court any of the matters on this agenda for which a public hearing is to be conducted, you may be limited to raising only those issues which you (or someone else) raised orally at the public hearing or in written correspondence received by the City at or before the hearing.

Any person seeking to challenge a City Council decision made as a result of a proceeding in which, by law, a hearing is required to be given, evidence is required to be taken, and the discretion in the determination of facts is vested in the City Council, shall be required to commence that action either 60 days or 90 days following the date on which the decision becomes final as provided in Code of Civil Procedure Section 1094.6 Please refer to code of Civil Procedure 1094.6 to determine how to calculate when a decision becomes “final.” The 60-day rule applies to all public hearings conducted pursuant to the City’s Zoning Ordinance, Title 24, Santa Cruz Municipal Code. The 90-day rule applies to all other public hearings.

City Council Agenda Legislative History Addendum

No information was submitted.

City staff is responsible for providing the City Clerk with such documentation and information for the Legislative History Addendum. The information will be on file in the City Clerk’s Department.

The Addendum is a listing of information specific to City Council business, but which does not appear on a Council meeting agenda. Such entities would include, but not be limited to:

- Court decisions
- Coastal Commission Appeals of City Council actions
- Closed Session Agreements/Settlements, which are public record
- Association of Monterey Bay Area Governments
- Local Agency Formation Commission

ADDENDUM TO CITY COUNCIL AGENDA – JANUARY 12, 2010
INFORMATION ITEMS PREVIOUSLY DISTRIBUTED TO CITY COUNCILMEMBERS
 (Copies available in the Central Branch Library at the Reference Desk)

City Clerk	<p>Resignation of Kristen Joy Collins from the Sister Cities Committee - 12/1/09 (CCFYI 107)</p> <p>Resignation of Bob Campbell from the Commission for the Prevention of Violence Against Women - 12/7/09 (CCFYI 108)</p> <p>Resignation of Brad Brereton from the San Lorenzo River Committee - 12/8/09 (CCFYI 109)</p> <p>2009 Advisory Body Attendance Reports - 12/17/09 (CCFYI 110)</p>
City Manager	<p>Monthly Camping Incident and Homeless Shelter Attendance Reports - 12/16/09 (CMFYI 133)</p>
Economic Development Department	<p>Agency Annual Financial and Audit Report for FY 2009 - 12/21/09 (EDFYI 032)</p>
Finance Department	<p>Portfolio Management Report – Unpooled Cash and Investments as of September 30, 2009 - 12/7/09 (FNFYI 126)</p> <p>September 2009 Portfolio Management Report – Pooled Cash and Investments - 12/8/09 (FNFYI 127)</p> <p>October 2009 Portfolio Management Report – Pooled Cash and Investments - 12/8/09 (FNFYI 128)</p>

ADDENDUM TO CITY COUNCIL AGENDA – JANUARY 12, 2010
INFORMATION ITEMS PREVIOUSLY DISTRIBUTED TO CITY COUNCILMEMBERS
(Copies available in the Central Branch Library at the Reference Desk)
(continued)

Finance Department (continued)	November 2009 Portfolio Management Report – Pooled Cash and Investments - 12/9/09 (FNFYI 129)
Library	Report on Getting Library Cards to all Santa Cruz Children - 12/2/09 (LBFYI 001)
Water Department	San Lorenzo River Water Quality and Habitat Protection Riparian Conservation Easement - 12/1/09 (WTFYI 035)

ADDENDUM TO CITY COUNCIL AGENDA – JANUARY 12, 2010
MAYOR'S PROCLAMATIONS

1. Proclaiming Monday, December 14, 2009 as “Gary Strachan Day” and encouraging all citizens to join in expressing heartfelt appreciation for his dedicated championing of the natural world and wishing him well in his retirement.
2. Proclaiming December 13, 2009 as “Santa Cruz Public Instrumental Music Educators Day” and encouraging all citizens to join in recognizing jazz musicians of all ages, jazz venues, audiences, and the dedicated volunteers and contributors to jazz organizations and the vital role that they play to enrich the cultural life of our community.
3. Proclaiming December 31, 2009 as “Martin ‘Willie’ Brandt Day” and encouraging all his coworkers and citizens to join in expressing heartfelt appreciation for his eighteen years of dedicated and exemplary service to the Santa Cruz Police Department and the City of Santa Cruz and wishing him well in his retirement.
4. Proclaiming December 12, 2009 as “Brad Goodwin Day” and encouraging all his coworkers and citizens to join in expressing heartfelt appreciation for his eighteen years of dedicated and exemplary service to the Santa Cruz Police Department and the City of Santa Cruz and wishing him well in his retirement.
5. Proclaiming December 17, 2009 as “Fred Martinez Day” and encouraging all citizens and his coworkers to join in wishing him well in his retirement and expressing heartfelt appreciation for his numerous contributions and years of service to the City and citizens of Santa Cruz.
6. Proclaiming the month of January 2010 as “National Blood Donor Month” and urging all citizens in good health to donate regularly; urging all civic and service organizations and businesses, if they have not already done so, to form blood donor groups to provide blood for others; and urging all citizens to pay tribute to those among us who donate for others in need.



REDEVELOPMENT AGENCY AGENDA REPORT

DATE: 12/15/2009

AGENDA OF: 1/12/2010

DEPARTMENT: Economic Development

SUBJECT: Referral to Closed Session - 49-A Municipal Wharf, APN 005-651-012.
(ED)

RECOMMENDATION: Motion to approve a referral to closed session 1) the potential sale of the business known as Carniglia's located at 49-A Municipal Wharf and 2) the potential assignment of the existing lease for a limited term and/or the execution of a new lease for the purpose of instructing the Director of Economic Development concerning the assignment and terms of a new lease, or both.

BACKGROUND: The subject property and building thereon are owned by the City of Santa Cruz and leased to Steven Carniglia who operates the restaurant known as Carniglia's. Mr. Carniglia recently notified staff that the restaurant business is for sale and that Mr. Martin Drobac, owner and operator of Riva's Fish House located at 31 Municipal Wharf, is an interested buyer.

DISCUSSION: Staff recommends that the Redevelopment Agency refer this matter to closed session to discuss the potential assignment of the existing lease for a limited term and/or the execution of a new lease with a new buyer .

FISCAL IMPACT: None at this time.

Prepared by:
Norman Daly
Wharf Property Manager

Submitted by:
Bonnie Lipscomb
Agency Executive Director

Approved by:
Richard C. Wilson
City Manager

ATTACHMENTS: None

MINUTES ARE UNOFFICIAL UNTIL APPROVED BY COUNCIL

CITY OF SANTA CRUZ
809 Center Street
Santa Cruz, California 95060

**MINUTES OF A REGULAR JOINT CITY COUNCIL/
REDEVELOPMENT AGENCY MEETING**

December 8, 2009

1:30 P.M. SESSION

Mayor Rotkin opened the Closed Litigation Session at 1:36 p.m. in a public session in the Courtyard Conference Room, for the purpose of announcing the agenda and considering public testimony.

SPEAKING FROM THE FLOOR EXPRESSING CONCERNS ABOUT HER LIABILITY CLAIM:

Marina Maze

Referral to Closed Session

1.1 212 Church Street, APN 005-048-12

Action

Councilmember Robinson moved, seconded by Mayor Rotkin, to refer to closed session the potential purchase of property located at 212 Church Street owned by local real estate partnership entity represented by Mr. Joe Appenrodt for the purpose of instructing the negotiator concerning the price, terms of payment, or both. The motion carried unanimously.

Council discussed this item in both the Closed Litigation Session and the 3:00 p.m. Open Session and agreed by consensus to continue it to the January 12, 2010 meeting.

Council closed the session to the public at 1:45 p.m. All Councilmembers were present. (See pages 1055 through 1056 for a report on closed session.)

JOINT CITY COUNCIL/
REDEVELOPMENT AGENCY MEETING
DECEMBER 8, 2009
3:00 P.M. SESSION

3:00 P.M. SESSION

Mayor/Chair Rotkin called the meeting to order at 3:10 p.m. in the Council Chambers.

Roll Call

Present: Councilmembers/Members Lane, Mathews, Beiers, Madrigal, Robinson; Vice Mayor/Vice Chair Coonerty; Mayor/Chair Rotkin.

Absent:

Staff: City Manager R. Wilson, Assistant City Manager M. Bernal, City Attorney J. Barisone, Director of Economic Development and Redevelopment B. Lipscomb, Director of Finance J. Dilles, Chief of Fire R. Oliver, Director of Human Resources L. Sullivan, Director of Information Technology S. Caiocca, Director of Planning and Community Development J. Rebagliati, Director of Public Works M. Dettle, Project Manager C. Atchison, Environmental Projects Analyst S. Healy, Assistant Director of Public Works/City Engineer C. Schneider, Account Clerk II S. Brooks, City Clerk L. Brewer, Deputy City Clerk T. Graves.

Pledge of Allegiance

Spotlight on City Services - Green Business Awards – Project Manager C. Atchison and Environmental Projects Analyst S. Healy – Presented by Mayor Rotkin to California Certified Organic Farmers (CCOF); Pure Pleasure, Janice and Amy Baldwin; Santa Cruz Kitchen and Bath, Heather Goode; AA Safe and Security Co., Scott Edelstein; IKORB, David Wear and Stephanie Tucker; Sharon Parker, LMFT; Beverly Deschaux, LMFT; River Café and Cheese Shop; Geo. H. Wilson; Water Star Motors, Henry and Lisa Carter.

Presentation - Jim Howes Community Service Award – Councilmember Mathews and retired Community Service Officer Jim Howes presented the Second Annual award to Community Members Reyna Ruiz and David Terrazas, and to City Employee Julie Hendee.

Presiding Officer's Announcements

Statements of Disqualification – Councilmember Robinson disqualified herself from consideration of Item 22.

Additions and Deletions – None.

1050
JOINT CITY COUNCIL/
REDEVELOPMENT AGENCY MEETING
DECEMBER 8, 2009
3:00 P.M. SESSION

Joint City Council/Redevelopment Agency Oral Communications

Mike Tomasi spoke of freedom of speech and medicinal marijuana.

Brad Snyder spoke of the need for bike lanes on Mission Street.

Consent Agenda

The following items were removed for consideration immediately after action taken on the Consent Agenda: Items 4 and 7.

Action

Councilmember/Member Robinson moved, seconded by Councilmember/Member Mathews, to approve the remaining items on the Consent Agenda. The motion carried unanimously.

1. Minutes of the November 10, 2009 and November 24, 2009 Regular City Council Meetings. (CC)

Motion carried to approve as submitted.

2. Minutes of the November 10, 2009 and November 24, 2009 Redevelopment Agency Meetings. (CC)

Motion carried to approve as submitted.

3. City Council Regular Meeting Schedule. (CC)

Resolution No. NS-28,149 was adopted setting the regular meeting schedule for the calendar year 2010, and canceling the regular City Council meetings on August 10th and 24th, and December 28th.

JOINT CITY COUNCIL/
REDEVELOPMENT AGENCY MEETING
DECEMBER 8, 2009
3:00 P.M. SESSION

Consent Agenda (continued)

4. 913 Cedar Street (APN 005-048-06) - Disposition of City Owned Property.
(ED)

Director of Economic Development and Redevelopment B. Lipscomb presented an oral report and responded to Council's questions.

SPEAKING FROM THE FLOOR WITH QUESTIONS AND/OR CONCERNS:

Chuck Huddleston

Action

Councilmember Lane moved, seconded by Vice Mayor Coonerty, to adopt Resolution No. NS-28,150 declaring the property at 913 Cedar Street, Assessor Parcel Number 005-048-06, not needed for public purposes, and authorizing and directing the City Manager to enter into a Contract of Sale, in a form approved by the City Attorney, with John R. Davis; with further direction that the consideration of whether or not the proceeds of the sale go into the trust fund should come back to the Council once the funds are received. The motion passed by the following vote:

AYES: Councilmembers Lane, Mathews, Madrigal,
Robinson; Vice Mayor Coonerty; Mayor Rotkin.
NOES: Councilmember Beiers.
ABSENT: None.
DISQUALIFIED: None.

5. Annual Report of the Redevelopment Agency Fiscal Year 2009. (ED)

City Council motion carried to accept the Redevelopment Agency's Annual Report for the Fiscal Year 2009.

Redevelopment Agency motion carried to adopt the Redevelopment Agency's Annual Report for the Fiscal Year 2009.

6. 2009 Traffic Impact Fee Annual Report. (FN)

Motion carried to accept and approve the 2009 Traffic Impact Fee Annual Report.

Consent Agenda (continued)

7. Office Supplies Agreement. (FN)

Director of Finance J. Dilles and Account Clerk II S. Brooks presented oral reports and responded to Council's questions.

Action

Councilmember Mathews moved, seconded by Vice Mayor Coonerty, to direct the City Manager to execute an agreement in the amount of \$205,000 between the City of Santa Cruz and Palace Art and Office Supply of Santa Cruz, California. The motion carried unanimously.

8. Liability Claims Filed Against City of Santa Cruz. (HR)

Motion carried to reject liability claim a) Marina Alise Maze, based upon staff investigation.

9. Establishing a Safety Enhancement Zone Downtown on New Year's Eve. (PD)

Resolution No. NS-28,151 was adopted authorizing a temporary safety enhancement zone for New Year's Eve Downtown from 8:00 p.m., December 31, 2009 to 3:00 a.m., January 1, 2010, designating the geographic boundary of the temporary safety enhancement zone and increasing fines and penalties for certain Municipal Code violations within the zone.

10. Statewide Park Development and Community Revitalization Act of 2008 (Proposition 84) Grant Application. (PK)

Resolution No. NS-28,152 was adopted authorizing and directing the City Manager to execute all documents necessary to apply for the Statewide Park Development and Community Revitalization Act of 2008 (Prop 84 Statewide Park Program).

11. Historic Preservation Commission Bylaws Update. (PL)

Motion carried to adopt revised Bylaws of the Historic Preservation Commission.

JOINT CITY COUNCIL/
REDEVELOPMENT AGENCY MEETING
DECEMBER 8, 2009
3:00 P.M. SESSION

Consent Agenda (continued)

12. American Recovery and Revitalization Act (ARRA) - Arterial and Collector Street Reconstruction and Overlay - c400809 - Authorization to Advertise and Award. (PW)

Motion carried to approve the plans and specifications for the American Recovery and Revitalization Act (ARRA) Arterial and Collector Street Reconstruction and Overlay Projects (c400809) and authorize staff to advertise for bids. The City Manager is hereby authorized and directed to execute the contract as authorized by Resolution No. NS-27,563.

13. FY 2010/11 Bicycle Transportation Account (BTA) Grant Application – Heller Drive Bike Lanes, Revised Phase II (UCSC). (PW)

Resolution No. NS-28,153 was adopted authorizing the City Manager to submit a grant application to the Bicycle Transportation Account (BTA) Program FY 2010/11 for the Heller Drive Bike Lanes, Revised Phase II Project on behalf of the University of California, Santa Cruz.

14. Project Homeless Connect Event for the U.S. Census - City Co-Sponsorship. (CN)

Motion carried authorizing the City of Santa Cruz to co-sponsor and host the March 30, 2010 Project Homeless Connect event (related to the U.S. Census) at the Civic Auditorium.

End Consent Agenda

Public Hearing

15. Ordinance No. 2009-25 Amending Chapter 1.18 of the Santa Cruz Municipal Code Pertaining to Mayor/Councilmember Compensation as Authorized by the Santa Cruz City Charter, Section 603. (CM)

Mayor/Chair Rotkin opened the public hearing at 3:55 p.m.

No members of the public wished to speak.

Mayor/Chair Rotkin closed the public hearing at 3:56 p.m.

Action

Councilmember/Member Mathews moved, seconded by Councilmember/Member Lane, to pass Ordinance No. 2009-25 for final adoption. The motion carried unanimously.

General Business

16. Redevelopment Agency 2010-2014 Five-Year Implementation Plan. (ED)

Director of Economic Development and Redevelopment B. Lipscomb presented an oral report and responded to Council's questions.

SPEAKING FROM THE FLOOR EXPRESSING COMMENTS AND/OR CONCERNS:

Rick Longinotti
Chuck Huddleston
Theresa Corragio
Rainbow Epstein
Micah Posner
Batia Kagan
An Unidentified Man
Jack Nelson
An Unidentified Woman
Norman Schwartz
Reed Searle
Anthony Smoke

Action

Councilmember/Member Mathews moved, seconded by Vice Mayor/Vice Chair Coonerty, to adopt Redevelopment Agency Resolution No. 1474 adopting the Agency's Five-Year Implementation Plan (2010-2014), with the following additional recommendations to be incorporated into the implementation plan:

- 1) When feasible, the Agency shall require the alignment of Agency funded projects with the City's Climate Action Plan. This includes encouraging Agency funded projects to utilize energy efficient designs and solar panels, and to strive towards obtaining LEED certification.
- 2) To encourage auto trip reduction and enhance the use of alternative transportation, Agency funded projects shall include the development or enhancement of pedestrian/bike facilities. When feasible, the Agency shall also assist City projects that include completion of the portions of city-wide bike/pedestrian routes or support city-wide pedestrian, bicycles and transit systems that pass through the redevelopment project areas.

The motion carried unanimously.

JOINT CITY COUNCIL/
REDEVELOPMENT AGENCY MEETING
DECEMBER 8, 2009
3:00 P.M. SESSION

General Business (continued)

17. Community Access Preservation Act (HR 3745) - Resolution of Support.
(CN)

SPEAKING FROM THE FLOOR IN SUPPORT AND/OR EXPRESSING CONCERNS:

Kathy Bisbee

Action

Councilmember Beiers moved, seconded by Councilmember Madrigal, to adopt Resolution No. NS-28,154 supporting HR 3745, the Community Access Preservation Act, and urging its adoption by the U.S. House of Representatives and U.S. Senate. The motion carried unanimously.

Note: Written material for item 18 was provided prior to the meeting.

18. Mid-Year Budget Report. (CM)

Note: Item 18 was considered in the 7:00 p.m. session.

City Manager R. Wilson presented a report and responded to Council's questions.

19. Council Meeting Calendar.

The City Council reviewed the meeting calendar attached to the agenda and revised as necessary.

20. City Attorney Oral Report on Closed Session.

- A. Real Property (Government Code §54956.8).

Gilbert's Wharf Lease and Lease Assignment Negotiations
(Gilbert's Restaurant-25A Municipal Wharf)
APN: 005-391-12
Bonnie Lipscomb--Negotiator

Council received a status report. No reportable action was taken.

General Business (continued)

20. City Attorney Oral Report on Closed Session. (continued)

B. Labor Negotiations (Government Code §54956.6).

Lisa Sullivan—Negotiator
Employee Organizations—

1. Firefighters
2. Fire Management

Council received a status report. No reportable action was taken.

C. Conference with Legal Counsel– Anticipated Litigation (Government Code §54956.9).

Significant exposure of City to Litigation (Government Code §54956.9(b))

Council received a status report. No reportable action was taken.

D. Conference With Legal Counsel—Existing Litigation (Government Code §54956.9).

1. Greiner v. City of Santa Cruz, United States District Court Case No. C07-02523-RS.

Council received a status report. No reportable action was taken.

E. Conference with Legal Counsel – Liability Claims (Government Code §54956.95)

1. Claimant: Marina Alise Maze
Claims Against: City of Santa Cruz

This claim was not discussed.

JOINT CITY COUNCIL/
REDEVELOPMENT AGENCY MEETING
DECEMBER 8, 2009
3:00 P.M. SESSION

General Business (continued)

21. Council Memberships in City Groups and Outside Agencies.

The Presiding Officer provided Councilmembers with the opportunity to update Council and the public regarding City Groups and Outside Agencies.

Consultant Joe Hall introduced new Community Television Executive Director Mary Ann Thyken.

At 6:01 p.m. the City Council and Redevelopment Agency recessed to the 7:00 P.M. Session.

CITY OF SANTA CRUZ
809 Center Street
Santa Cruz, California 95060

**MINUTES OF A REGULAR JOINT CITY COUNCIL/
REDEVELOPMENT AGENCY MEETING**

DECEMBER 8, 2009

7:00 P.M. SESSION

Mayor/Chair Rotkin called the meeting to order at 7:05 p.m. in Council Chambers.

Roll Call

Present: Councilmembers/Members Lane, Mathews, Beiers, Madrigal; Vice Mayor/Vice Chair Coonerty (arrived at 7:07 p.m.); Mayor/Chair Rotkin.

Absent: None.

Staff: City Manager R. Wilson, City Attorney J. Barisone, Director of Finance J. Dilles, Director of Planning and Community Development J. Rebagliati, Principal Planner E. Marlatt, Associate Planner J. Lum, City Clerk L. Brewer, Deputy City Clerk T. Graves.

Joint City Council and Redevelopment Agency Oral Communications

Ed Davidson spoke about the lack of affordable housing, and said that improved pedestrian/bike access will not improve traffic congestion.

Stuart Kriege spoke about medical marijuana and the need for a third marijuana dispensary.

Adjournment — At 7:32 p.m., the Redevelopment Agency adjourned from the regularly scheduled meeting of December 8, 2009 to the next regularly scheduled meeting on January 12, 2010, for a closed litigation session at 1:30 p.m., in the Courtyard Conference Room, followed by open sessions at the approximate hours of 3:00 p.m. and 7:00 p.m. in Council Chambers.

JOINT CITY COUNCIL/
REDEVELOPMENT AGENCY MEETING
DECEMBER 8, 2009
7:00 P.M. SESSION

Public Hearing

22. 101 Manor Place 09-065 (APN 004-283-32) Appeal of the Planning Commission's Denial of Special Use Permit, Design Permit, Variance, Conditional Driveway Permit, and Conditional Fence Permit to Construct a Second Dwelling as an Addition to an Existing Residence to Create a Duplex on a Corner Lot. (PL)

Councilmember Robinson disqualified herself from acting on this item, and left the dais.

Mayor Rotkin opened the public hearing at 7:34 p.m.

Principal Planner E. Marlatt and Associate Planner J. Lum presented oral reports and responded to Council's questions.

APELLANT'S/APPLICANT'S PRESENTATION: John McKelvey,
Architect

SPEAKING FROM THE FLOOR IN OPPOSITION AND/OR EXPRESSING CONCERNS:

Mary Hamilton
Dr. Richard Comstock
Anthony Lombardi
Patricia Lombardi
An Unidentified Man
Lorrie Powell
Ed Davidson
Alexandra Lombardi
Clark Baroni
Rich Stachowski

APELLANT'S/APPLICANT'S REBUTTAL:

Appellant Pat Wood presented oral comments and responded to Council's questions.

Mayor Rotkin closed the public hearing at 8:24 p.m.

Action

Vice Mayor Coonerty moved, seconded by Councilmember Beiers, to adopt Resolution No. NS-28,155 denying the appeal, thereby upholding the Planning Commission's decision to deny Special Use Permit, Design Permit, Variance, Conditional Driveway Permit, and Conditional Fence Permit. The motion carried unanimously (Councilmember Robinson disqualified).

1060
JOINT CITY COUNCIL/
REDEVELOPMENT AGENCY MEETING
DECEMBER 8, 2009
7:00 P.M. SESSION

Adjournment — At 8:33 p.m., the City Council adjourned from the regularly scheduled meeting of December 8, 2009 to the next regularly scheduled meeting on January 12, 2010, for a closed litigation session at 1:30 p.m., in the Courtyard Conference Room, followed by open sessions at the approximate hours of 3:00 p.m. and 7:00 p.m. in Council Chambers.

Respectfully submitted

Tom Graves
Deputy City Clerk

Approved

Lorrie Brewer
City Clerk

Approved

Michael Rotkin
Mayor

MINUTES ARE UNOFFICIAL UNTIL APPROVED BY COUNCIL

CITY OF SANTA CRUZ
809 Center Street
Santa Cruz, California 95060

MINUTES OF A REGULAR REDEVELOPMENT AGENCY MEETING

December 8, 2009

3:00 P.M. SESSION

Mayor/Chair Rotkin called the meeting to order at 3:10 p.m. in the Council Chambers.

Roll Call

Present: Councilmembers/Members Lane, Mathews, Beiers, Madrigal, Robinson; Vice Mayor/Vice Chair Coonerty; Mayor/Chair Rotkin.

Absent:

Staff: City Manager R. Wilson, Assistant City Manager M. Bernal, City Attorney J. Barisone, Director of Economic Development and Redevelopment B. Lipscomb, Director of Finance J. Dilles, Chief of Fire R. Oliver, Director of Human Resources L. Sullivan, Director of Information Technology S. Caiocca, Director of Planning and Community Development J. Rebagliati, Director of Public Works M. Dettle, Project Manager C. Atchison, Environmental Projects Analyst S. Healy, Assistant Director of Public Works/City Engineer C. Schneider, Account Clerk II S. Brooks, City Clerk L. Brewer, Deputy City Clerk T. Graves.

Pledge of Allegiance

Spotlight on City Services - Green Business Awards – Project Manager C. Atchison and Environmental Projects Analyst S. Healy – Presented by Mayor Rotkin to California Certified Organic Farmers (CCOF); Pure Pleasure, Janice and Amy Baldwin; Santa Cruz Kitchen and Bath, Heather Goode; AA Safe and Security Co., Scott Edelstein; IKORB, David Wear and Stephanie Tucker; Sharon Parker, LMFT; Beverly Deschaux, LMFT; River Café and Cheese Shop; Geo. H. Wilson; Water Star Motors, Henry and Lisa Carter.

Presentation - Jim Howes Community Service Award – Councilmember Mathews and retired Community Service Officer Jim Howes presented the Second Annual award to Community Members Reyna Ruiz and David Terrazas, and to City Employee Julie Hendee.

REDEVELOPMENT AGENCY MEETING
 DECEMBER 8, 2009
 3:00 P.M. SESSION

Presiding Officer's Announcements

Statements of Disqualification – Councilmember Robinson disqualified herself from consideration of Item 22.

Additions and Deletions – None.

Joint City Council/Redevelopment Agency Oral Communications

Mike Tomasi spoke of freedom of speech and medicinal marijuana.

Brad Snyder spoke of the need for bike lanes on Mission Street.

Consent Agenda

The following items were removed for consideration immediately after action taken on the Consent Agenda: Items 4 and 7.

Action

Councilmember/Member Robinson moved, seconded by Councilmember/Member Mathews, to approve the remaining items on the Consent Agenda. The motion carried unanimously.

1. Minutes of the November 10, 2009 and November 24, 2009 Regular City Council Meetings. (CC)

Motion carried to approve as submitted.

2. Minutes of the November 10, 2009 and November 24, 2009 Redevelopment Agency Meetings. (CC)

Motion carried to approve as submitted.

3. City Council Regular Meeting Schedule. (CC)

Resolution No. NS-28,149 was adopted setting the regular meeting schedule for the calendar year 2010, and canceling the regular City Council meetings on August 10th and 24th, and December 28th.

REDEVELOPMENT AGENCY MEETING
DECEMBER 8, 2009
3:00 P.M. SESSION

Consent Agenda (continued)

4. 913 Cedar Street (APN 005-048-06) - Disposition of City Owned Property.
(ED)

Director of Economic Development and Redevelopment B. Lipscomb presented an oral report and responded to Council's questions.

SPEAKING FROM THE FLOOR WITH QUESTIONS AND/OR CONCERNS:

Chuck Huddleston

Action

Councilmember Lane moved, seconded by Vice Mayor Coonerty, to adopt Resolution No. NS-28,150 declaring the property at 913 Cedar Street, Assessor Parcel Number 005-048-06, not needed for public purposes, and authorizing and directing the City Manager to enter into a Contract of Sale, in a form approved by the City Attorney, with John R. Davis; with further direction that the consideration of whether or not the proceeds of the sale go into the trust fund should come back to the Council once the funds are received. The motion passed by the following vote:

AYES: Councilmembers Lane, Mathews, Madrigal,
Robinson; Vice Mayor Coonerty; Mayor Rotkin.
NOES: Councilmember Beiers.
ABSENT: None.
DISQUALIFIED: None.

5. Annual Report of the Redevelopment Agency Fiscal Year 2009. (ED)

City Council motion carried to accept the Redevelopment Agency's Annual Report for the Fiscal Year 2009.

Redevelopment Agency motion carried to adopt the Redevelopment Agency's Annual Report for the Fiscal Year 2009.

6. 2009 Traffic Impact Fee Annual Report. (FN)

Motion carried to accept and approve the 2009 Traffic Impact Fee Annual Report.

REDEVELOPMENT AGENCY MEETING
 DECEMBER 8, 2009
 3:00 P.M. SESSION

Consent Agenda (continued)

7. Office Supplies Agreement. (FN)

Director of Finance J. Dilles and Account Clerk II S. Brooks presented oral reports and responded to Council's questions.

Action

Councilmember Mathews moved, seconded by Vice Mayor Coonerty, to direct the City Manager to execute an agreement in the amount of \$205,000 between the City of Santa Cruz and Palace Art and Office Supply of Santa Cruz, California. The motion carried unanimously.

8. Liability Claims Filed Against City of Santa Cruz. (HR)

Motion carried to reject liability claim a) Marina Alise Maze, based upon staff investigation.

9. Establishing a Safety Enhancement Zone Downtown on New Year's Eve. (PD)

Resolution No. NS-28,151 was adopted authorizing a temporary safety enhancement zone for New Year's Eve Downtown from 8:00 p.m., December 31, 2009 to 3:00 a.m., January 1, 2010, designating the geographic boundary of the temporary safety enhancement zone and increasing fines and penalties for certain Municipal Code violations within the zone.

10. Statewide Park Development and Community Revitalization Act of 2008 (Proposition 84) Grant Application. (PK)

Resolution No. NS-28,152 was adopted authorizing and directing the City Manager to execute all documents necessary to apply for the Statewide Park Development and Community Revitalization Act of 2008 (Prop 84 Statewide Park Program).

11. Historic Preservation Commission Bylaws Update. (PL)

Motion carried to adopt revised Bylaws of the Historic Preservation Commission.

REDEVELOPMENT AGENCY MEETING
DECEMBER 8, 2009
3:00 P.M. SESSION

Consent Agenda (continued)

12. American Recovery and Revitalization Act (ARRA) - Arterial and Collector Street Reconstruction and Overlay - c400809 - Authorization to Advertise and Award. (PW)

Motion carried to approve the plans and specifications for the American Recovery and Revitalization Act (ARRA) Arterial and Collector Street Reconstruction and Overlay Projects (c400809) and authorize staff to advertise for bids. The City Manager is hereby authorized and directed to execute the contract as authorized by Resolution No. NS-27,563.

13. FY 2010/11 Bicycle Transportation Account (BTA) Grant Application – Heller Drive Bike Lanes, Revised Phase II (UCSC). (PW)

Resolution No. NS-28,153 was adopted authorizing the City Manager to submit a grant application to the Bicycle Transportation Account (BTA) Program FY 2010/11 for the Heller Drive Bike Lanes, Revised Phase II Project on behalf of the University of California, Santa Cruz.

14. Project Homeless Connect Event for the U.S. Census - City Co-Sponsorship. (CN)

Motion carried authorizing the City of Santa Cruz to co-sponsor and host the March 30, 2010 Project Homeless Connect event (related to the U.S. Census) at the Civic Auditorium.

End Consent Agenda

Public Hearing

15. Ordinance No. 2009-25 Amending Chapter 1.18 of the Santa Cruz Municipal Code Pertaining to Mayor/Councilmember Compensation as Authorized by the Santa Cruz City Charter, Section 603. (CM)

Mayor/Chair Rotkin opened the public hearing at 3:55 p.m.

No members of the public wished to speak.

Mayor/Chair Rotkin closed the public hearing at 3:56 p.m.

Action

Councilmember/Member Mathews moved, seconded by Councilmember/Member Lane, to pass Ordinance No. 2009-25 for final adoption. The motion carried unanimously.

REDEVELOPMENT AGENCY MEETING
 DECEMBER 8, 2009
 3:00 P.M. SESSION

General Business

16. Redevelopment Agency 2010-2014 Five-Year Implementation Plan. (ED)

Director of Economic Development and Redevelopment B. Lipscomb presented an oral report and responded to Council's questions.

SPEAKING FROM THE FLOOR EXPRESSING COMMENTS AND/OR CONCERNS:

Rick Longinotti
 Chuck Huddleston
 Theresa Corragio
 Rainbow Epstein
 Micah Posner
 Batia Kagan
 An Unidentified Man
 Jack Nelson
 An Unidentified Woman
 Norman Schwartz
 Reed Searle
 Anthony Smoke

Action

Councilmember/Member Mathews moved, seconded by Vice Mayor/Vice Chair Coonerty, to adopt Redevelopment Agency Resolution No. 1474 adopting the Agency's Five-Year Implementation Plan (2010-2014), with the following additional recommendations to be incorporated into the implementation plan:

- 1) When feasible, the Agency shall require the alignment of Agency funded projects with the City's Climate Action Plan. This includes encouraging Agency funded projects to utilize energy efficient designs and solar panels, and to strive towards obtaining LEED certification.
- 2) To encourage auto trip reduction and enhance the use of alternative transportation, Agency funded projects shall include the development or enhancement of pedestrian/bike facilities. When feasible, the Agency shall also assist City projects that include completion of the portions of city-wide bike/pedestrian routes or support city-wide pedestrian, bicycles and transit systems that pass through the redevelopment project areas.

The motion carried unanimously.

REDEVELOPMENT AGENCY MEETING
DECEMBER 8, 2009
3:00 P.M. SESSION

General Business (continued)

17. Community Access Preservation Act (HR 3745) - Resolution of Support.
(CN)

SPEAKING FROM THE FLOOR IN SUPPORT AND/OR EXPRESSING
CONCERNS:

Kathy Bisbee

Action

Councilmember Beiers moved, seconded by Councilmember Madrigal, to adopt Resolution No. NS-28,154 supporting HR 3745, the Community Access Preservation Act, and urging its adoption by the U.S. House of Representatives and U.S. Senate. The motion carried unanimously.

Note: Written material for item 18 was provided prior to the meeting.

18. Mid-Year Budget Report. (CM)

Note: Item 18 was considered in the 7:00 p.m. session.

City Manager R. Wilson presented a report and responded to Council's questions.

19. Council Meeting Calendar.

The City Council reviewed the meeting calendar attached to the agenda and revised as necessary.

20. City Attorney Oral Report on Closed Session.

- A. Real Property (Government Code §54956.8).

Gilbert's Wharf Lease and Lease Assignment Negotiations
(Gilbert's Restaurant-25A Municipal Wharf)
APN: 005-391-12
Bonnie Lipscomb--Negotiator

Council received a status report. No reportable action was taken.

REDEVELOPMENT AGENCY MEETING
 DECEMBER 8, 2009
 3:00 P.M. SESSION

General Business (continued)

20. City Attorney Oral Report on Closed Session. (continued)

B. Labor Negotiations (Government Code §54956.6).

Lisa Sullivan—Negotiator
 Employee Organizations—

1. Firefighters
2. Fire Management

Council received a status report. No reportable action was taken.

C. Conference with Legal Counsel– Anticipated Litigation (Government Code §54956.9).

Significant exposure of City to Litigation (Government Code §54956.9(b))

Council received a status report. No reportable action was taken.

D. Conference With Legal Counsel—Existing Litigation (Government Code §54956.9).

1. Greiner v. City of Santa Cruz, United States District Court Case No. C07-02523-RS.

Council received a status report. No reportable action was taken.

E. Conference with Legal Counsel – Liability Claims (Government Code §54956.95)

1. Claimant: Marina Alise Maze
 Claims Against: City of Santa Cruz

This claim was not discussed.

REDEVELOPMENT AGENCY MEETING
DECEMBER 8, 2009
3:00 P.M. SESSION

General Business (continued)

21. Council Memberships in City Groups and Outside Agencies.

The Presiding Officer provided Councilmembers with the opportunity to update Council and the public regarding City Groups and Outside Agencies.

Consultant Joe Hall introduced new Community Television Executive Director Mary Ann Thyken.

At 6:01 p.m. the City Council and Redevelopment Agency recessed to the 7:00 P.M. Session.

CITY OF SANTA CRUZ
809 Center Street
Santa Cruz, California 95060

MINUTES OF A REGULAR REDEVELOPMENT AGENCY MEETING

DECEMBER 8, 2009

7:00 P.M. SESSION

Mayor/Chair Rotkin called the meeting to order at 7:05 p.m. in Council Chambers.

Roll Call

Present: Councilmembers/Members Lane, Mathews, Beiers, Madrigal; Vice Mayor/Vice Chair Coonerty (arrived at 7:07 p.m.); Mayor/Chair Rotkin.

Absent: None.

Staff: City Manager R. Wilson, City Attorney J. Barisone, Director of Finance J. Dilles, Director of Planning and Community Development J. Rebagliati, Principal Planner E. Marlatt, Associate Planner J. Lum, City Clerk L. Brewer, Deputy City Clerk T. Graves.

Joint City Council and Redevelopment Agency Oral Communications

Ed Davidson spoke about the lack of affordable housing, and said that improved pedestrian/bike access will not improve traffic congestion.

Stuart Kriege spoke about medical marijuana and the need for a third marijuana dispensary.

Adjournment — At 7:32 p.m., the Redevelopment Agency adjourned from the regularly scheduled meeting of December 8, 2009 to the next regularly scheduled meeting on January 12, 2010, for a closed litigation session at 1:30 p.m., in the Courtyard Conference Room, followed by open sessions at the approximate hours of 3:00 p.m. and 7:00 p.m. in Council Chambers.

Approved

Cynthia Mathews
Chair

Attest

Bonnie Lipscomb
Executive Director



REDEVELOPMENT AGENCY AGENDA REPORT

DATE: 01/04/2010

AGENDA OF: 1/12/2010

DEPARTMENT: Economic Development

SUBJECT: Educational Revenue Augmentation Fund (ERAF). (ED)

RECOMMENDATION: Redevelopment Agency motion directing the Executive Director to pay \$3,746,760 from Agency funds on or before May 10, 2010 to the County Auditor for deposit into the State Supplemental Educational Revenue Augmentation Fund.

Redevelopment Agency resolution appropriating funds and amending the Fiscal Year (FY) 2010 budget in the amount of \$3,746,760 from the Merged and Eastside Project Area Debt Service Funds.

BACKGROUND: In July 2009, the State of California (State) passed a state budget trailer bill ABX4-26 as part of the 2009/10 state budget package which was signed by Governor Schwarzenegger on July 28, 2009. The new legislation shifts a total of \$2.05 billion statewide from redevelopment agencies to the Supplemental Educational Revenue Augmentation Fund (ERAF) for schools and requires that the City of Santa Cruz Redevelopment Agency (Agency) make payments of \$3,746,760 in FY 2010 and \$770,661 in FY 2011.

The California Redevelopment Association (CRA) has filed a suit against the State in Sacramento Superior Court challenging the constitutionality of taking of redevelopment funds for non redevelopment purposes. Unless the suit is settled in favor of CRA, the Agency will be required to make the fiscal year 2010 payment by May 10, 2010.

This is the second lawsuit filed by CRA. In April 2009, the Sacramento Superior Court ruled in favor of CRA and invalidated 2008 budget language that would have shifted \$350 million in redevelopment funds to the State. On September 28, 2009, the State dropped its appeal in the first case, making the April decision final and binding. Since the FY 2010 ERAF language in the state budget is different from the previous language that was held unconstitutional, it is uncertain as to the legal outcome of this most recent challenge.

DISCUSSION: Pending a favorable Court decision on the case filed by CRA, the Agency must appropriate funds to make the required ERAF payment. In addition, the legislative body of the Redevelopment Agency must report to the County Auditor by March 1, 2010 as to how the Agency intends to remit the amount required to the County Auditor for deposit into ERAF.

It is proposed by staff that the ERAF payment obligation be appropriated from the Merged Project Area and the Eastside Project Area debt service funds in proportion to the tax increment

revenues received by each project area. This percentage is approximately 93% for the Merged Project Area and 7% for the Eastside Project Area.

The current state mandated ERAF payment was anticipated by the Agency. During the last fiscal year the State mandated an earlier ERAF taking which was subsequently ruled unconstitutional. In preparation for last year's ERAF taking, the Agency budgeted and reserved \$770,661 for the FY 2009 ERAF payment which has been returned to fund balance and is available for the FY 10 ERAF payment. In addition, the Agency received a major grant for the Digital Media Center at the Tannery from the Economic Development Administration (EDA) through the American Recovery and Reinvestment Act (ARRA) stimulus funding. The Agency has received approval from EDA to designate the EDA ARRA grant as matching funds for a separate grant awarded to the Tannery from the California Cultural and Historical Endowment (CCHE). The Agency previously appropriated \$1,935,000 of Agency funds to provide the required CCHE grant match which is now available to contribute towards the FY 2010 ERAF payment.

In light of the current ERAF obligations, and with the potential for future state take-ways in mind, the Agency has evaluated a number of projects in terms of which have not yet been initiated and which are far enough in the future that a delay in funding will not have an immediate impact. In the Merged Project Area, the Motel Façade program budgeted in FY 2010 is proposed for elimination in this fiscal year.

In order to fund the ERAF payment from the Eastside Project Area, implementation of two new projects budgeted in FY 2010 will be delayed until next fiscal year when funds are available for these projects. Planning for both of these new projects, the Eastside Improvements project and the Eastside Street Tree project, will continue in the current fiscal year.

Given the precarious nature of California finances, the Agency is also considering the possibility that the ERAF payment, if found constitutional, will be extended to the years ahead. There are so many variables in the current economy and in governmental finances that staff will pursue a very conservative course in Agency finances over the next several years.

FISCAL IMPACT: In FY 2010, the Agency will make the deposit of \$3,746,760 to the County for the ERAF payment. \$3,484,490 of that amount will be paid from the Merged Project Debt Service Fund, and \$262,270 from the Eastside Debt Service Fund. In the Merged Project Area, the Motel Façade Program will be cut by \$400,000 and the remainder will be from fund balance. In the Eastside Project Area, new projects will be reduced by \$149,000 and the remainder will come from fund balance.

Agency staff will incorporate the FY 2011 ERAF payment of \$770,661 into next year's budget as it is developed in the upcoming months.

Prepared by:
Joe H. Hall
Project Manager

Submitted by:
Bonnie Lipscomb
Agency Executive Director

Approved by:
Richard C. Wilson
City Manager

ATTACHMENTS: Budget Adjustment



REDEVELOPMENT AGENCY AGENDA REPORT

DATE: 01/04/2010

AGENDA OF: 1/12/2010

DEPARTMENT: Economic Development

SUBJECT: Tannery Arts Center – National Endowment of the Humanities Grant
Application. (ED)

RECOMMENDATION: Redevelopment Agency resolution authorizing the Executive Director, or her designee, to apply for a grant in an amount not to exceed \$51,901 from the National Endowment of the Humanities to fund Historic Interpretative Exhibits which are being created as part of the rehabilitation of the Tannery's historic buildings and to execute any and all documents, in a form approved by the City Attorney, necessary to accept the grant.

BACKGROUND: One of the exciting components of the rehabilitation of the Tannery's historic buildings will be the creation of a series of historic exhibits which tell the 145 year history of tanning at this site. The exhibits will include a long outdoor History Wall featuring photo murals, an illustrated timeline, life size cutouts and opportunities to touch hides and finished leather. It is designed to draw people in and provide a dramatic overview of the two centuries of leather tanning. A series of History Boxes will be placed along paths and near buildings to invite people to look inside and experience history through their eyes, hands, ears and even nose. Interpretive signs near buildings and historic areas will be installed to remind people of the through-line history of the historic buildings and how industry continues on with a new generation of digital and creative craftspeople working on this site. Simple signs on each historic structure, with the historical name of the building and the date of construction, will remind people of the past work of this place. A History Hotline featuring audio stories available by cell phone will offer visitors the voices, sounds and first person memories of the Tannery.

DISCUSSION: Funding for a portion of the historic exhibits has been provided by the California Cultural and Historical Endowment (CCHE). Another potential source of funding is through the National Endowment of the Humanities Interpreting America's Historic Places grant program. This program provides support for public humanities projects that exploit the evocative power of historic places to explore stories, ideas, and beliefs that deepen our understanding of our lives and our world. The proposed Tannery historic exhibits are a project which is ideally suited for funding through this grant program.

If a grant is received from the National Endowment of the Humanities Interpreting America's Historic Places grant program, it will be combined with the existing funding from CCHE to allow complete funding for the proposed Tannery historic exhibits. The proposed grant application is for \$51,901. The deadline for this grant submittal is January 13, 2010.

FISCAL IMPACT: CCHE funds will be used to match funding from the National Endowment of the Humanities Interpreting America's Historic Places grant program, therefore no local funds are required.

Prepared by:
J Guevara
Administrative Assistant

Submitted by:
Bonnie Lipscomb
Agency Executive Director

Approved by:
Richard C. Wilson
City Manager

ATTACHMENTS: Resolution

RESOLUTION NO.

RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF SANTA CRUZ
APPROVING THE APPLICATION TO THE NATIONAL ENDOWMENT OF THE
HUMANITIES INTERPRETING AMERICA'S HISTORIC PLACES PROGRAM FOR
THE CREATION OF HISTORIC EXHIBITS, AS PART OF THE REHABILITATION OF
THE TANNERY'S HISTORIC BUILDINGS

WHEREAS, the National Endowment of the Humanities Interpreting America's Historic Places Program provides grants for projects that exploit the evocative power of historic places to explore stories, ideas, and beliefs that deepen our understanding of our lives and our world.; and

WHEREAS, proposed rehabilitation of the former Salz's Tannery's historic buildings includes the installation of historic exhibits to explain the history of the former Salz Tannery and its role in California history; and

WHEREAS, supplemental funding is required to complete the installation of the proposed historic exhibits.

NOW, THEREFORE, BE IT RESOLVED that the Redevelopment Agency of the City of Santa Cruz hereby:

1. Approves the filing of a National Endowment of the Humanities Interpreting America's Historic Places Program grant application;
2. Appoints the Executive Director, or her designee, as agent to conduct all negotiations, execute and submit all documents including, but not limited to, applications, agreements, payment requests and or other actions, which may be necessary for the completion of the submittal of the grant application and project.

PASSED AND ADOPTED this 12th day of January, 2010, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

APPROVED: _____
Chair

ATTEST: _____
Executive Director



REDEVELOPMENT AGENCY AGENDA REPORT

DATE: 01/04/2010

AGENDA OF: 1/12/2010

DEPARTMENT: Economic Development

SUBJECT: U. S. Department of Commerce, Economic Development Administration (EDA), American Recovery and Reinvestment Act (ARRA) Grant - Budget Adjustment. (ED)

RECOMMENDATION: Redevelopment Agency resolution appropriating funds and amending the FY 2010 budget in the amount of \$4,766,250 for the EDA ARRA grant for the Digital Media Center at the Tannery and \$430,805 for project costs which are not grant eligible.

BACKGROUND: On January 6, 2009, the Agency Board authorized the submittal of a pre-application to the Economic Development Administration of the U.S. Department of Commerce (EDA) to fund the rehabilitation and reuse of the historic buildings at the former Salz Tannery as a Working Studios/Digital Media Center. In June 2009, EDA invited the Agency to submit a formal application through the American Recovery and Reinvestment Act (ARRA). On September 8, 2009, the Agency Board authorized pre-acceptance of the grant and further authorized the Executive Director to advertise the project for bid, award the contract to the lowest qualified bidder, and execute other documents as necessary if the grant were awarded. Pre-authorization to accept the grant and prepare for project related actions was necessary since it was known that the grant would have to follow a very strict ARRA time table which requires the award of the construction contract within 120 days from the date of the EDA grant award.

On September 22nd, the EDA ARRA grant was awarded in the amount of \$4,766,250. Combined with the \$1,935,000 grant from the California Cultural and Historical Endowment (CCHE), the two grants provided most of the funding necessary for the physical site improvements and rehabilitation of the historic Tanyard Building and Beam House.

DISCUSSION: Timing of the EDA ARRA grant award has been fortuitous in that the Agency is now able to coordinate the budgets of the EDA ARRA grant and the CCHE grant so that they are each used as matching funds for the other. The original project funding of \$3,870,000 (50% CCHE grant and 50% Agency funds) was increased by \$2,831,250 to \$6,701,250. This amount allowed for an expansion of the scope of the project and released \$1,935,000 of Agency funds originally budgeted for the CCHE grant match. The released Agency funds are now being used primarily to fund the State mandated ERAF payment for fiscal year 2010.

Due to the extremely tight ARRA schedule for start of construction, the rehabilitation project has been separated into two phases: the North Parking Lot; and rehabilitation of the buildings. The construction of the North Parking Lot should begin in January and the bid package preparation for the rehabilitation of the Beam and Tanyard Building is underway.

Due to the nature of the state and federal grant sources, there are specific necessary project expenses which are not eligible grant costs. These ineligible but necessary project costs include city fees, certain professional services and utility costs. While it is difficult to anticipate all such costs related to a construction project of this size, staff has compiled an itemized list and estimates the total of these costs to be \$430,805 as summarized below.

Site preparation & Phase I professional services	\$81,800
Utility service (PG&E) and copying costs	\$21,350
City fees and property management costs	\$127,130
Phase II professional services	\$144,525
SUBTOTAL	\$354,805
Contingency	\$56,000
TOTAL	\$430,805

FISCAL IMPACT: The EDA ARRA grant award eliminates the use of \$1,935,000 Agency funds previously committed as local match for the CCHE grant. The funding for the \$430,805 of grant ineligible project costs is available in the Merged Project capital projects fund balance.

Prepared by:
Joe H. Hall
Project Manager

Submitted by:
Bonnie Lipscomb
Agency Executive Director

Submitted by:
Richard C. Wilson
City Manager

ATTACHMENTS: Budget Adjustment

**City of Santa Cruz
BUDGET ADJUSTMENT REQUEST**

<input type="radio"/> Council Approval	Resolution No. _____
<input checked="" type="radio"/> RDA Approval	Resolution No. _____
<input type="radio"/> Administrative Approval	

<input checked="" type="radio"/> Current Fiscal Year
<input type="radio"/> Prior Fiscal Year

TO: FINANCE DIRECTOR
FROM: AGENCY DIRECTOR

DATE:

<u>ACCOUNT PROJECT</u>	<u>REVENUE EDEN ACCOUNT TITLE</u>	
381-52-80-5579-43290	Federal capital grants and contributions	\$4,766,250.00
r520809 108 1002 157	Working Studios/Digital Media Center-EDA - ARRA grant	
	TOTAL REVENUE	\$4,766,250.00

<u>ACCOUNT PROJECT</u>	<u>EXPENDITURE EDEN ACCOUNT TITLE</u>	
381-52-80-5572-57203	Merged Project Capital Projects fund: Building remodeling	\$2,831,250.00
r520809 100 2020 0	Working Studios/Digital Media Center - additional grant funded costs	
381-52-80-5572-57203	Merged Project Capital Projects fund: Building remodeling	\$430,805.00
r521012 100 2020 0	Tannery Digital Media Center	
	TOTAL EXPENDITURE	\$3,262,055.00

NET: \$ 1,504,195.0

Purpose: Budget revenue from the American Recovery and Reinvestment Act federal grant and increase appropriations for additional project expenses and related fees.

REQUESTED BY	DEPARTMENT HEAD APPROVAL	ACCOUNTING APPROVAL	FINANCE DIRECTOR APPROVAL	CITY MANAGER APPROVAL
Kathryn Mintz <small>Digitally signed by Kathryn Mintz DN: cn=Kathryn Mintz, o=City of Santa Cruz, ou=Finance, email=kmintz@cityofsantacruz.ca.us, c=US Date: 2009.12.09 09:46:43 -0800</small>	Bonnie Lipscomb <small>Digitally signed by Bonnie Lipscomb DN: cn=Bonnie Lipscomb, o=City of Santa Cruz, CA, ou=FIN, email=blipscomb@cityofsantacruz.ca.us, c=US Date: 2009.12.10 14:56:13 -0800</small>	Patty Haymond <small>Digitally signed by Patty Haymond DN: cn=Patty Haymond, o=Finance Department, ou=City of Santa Cruz, email=pahaymond@cityofsantacruz.ca.us, c=US Date: 2009.12.14 15:35:05 -0800</small>	Jack Dilles <small>Digitally signed by Jack Dilles DN: cn=Jack Dilles, o=Finance, ou=FIAD, email=jadilles@cityofsantacruz.ca.us, cn=US, Date: 2009.12.14 15:44:05 -0800</small>	
12/9/09	12/10/09	12/14/09		



CITY COUNCIL AGENDA REPORT

DATE: 01/04/2010

AGENDA OF: 1/12/2010

DEPARTMENT: Finance

SUBJECT: Placement of Proceeds from Sale of 913 Cedar Street into Public Trust Fund. (FN)

RECOMMENDATION: Motion to direct staff to place the proceeds from the sale of the property at 913 Cedar Street into the Public Trust Fund.

BACKGROUND: On December 8, 2009, the City Council declared that the property at 913 Cedar Street is not needed for public purposes and directed the City Manager to enter into a Contract of Sale with purchaser John R. Davis. Further, the City Council directed that staff return to the Council for consideration as to whether or not the proceeds of the sale should go into the Public Trust Fund.

DISCUSSION: Attached City Council Policy 12.8 (Public Trust Fund) provides in section 5 that "Future proceeds from the sale of, or income from the use of, the City's Skypark property shall be placed in the Public Trust Fund. The Council shall determine whether the proceeds from the sale of other property should go into the Public Trust Fund."

The policy also states in section 2 that "The principal of the Public Trust Fund shall be preserved and maintained as part of a program to meet the extensive capital improvement needs of the City." Further, in section 3, the policy reads "Interest earnings of the Public Trust Fund may be used on an annual basis, may be accumulated from year to year to fund objectives that require such accumulations, may be utilized to retire indebtedness to accomplish larger objectives, or may be used in combinations of these alternatives."

Restricting proceeds from the sale of property to assist in financing essential future capital improvement projects is a concept that spends one-time receipts on one-time costs. As the policy states in section 4, "Neither the principal nor the interest of the Public Trust Fund shall be used to meet operational needs with regularly recurring annual costs."

FISCAL IMPACT: The sales price of 913 Cedar Street was \$345,000. By placing these funds in the Public Trust Fund, the City would be in a better position to pay for necessary future capital improvements.

Prepared by:
Jack Dilles
Finance Director

Submitted by:
Jack Dilles
Finance Director

Approved by:
Richard C. Wilson
City Manager

ATTACHMENTS: Council Policy

POLICY TITLE: PUBLIC TRUST FUND

POLICY STATEMENT:

1. This policy is adopted with the understanding that the 3-year Capital Improvement Program currently being developed by the City includes high-priority, unfunded projects with a price tag far in excess of the amount to be maintained in the Public Trust Fund. In the unlikely event that the City in the future does not have such high-priority CIP projects exceeding the City's ability to fund them, this policy shall be reconsidered.
2. The principal of the Public Trust Fund shall be preserved and maintained as part of a program to meet the extensive capital improvement needs of the City.
3. Interest earnings from the Trust Fund may be used on an annual basis, may be accumulated from year to year to fund objectives that require such accumulations, may be utilized to retire indebtedness to accomplish larger objectives, or may be used in combinations of these alternatives.
4. Neither the principal nor the interest of the Public Trust Fund shall be used to meet operational needs with regularly recurring annual costs.
5. Future proceeds from the sale of, or income from the use of, the City's Skypark property shall be placed in the Public Trust Fund. The Council shall determine whether the proceeds from the sale of other property should go into the Public Trust Fund.
6. The only exception to the policy of preserving and maintaining the principal of the Trust Fund shall be in cases where use of the principal, or part of the principal, can serve to leverage a substantial contribution of funds from a non-General Fund source to complete an unfunded project of high priority in the City's Capital Improvement Program (CIP). In such cases, the principal of the Trust Fund may be utilized, after other alternatives are explored. The Council shall make every effort to replenish the principal of the Trust Fund.
7. Discussions for the Public Trust Fund shall be held annually on a calendar-year basis.

AUTHORIZATION: Council Policy Manual Update of November 17, 1998

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CITY COUNCIL/
REDEVELOPMENT AGENCY
AGENDA REPORT

DATE: 01/04/2010

AGENDA OF: 1/12/2010

DEPARTMENT: Finance

SUBJECT: Annual Financial Reports for FY 2009. (FN) (ED/RDA)

RECOMMENDATION: Motion to authorize the Finance Director to file with the City Clerk the Comprehensive Annual Financial Report and Single Audit Report for Fiscal Year 2009.

Motion to authorize the Agency Executive Director to file with the City Clerk the Redevelopment Agency Financial Report, Annual Report of Financial Transactions, and Annual Report of Housing Activity for Fiscal Year 2009.

BACKGROUND: Each year the Finance Department, under joint effort with Redevelopment Agency staff, facilitate an annual audit, and prepare the Comprehensive Annual Financial Report (CAFR) and the Redevelopment Agency Financial Report. Finance staff also prepares the Single Audit, which covers all federal assistance received by the City. In addition, Redevelopment Agency staff prepares the Agency's Annual Report of Financial Transactions and Annual Report of Housing Activity, required under State law to be submitted to the State prior to December 31 and to be filed with the Agency.

DISCUSSION: Staff is forwarding all three financial audited reports for FY 2009: the CAFR; Redevelopment Agency Financial Report, and Single Audit for review. All three reports include opinion letters from the independent auditor, Caporicci and Larson. The auditor indicated in their opinions that the financial statements for both the City and the Agency present fairly their positions as of June 30, 2009, in conformity with generally accepted accounting principles. The auditor's reports are unqualified. The auditor also concluded in their report letter included with the Agency's financial statements that the Agency complied with applicable laws, regulations, contracts, and grants. Finally, the auditors concluded for the Single Audit that there were no significant issues related to federal assistance received by the City.

The CAFR and Agency financial statements include the required government-wide financial statements designed to provide readers with a broad overview of the City's finances in a manner similar to a private business, including a statement of net assets and a statement of activities. The statements also include the traditional presentations by fund.

The Redevelopment Agency's Annual Report of Financial Transactions provides the details of Agency account balances at June 30, 2009, and financial activities for FY 2009. It also includes the annual "Statement of Indebtedness, previously submitted to Santa Cruz County, which

summarized all Agency indebtedness. The Annual Report of Housing Activity provides financial and narrative detail concerning the Agency's FY 2009 housing activity.

FISCAL IMPACT: The financial statements present summaries of FY 2009 financial activity and present the financial condition of the City and Agency at June 30, 2009. The City's General Fund showed \$6.9 million in unreserved, undesignated fund balance at June 30, 2009.

Prepared by:
Cheryl Fyfe
Assistant Finance Director

Submitted by:
Jack Dilles
Finance Director

Submitted by:
Bonnie Lipscomb
Agency Executive Director

Approved by:
Richard C. Wilson
City Manager

ATTACHMENTS:

Comprehensive Annual Financial Report
Redevelopment Agency Financial Report
Single Audit Report
SCO Redevelopment Agency Financial Transactions Report
HCD Redevelopment Housing Fund Report

City of Santa Cruz, California



Downtown

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2009

City of Santa Cruz

State of California

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2009

Prepared by

**Jack Dilles
Cheryl Fyfe**

**Raymond Chin
Tori Hannah
Ralph Reader**

**Natalia Duarte
Shelley Horrow
Amy Schmidt**

**Ray Galindo
Kathryn Mintz
Kim Wigley**

City of Santa Cruz
Comprehensive Annual Financial Report
For the year ended June 30, 2009

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F I N A N C E D E P A R T M E N T

809 Center Street, Room 101, Santa Cruz, CA 95060 831 420-5052 Fax: 831 420-5051 www.ci.santa-cruz.ca.us

December 15, 2009

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

Comprehensive Annual Financial Report

In accordance with the City Charter, the Comprehensive Annual Financial Report of the City of Santa Cruz for the fiscal year ended June 30, 2009, is submitted for your information and review. Various financing covenants and regulations associated with restricted funding sources also require the City of Santa Cruz, California (City) to publish a complete set of financial statements presented in conformance with generally accepted accounting principles (GAAP) and audited by a firm of licensed certified public accountants. Pursuant to the requirements noted above, we hereby issue the Comprehensive Annual Financial Report of the City of Santa Cruz, California for the fiscal year ended June 30, 2009.

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 material respects.

Caporicci & Larson, a firm of licensed certified public accountants, has audited the City of Santa Cruz's financial statements. 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, 2009, 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 unqualified opinion that the City of Santa Cruz's financial statements for the fiscal year ended June 30, 2009, 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 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 from 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 58,982 as of December 2009. Santa Cruz is the home to the University of California, Santa Cruz (UCSC) which first opened in 1965 and has a current enrollment of over 16,000 students. UCSC has received worldwide recognition in the past few years for its high quality academic programs and sponsored research programs such as the California Institute for Quantitative Biomedical Research (QB3), the Center for Information Technology Research in the Interest of Society (CITRIS), and the Laboratory for Adaptive Optics. The 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 (Prop 13) establishes a maximum rate for property tax and limits the growth of assessed value. Prop 13 sets the limit for increases of the property tax rate to 2% per year, but upon sale, full value 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 (VLF), 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 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, sewer, 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, fund balances 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 Council Members. The City Council is responsible, among other things, for passing

ordinances, adopting the budget, approving nominees to commissions, and hiring the City Manager, City Clerk and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the city and for appointing the heads of the various departments. The council is elected on a non-partisan basis. Council Members serve four-year staggered terms, with either three or four Council Members elected every two years. The Mayor is selected by a majority of the City Council and serves a one year term. Council Members are elected at large and all are subject to two term limits.

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, recreational and cultural activities including a performing arts center and human services programs. It also operates municipal utilities for Water, Wastewater, Storm Water, and Refuse in addition to enterprise operations for parking facilities and a golf course. The water utility provides water service beyond the municipal boundaries and has a total service population of approximately 90,000. Certain infrastructure construction and community development activities are provided through a legally separate Redevelopment Agency. The Council sits as the Redevelopment Agency's board, and the Agency functions as a department of the City. Therefore, the City of Santa Cruz Redevelopment Agency has been included as an integral part of the City of Santa Cruz's financial statements.

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 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.

The City Manager is authorized to approve appropriation transfers within any department; however, any new appropriation or appropriation transfer between 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 results at the mid-year review and at budget adoption. Redevelopment budgets are adopted annually along with an annual report. The ongoing review and long range planning focus for financial management provides numerous opportunities to identify and respond to changes in revenues and expenditures and in community priorities.

Factors Affecting Financial Condition

We believe 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

Following the prior year's budget cuts of approximately \$6 million, the General Fund FY 2010 budget was adopted with a \$638 thousand deficit. This was only possible by using one-time or short-term remedies

such as the implementation of a work furlough and the deferral of several programs. In addition, future revenues are expected to decline. The decline in sales taxes can be attributed to the deterioration of the national economy, and in part to the evaporation of consumers' access to their home equity appreciation. Considering this latter factor, as incomes stabilize and consumer spending resumes, it is unlikely that sales tax revenues will return soon to past levels. And, while the City has not experienced the sharp decline in property receipts that other California cities have, receipts are expected to decrease an estimated 3% in FY 2011.

Last year the City saw the elimination of a major revenue source. In April of 2008, an appellate court ruling for Union City, California found that city's 9-1-1 fee was a tax and not a fee, and therefore must be approved by voters. Although the City of Santa Cruz was not bound by the appellate court's ruling, the City ceased collection of the fee, the Council made an official finding of fiscal emergency, and the Council called for a special election with mail-only ballots for the purpose of restoring this lost revenue. Measure T failed by a narrow margin in August of 2008. The fee generated a five-year average of \$1.3 million in annual revenues.

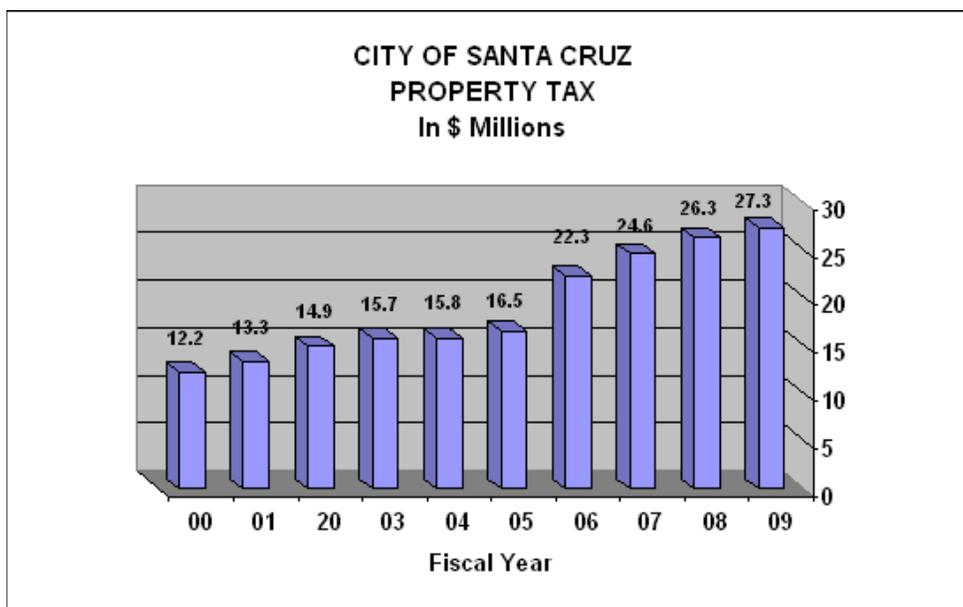
Measure E, the proposed Clean River, Beaches and Ocean special parcel tax, was placed on the November 4, 2008, ballot by City Council and passed by a 9.6% margin above the 2/3 threshold. The purpose of the tax was to generate funding for water quality programs to prevent pollution from reaching waterways, beaches and the Monterey Bay National Marine Sanctuary. This special tax required a majority 2/3 vote and is expected to generate \$0.6 million annually.

While the City strives to control its financial future, it is apparent that the economy around us, together with the tax structure of the local government in California, is ultimately in control. In recognizing that there is not much room to make additional budget cuts, the City also realizes that services cannot be frozen at their current level, and is currently looking at long-term structural adjustments such as reducing costs with a "two-tiered" retirement plan, and increasing local revenues with more economic development.

Historical Trend Information

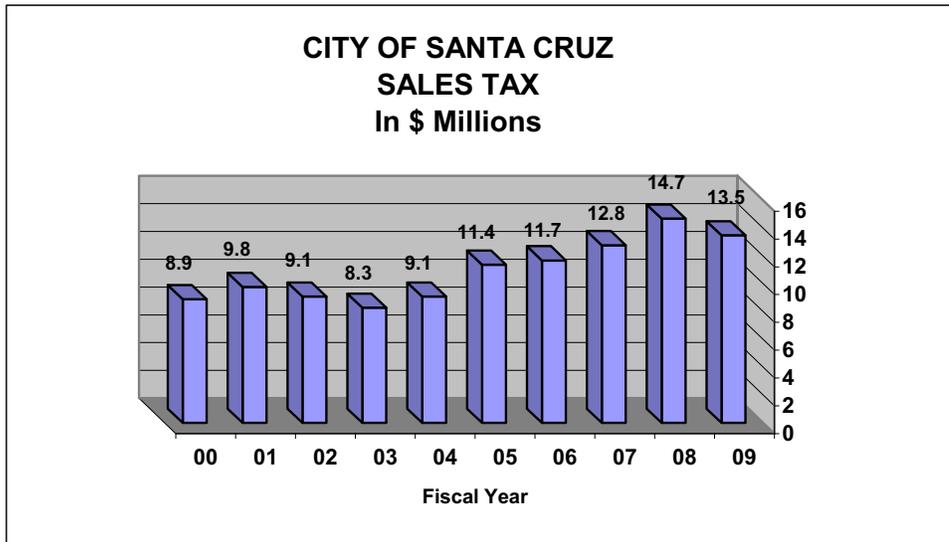
Property Tax

Although the historical trend for property tax has been positive, the city only experienced a slight increase in FY 2009 receipts. Property Tax revenues for governmental funds are up \$1.0 million or 3.8% over the fiscal year 2008. It is expected that property tax revenues will increase by only 2.4% in FY 10, and decline by 3% in FY 2011.



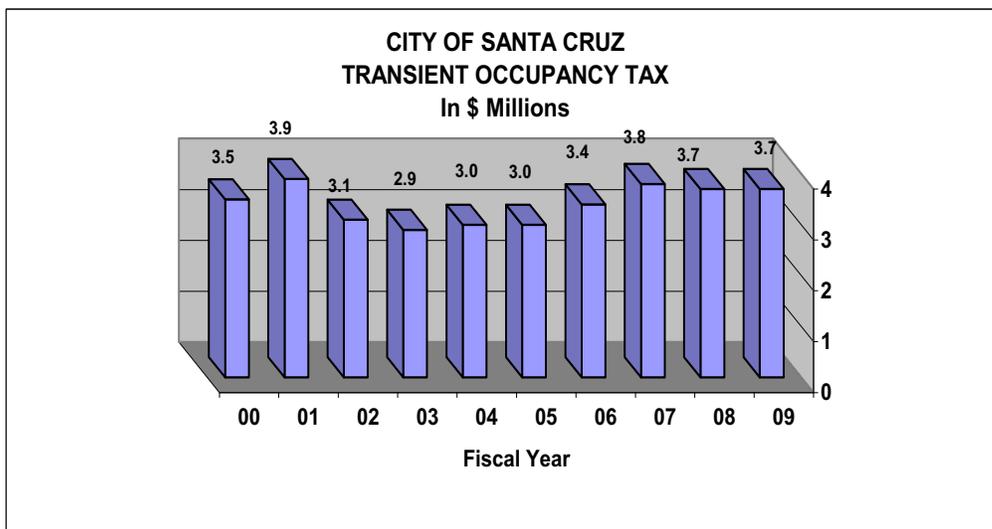
Sales & Use Tax, Local Transactions and Use Tax and Supplemental Property Tax In-Lieu of Sales Tax

Although the City has a well-diversified economy and sales tax base, Sales tax receipts decreased for the first time in 6 years by \$1.2 million or 8.9% in FY 09 as compared with the prior fiscal year. This decline is expected to continue into FY 2011 as consumers continue to spend less.



Transient Occupancy Tax

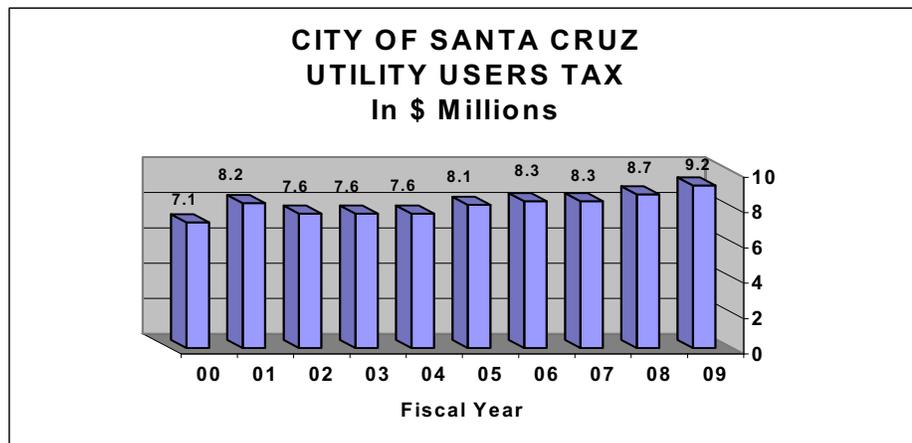
Transient Occupancy Tax (TOT) declined after FY 01, initially due to September 11th and the resulting lack of tourists. Additionally, in FY 02, the University of California acquired a 10-year lease on a 170-bed major tourist hotel, the Holiday Inn, for use as a school dormitory. Another major shoreline tourist hotel, The Dream Inn, started renovation plans in FY 2007, and were completed in FY 2009. TOT revenues remained constant in FY 2009 and are expected to remain flat in FY 2010.



Utility Users Tax

The utility users' tax is the third largest revenue source for the City, coming 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). The rate for the tax is 7%, which has not been changed since October 1991. Clarifications of how the tax is applied were implemented in 1993 and 1994.

Modest increases over the last few years can be attributed to a number of factors. There have been declines in electric and wired telecom while wireless telecom, gas, and cable have increased. The most significant factor for the rise in overall revenues points to the Water, Wastewater, and Refuse municipal utilities and the increase of tax revenues due to recent customer rate increases. Although tax revenues were expected to increase FY 2009 by 9.2% in step with utility rate increases, these rate increases were delayed to ease the burden on taxpayers due to economic hardship. FY 2009 saw a 5.7% increase in Utility tax receipts. The planned rate increases are expected to go forth in FY 2010, but as residents conserve on usage, receipts are expected to decline by 6.0%.



Risk management. The City of Santa Cruz uses a program of self-insurance for workers' compensation and general liability claims, and employs a professional risk manager, supplemented by a professional claim administration firm, to minimize losses. The City is self-insured for workers' compensation up to \$500,000 per occurrence. Santa Cruz participates in a multi-agency joint powers authority to provide excess insurance coverage for liability coverage. The joint powers authority and the City rely on estimates prepared by professional actuaries to set aside funds adequate to meet potential future losses. Excess coverage purchased through the joint powers authority covers claims in excess of \$1,000,000 for general liability claims. As reflected in the financial statements, the Risk Management internal service fund had net assets at June 30, 2009, of 3.4 million.

Health care costs. The City contracts with CalPERS for employee health care coverage. Under this program, employer overall basic plan premiums increased (per calendar year) as stated below:

- FY 05: 9.9%
- FY 06: 8.9%
- FY 07: 11.9%
- FY 08: 6.8%
- FY 09: 4.8%
- FY 10: 3.2%

State budget. On July 1, 2009 the California State Governor announced that the state's budget deficit was \$26.3 billion. The California legislature approved amendments to their FY 2010 budget to close the shortfall, which included borrowing \$2 billion (8%) from cities' and counties' property tax collections, as allowed by Proposition 1A (approved by voters in 2004), along with major cuts to the Redevelopment agencies. The State has historically attempted to balance their budget by using local revenue resources. Current and prior remedies include:

- Proposition 57 or "Triple Flip". In 2004, state voters approved a deficit-financing bond, pledging as repayment for the bond ¼ cent of the local Bradley-Burns sales tax. During the time this bond is outstanding, city and county revenue losses are replaced on a dollar-for-dollar basis with property taxes shifted from school districts. School losses, in turn, are offset by increased state aid. These revenue transfers commonly are referred to as the "triple flip".
- VLF-Property Tax Swap. In 1999, the state began reducing the vehicle license fee (VLF) rate charged to vehicle owners - and backfilling city and county revenue losses from this tax reduction with state subventions. The FY 2004-05 state budget packages permanently replaced the VLF backfill by shifting an equal amount of K-14 property taxes to cities and counties. Increased state aid offsets K-14 school district revenue losses.
- FY 2004-05 Property Tax Shift. The FY 2004-05 state budget packages included a \$1.3 billion shift of property taxes from noneducational local agencies (cities, counties, special districts, and redevelopment agencies) to K-14 school districts. Unlike the two permanent property tax shifts enacted in the 1990's, this tax shift sunset in FY 2006-07.
- Proposition 1A. In 2004, state voters amended the State Constitution to prohibit the state from permanently reallocating the property tax, with certain exceptions, prohibit the State from reducing the Bradley Burns local sales tax rate or altering its method of allocation, and prohibit the State from further reducing the vehicle license fee without reimbursing local governments.
- Proposition 1A Suspension and Securitization. In 2009, in order to help Cities and Counties with the shortfall created by the 8% property tax borrowing, Legislators and the Governor allowed local agencies to sell the eventual repayment from the State to investors in order cover the property taxes and to pay the full cost of the sale, known as securitization.

Cash management and policies

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, State of California - Local Agency Investment Fund (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.

As of June 30, 2009, the City had \$77.0 million invested in LAIF accounts, \$33.1 million in U.S. Agencies and U.S. Treasury Money Market Funds, and \$0.7 million in other investments.

Major Initiatives

The City of Santa Cruz operates four municipal utilities, including water, wastewater, storm water, and refuse collection/landfill operations. The Water Department has not made any major capital improvements for the past 10 to 15 years while a new water supply project was being developed. Now, in order to address the pressing needs of an aging infrastructure and the need for a new water supply, the Water Department has embarked upon an ambitious program of capital improvements that will span the next five years and will cost approximately \$50 million, to be financed partially through the issuance of new debt. Major distribution and supply projects are planned, including a desalination plant.

The City will continue to use Development Impact fees to enhance and upgrade park facilities. These fees will also be used for improvements to the greenbelt. During these tough economic times the Parks and Recreation Department will continue to seek grants and bond monies to renovate and upgrade outdated facilities. The development of Depot Park and the Multi Modal Station is an example of a successful partnership between numerous agencies.

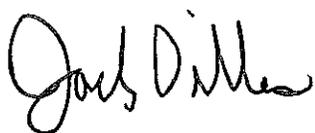
Awards

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 comprehensive annual financial report for the fiscal year ended June 30, 2008. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

Acknowledgements

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all the members of the departments who assisted and contributed to the preparation of this report. We also want to thank the partners and staff of our auditors for their assistance and support. Credit must also be given to the Mayor, City Council Members, and City Manager for your unfailing leadership and support.

Respectfully submitted,



Jack Dilles
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Santa Cruz
California

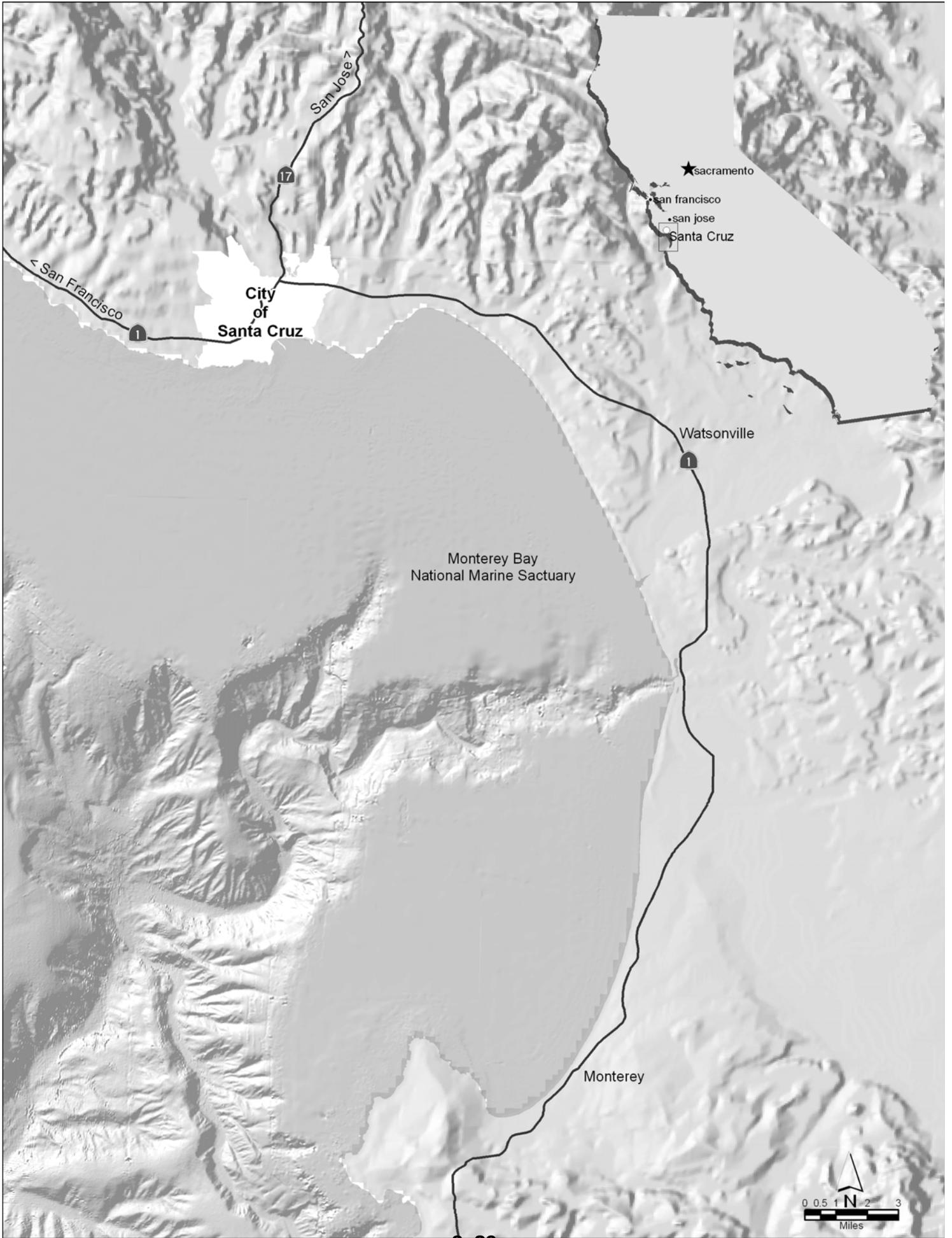
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

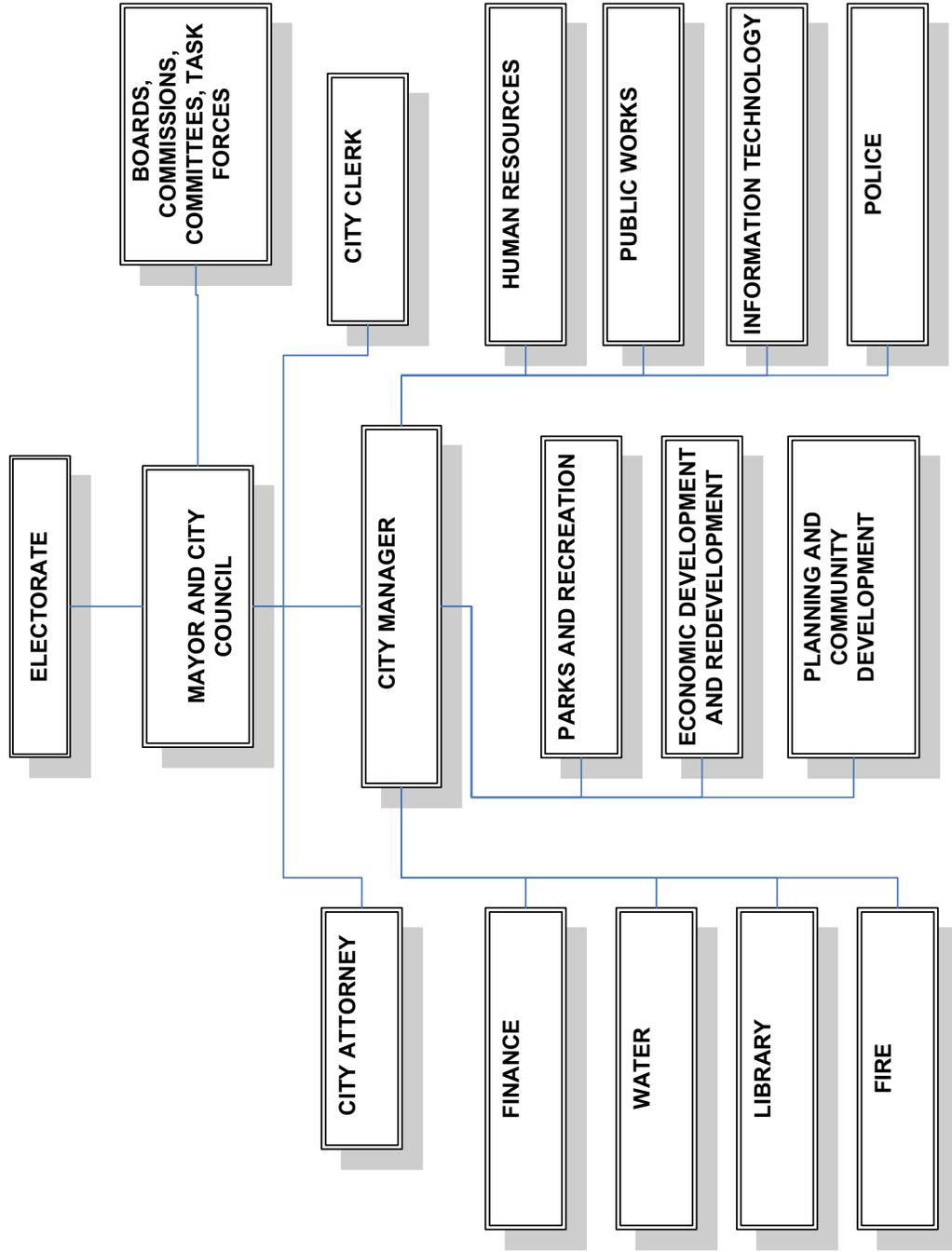


President

Executive Director



CITY OF SANTA CRUZ FUNCTIONAL ORGANIZATIONAL CHART



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

Mayor Mike Rotkin

Vice Mayor Ryan Coonerty

Councilmember Katherine Beiers

Councilmember Cynthia Mathews

Councilmember Don Lane

Councilmember Tony Madrigal

Councilmember Lynn Robinson

City Manager, Richard C. Wilson

Assistant City ManagerMartín Bernal

Chief of FireRon Oliver

Chief of PoliceHoward Skerry

City AttorneyJohn G. Barisone

City ClerkLorrie Brewer

Director of Finance.....Jack Dilles

Director of Human ResourcesLisa Sullivan

Director of LibrariesTeresa Landers

Director of Parks and RecreationDannettee E. Shoemaker

Director of Planning and Community Development.....Juliana Rebagliati

Director of Public Works and City EngineerMark Dettle

Director of Economic Development and Redevelopment.....Bonnie Lipscomb

Director of Water.....Bill Kocher

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Santa Cruz, California (City), as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Subsequent to the financial statements date of June 30, 2009 and the year then ended, the State of California (State) has borrowed, deferred paying certain revenues and proposed taking other funds from local governments including cities, counties, districts and agencies. These actions by the State include:

- 8% of Property Taxes borrowed -- to be repaid in 3 years
- Gas Tax payments deferred -- to be paid at a future date
- Amounts to be taken from Redevelopment Agency funds in fiscal year 2010

These above amounts are significant to the City and may affect its ongoing operations. Certain lawsuits are in process to stop such State actions. For more detailed information, see Note 16 in the Notes to Basic Financial Statements.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with generally accepted accounting principles in the United States.

To the Honorable Mayor and Members of the City Council
of the City of Santa Cruz
Santa Cruz, California
Page 2

As described in Note 1 to the basic financial statements, the City adopted Statement of Governmental Accounting Standards Board No. 45, *Financial Reporting for Postemployment Benefit Plans (OPEB) other than Pension Plans*, No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligation*, No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statement on Auditing Standards*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2009 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 grants. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Required Supplementary Information, such as Management's Discussion and Analysis, budgetary comparison information and other information as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying Supplementary Information is presented for purpose of additional analysis and is not a required part of the basic financial statements. The Supplementary Information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Irvine, California
December 18, 2009

Management's Discussion and Analysis

As management of the City of Santa Cruz, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Santa Cruz for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on page i of this report.

Financial Highlights - Primary Government (in millions)

- **Government-Wide Highlights:**

Net Assets - The assets of the City of Santa Cruz exceeded its liabilities at the close of the fiscal year by \$454.7. Of the total net assets, \$89.1, or 19.6%, was reported as *unrestricted net assets* and may be used to meet the government's ongoing obligations to citizens and creditors. Restricted net assets of \$33.3 may be used for the City's ongoing obligations related to programs with external restrictions. The remaining \$332.3 represented the City's investment in net capital assets, less any related outstanding debt used to acquire those assets.

Changes in Net Assets - The City's total net assets increased by \$7.9, or 1.77%, in FY 2009. The increase in net assets represents the degree to which revenues exceed expenses.

The increase in net assets for governmental activities of \$10.8, or 5.23%, was comprised of an increase in capital assets in the amount of \$13.2 offset by a decrease in net asset of \$2.4. The increase in capital assets in the amount of \$13.2 included FY 2009 additions in the amount of \$3.4 and a prior period adjustment in the amount of \$9.8. The prior period adjustment was a transfer of Capital assets-land from the Enterprise funds to the General fund, representing a change in accounting policy to record land purchases in the General fund.

Business type activities had a decrease in net assets in the amount of \$2.9, or 1.2%, primarily due to a prior period adjustment that transferred \$9.8 in net Capital assets-land from the Enterprise funds to the General fund, offset by an increase in revenues over expenses in the amount of \$6.9.

- **Fund Highlights:**

Governmental Funds - Governmental funds include general, special revenue, debt service, and capital projects funds. As of the close of FY 2009, the City's governmental funds, including the Redevelopment Agency Fund, reported a combined ending fund balance of \$48.1, which was a decrease of \$2.1, or 4.2%, from the previous fiscal year. Approximately \$25.3 of this amount, or 52.6%, represented the *unreserved fund balance* available for appropriation. Of the unreserved fund balance, \$24.3, or 96.0%, was designated for various purposes.

General Fund - Total fund balance of the General Fund on June 30, 2009, was \$20.5, a decrease of \$5.2, or 20.2%, from the previous fiscal year. Approximately \$11.6 of this amount, or 56.6%, was unreserved. Of the unreserved fund balance, \$4.7, or approximately 40.5% was designated for various purposes. These included \$3.7 for the City Public Trust, and monies designated for various amounts for other activities. The remaining unreserved balance of \$6.9, or 59.5%, of unreserved fund balance was undesignated.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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. They are comprised of the *statement of net assets* and *statement of activities and changes in net assets*.

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

The *statement of activities and changes in net assets* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Revenues and expenses, therefore, are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., interest expense due but unpaid).

Both of the above government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, parks and recreation, library, transit, social services and community and economic development. The business-type activities of the City include the four municipal utilities: water, wastewater, storm water, and refuse and landfill operation; and also the self-supporting golf course and parking enterprises.

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 three separate legal entities in this category—The City of Santa Cruz Redevelopment Agency, 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 20-23 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 fund financial statements provide detail information about each of the City's most significant funds, called *major funds*. The concept of major funds, and the determination of which are major funds, was established by GASB 34 and replaces the concept of combining like funds and presenting them in total. Instead, each *major fund* is presented individually, with all *nonmajor funds* summarized and presented in a single column. Individual fund data on the nonmajor funds is presented in the form of combining statements and schedules in the Supplemental Information section of this report on pages 111-117.

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 nine governmental funds, of which three are considered major funds for presentation purposes. Each major fund is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the City's three major funds - the General Fund, the Redevelopment Agency Fund, and the General Capital Improvement Fund. Data from the other six governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 26-31 of this report. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 113-117 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, recycling and landfill operation; and also for the self-supporting golf and 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 equipment operations and maintenance, telecommunications, and risk management activities. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the governmental-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 proprietary funds provide separate information for the four municipal utilities: water, wastewater, storm water, and refuse, recycling and landfill operations; and also the self-supporting golf course and parking enterprises. Conversely, the 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 131-134 of this report.

The basic proprietary fund financial statements can be found on pages 33-43 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. Fiduciary funds represent agency funds and private-purpose trust funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations and use of the accrual basis of accounting. Agency funds include activities of the Library Joint Powers Authority, Payroll Payables and Special Assessments. Trust funds are used to account for resources legally held in trust for special purposes, such as the McCaskill Trust for Local History, the McCaskill Trust for Visually Impaired, and the Findkeldey Trust for Musical Literature.

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 49-101 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Santa Cruz's progress in funding its obligation to provide pension benefits to its employees, as well as providing a budgetary comparison schedule for the General Fund and the Redevelopment Agency Fund. Required supplementary information can be found on pages 103-109 of this report.

Additional budgetary schedules for the General Fund, with revenues presented in greater detail and expenditures presented by department, the General Capital Improvement Fund, and the combining statements, referred to earlier in connection with nonmajor governmental funds and internal service funds, are presented immediately following the required supplementary information in the supplemental information section of this report. Combining and individual statements and schedules can be found on pages 111-141 of this report.

Government-Wide Financial Analysis (in \$ millions)

Net Assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Santa Cruz, combined net assets (governmental and business-type activities) totaled \$454.7 at the close of the fiscal year ending June 30, 2009. This was an increase of \$7.9, or 1.77%, from the previous fiscal year.

By far the largest portion of the City's net assets, \$332.3, or 73.1%, reflected its investment in net capital assets (e.g., land, streets, bridges, water and sewer lines, buildings, machinery, and equipment), less any related, outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets were not available for future spending. Although the City's investment in its capital assets was 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.

An additional portion of the City's net assets, \$33.3, or 7.3%, represented resources that were subject to external restrictions on how they may be used. The remaining \$89.1, or 19.6%, of the City's net assets, was "unrestricted," and may be used to meet the government's ongoing obligations to citizens and creditors.

City of Santa Cruz's Net Assets June 30, 2009

(amounts expressed in \$ millions)

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current assets	\$ 54.2	\$ 56.6	\$ 76.8	\$ 73.7	\$ 131.0	\$ 130.3
Noncurrent assets	13.4	10.5	14.6	17.8	28.0	28.3
Capital assets	193.2	184.7	226.5	236.6	419.7	421.3
Total assets	260.8	251.8	317.9	328.1	578.7	579.9
Current liabilities	11.6	13.0	11.3	12.0	22.9	25.0
Noncurrent liabilities	31.8	32.2	69.3	75.9	101.1	108.1
Total liabilities	43.4	45.2	80.6	87.9	124.0	133.1
Net assets:						
Invested in capital assets, net of related debt	175.2	159.9	157.1	161.9	332.3	321.8
Restricted	33.3	6.5	-	-	33.3	6.5
Unrestricted	8.9	40.2	80.2	78.3	89.1	118.5
Total net assets	\$ 217.4	\$ 206.6	\$ 237.3	\$ 240.2	\$ 454.7	\$ 446.8

Changes in Net Assets. The City's net assets increased by \$7.9, or 1.77%, from the previous fiscal year. The City's expenses covered a range of services. Further analysis is provided within the governmental and business-type activity sections.

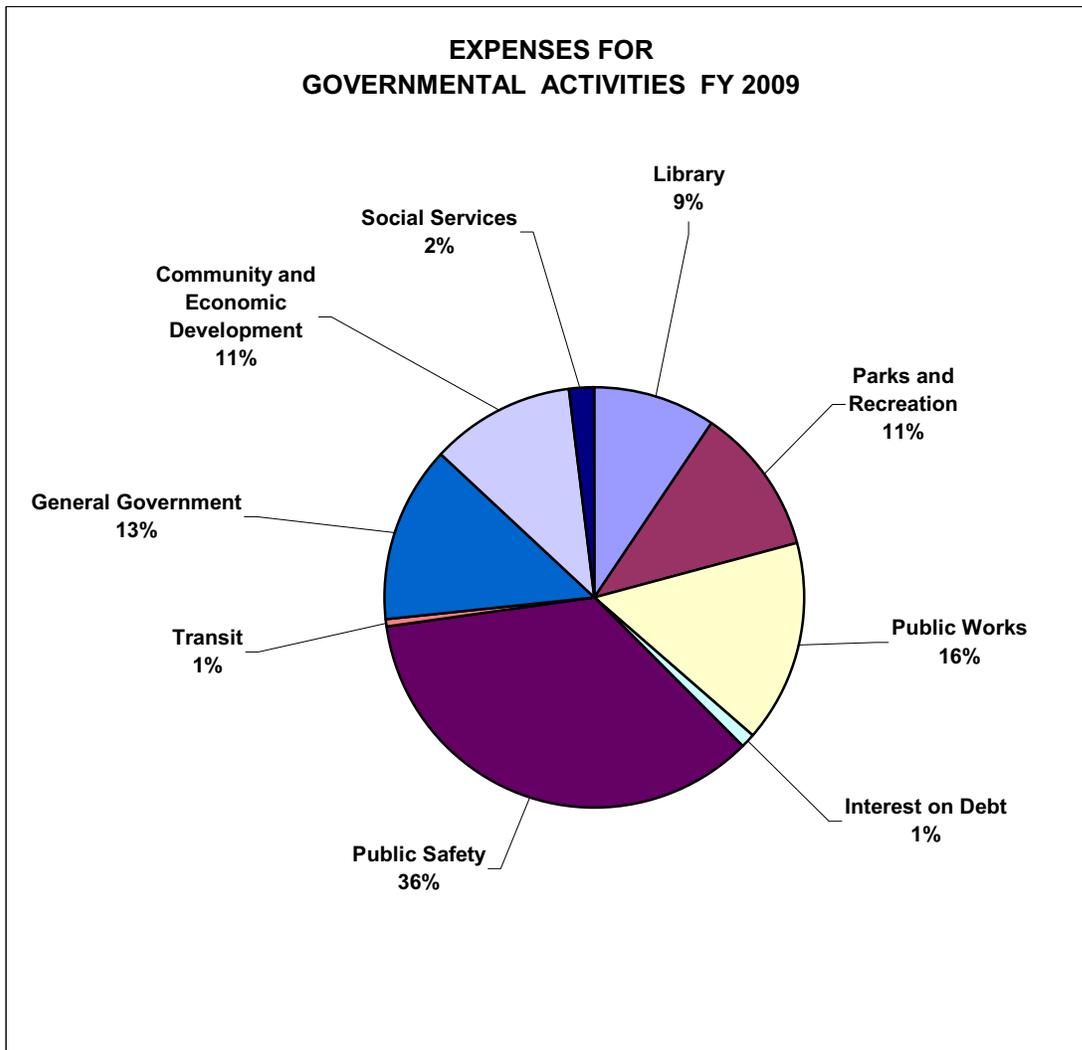
City of Santa Cruz Changes in Net Assets
Fiscal Year Ending June 30, 2009
(amounts expressed in millions)

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 30.7	\$ 29.6	\$ 61.0	\$ 62.5	\$ 91.7	\$ 92.1
Operating grants and contributions	8.1	4.7	1.3	0.1	9.4	4.8
Capital grants and contributions	4.2	5.4	1.4	2.3	5.6	7.7
Total program revenues	43.0	39.7	63.7	64.9	106.7	104.6
General revenues:						
Property taxes	27.3	26.3	-	-	27.3	26.3
Sales and use taxes	13.5	14.7	-	-	13.5	14.7
Franchise taxes	3.0	2.9	-	-	3.0	2.9
Transient occupancy taxes	3.7	3.7	-	-	3.7	3.7
utility users taxes	9.2	8.7	-	-	9.2	8.7
Admissions taxes	1.9	2.0	-	-	1.9	2.0
Other taxes	1.6	1.9	-	-	1.6	1.9
Total taxes	60.2	60.2	-	-	60.2	60.2
Unrestricted grants and contributions	-	-	-	-	-	-
Unrestricted investment earnings	1.5	2.5	2.6	3.5	4.1	6.0
Gain (loss) on sale of assets	0.0	0.1	-	-	0.0	0.1
Miscellaneous	0.3	0.7	0.6	0.5	0.9	1.2
Total revenues	105.0	103.2	66.9	68.9	171.9	172.1
Expenses:						
General government	14.0	14.2	-	-	14.0	14.2
Public safety	36.7	33.1	-	-	36.7	33.1
Parks and recreation	11.8	12.7	-	-	11.8	12.7
Library	9.8	10.2	-	-	9.8	10.2
Public works	16.2	13.7	-	-	16.2	13.7
Transit	0.6	0.7	-	-	0.6	0.7
Community and economic development	11.8	11.0	-	-	11.8	11.0
Social services	1.9	2.0	-	-	1.9	2.0
Interest and charges on long term debt	1.2	1.6	-	-	1.2	1.6
Water	-	-	22.6	19.2	22.6	19.2
Wastewater	-	-	17.6	16.0	17.6	16.0
Refuse	-	-	12.4	15.0	12.4	15.0
Parking	-	-	3.3	3.3	3.3	3.3
Storm Water	-	-	1.6	1.4	1.6	1.4
Golf course	-	-	2.5	3.2	2.5	3.2
Total expenses	104.0	99.2	60.0	58.1	164.0	157.3
Increase (decrease) in net assets before transfers	1.0	4.0	6.9	10.8	7.9	14.8
Transfers	-	-	-	-	-	-
Change in net assets	1.0	4.0	6.9	10.8	7.9	14.8
Net assets, beginning of year (as restated)	216.4	202.6	230.4	229.4	446.8	432.0
Net assets - end of year	<u>\$ 217.4</u>	<u>\$ 206.6</u>	<u>\$ 237.3</u>	<u>\$ 240.2</u>	<u>\$ 454.7</u>	<u>\$ 446.8</u>

Governmental Activities. Governmental activities increased the City's net assets by \$1.0. 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.

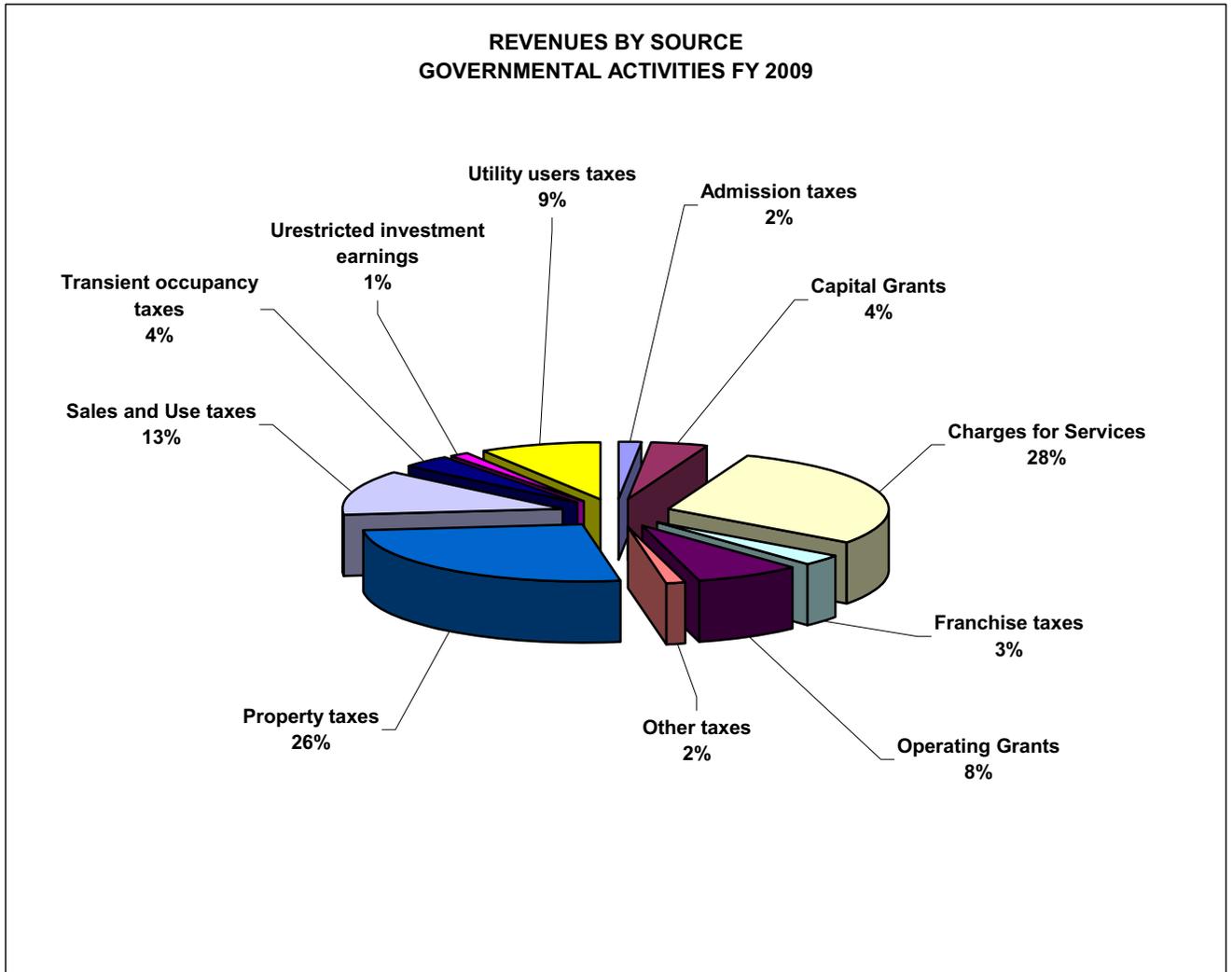
	Governmental Activities	
	(amounts expressed in \$ millions)	
	2009	2008
Expenses net of program revenues:		
General government	\$ (5.7)	\$ (6.0)
Public safety	(34.3)	(28.9)
Parks and recreation	(7.7)	(9.1)
Library	(0.4)	(0.6)
Public works	(1.8)	(5.7)
Transit	(0.6)	2.2
Community and economic development	(7.4)	(7.7)
Social services	(1.9)	(2.0)
Interest and fiscal charges on long-term debt	(1.2)	(1.6)
Total expenses net of program revenues - governmental activities	(61.0)	(59.4)
General revenues and transfers:		
General revenues:		
Property taxes	27.3	26.3
Sales and use taxes	13.5	14.7
Franchise taxes	3.0	2.9
Transient occupancy taxes	3.7	3.7
Utility users taxes	9.2	8.7
Admission taxes	1.9	2.0
Other taxes	1.6	1.9
Total taxes	60.2	60.2
Unrestricted grants and contributions	-	-
Unrestricted investment earnings	1.5	2.5
Gain on sale of assets	-	-
Miscellaneous	0.3	0.7
Transfers	-	-
Total general revenues and transfers	62.0	63.4
Change in governmental activities net assets	\$ 1.0	\$ 4.0

Governmental Expenses. Total governmental activity expenses were \$104.0 in FY 2009. The largest expenses were incurred for public safety (36%), public works (16%), general government (13%), and parks and recreation (11%). These expenses did not include capital outlays, which were reflected in the City's capital assets.

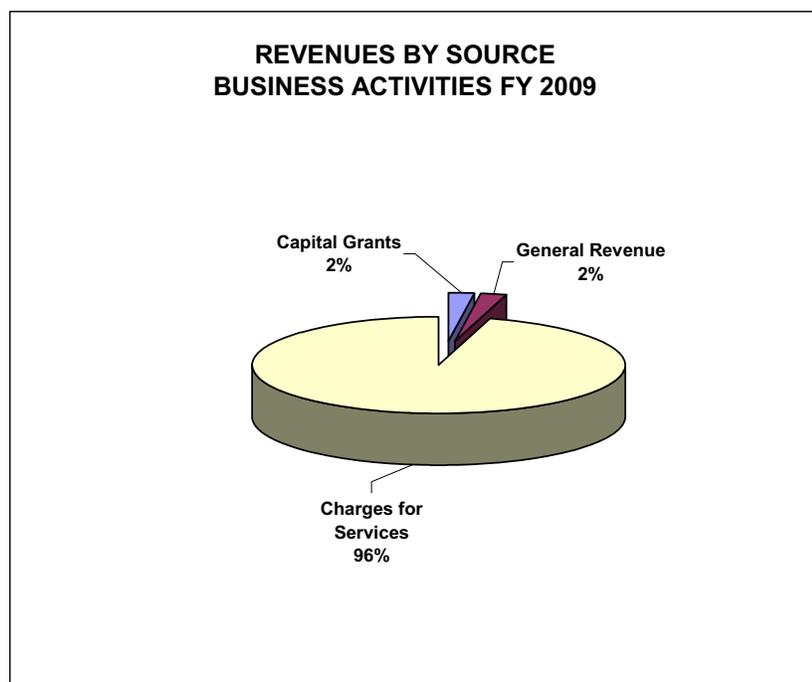
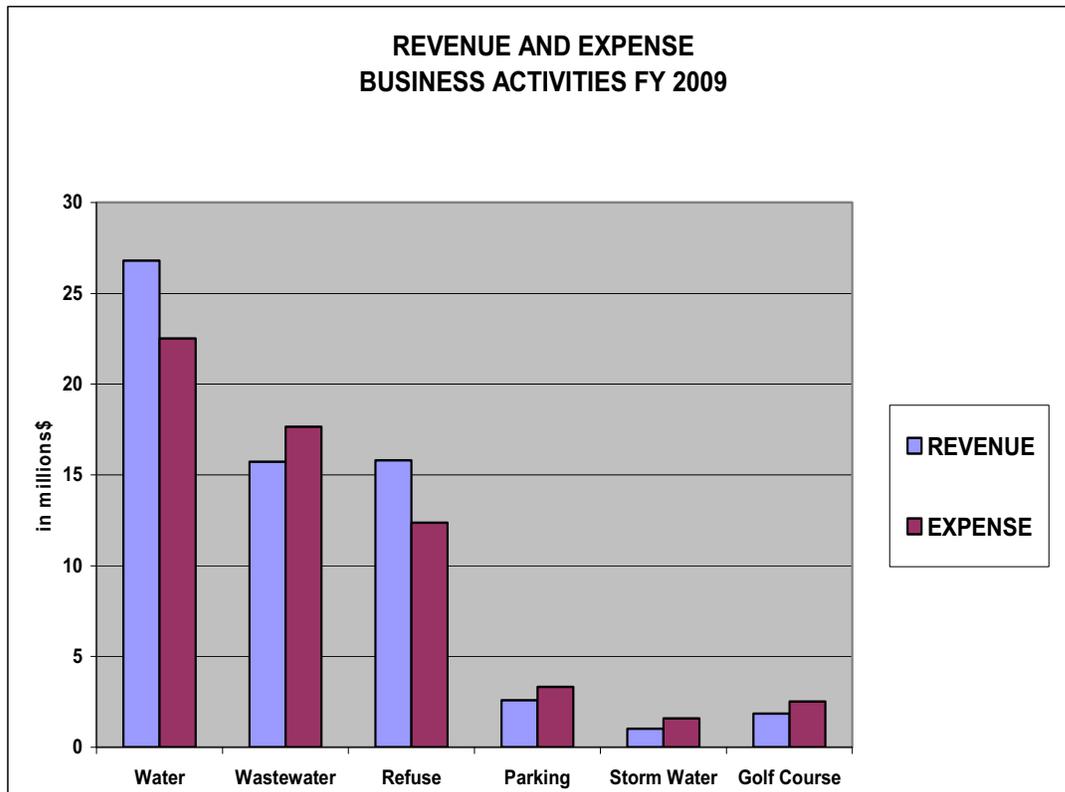


Governmental Revenues. Under GASB 34, program revenues are derived directly from programs or from parties outside the reporting government's taxpayers or citizenry. They reduce the net cost of the function to be financed from the government's general revenues. Total program revenues from governmental activities were \$43.0 in FY 2009, an increase of \$3.3, or 8.4%, from the previous fiscal year. Governmental program revenues derived primarily from *charges for services*, which included licenses and permits, planning fees, developer fees, recreation charges, traffic and other fines and forfeitures, charges to the Library Joint Powers Authority for personnel services provided, 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 were \$62.0 in FY 2009. Taxes of \$60.2 comprised 97.1% of the City's general revenues for FY 2009. The largest single source of general revenues received during FY 2009 was \$27.3 of property taxes, which were 44.0% of general revenues, followed by \$13.5 of sales and use taxes, which were 21.8% of general revenues.



Business Type Activities. Net assets for business-type activities were \$237.3, a decrease of \$2.9, or 1.2%, from the previous fiscal year, mainly due to the reclassification of Capital assets-land from the enterprise funds to the General Fund in the amount of \$9.8 recorded as a prior period adjustment, offset by an increase in revenues over expenses in the amount of \$6.9. Total program revenues for business-type activities were \$63.7. The largest program revenues were charges for services of \$61.0. Other program revenues included capital and operating grants and contributions of \$2.7. Total expenses for the business-type activities were \$60.0 during FY 2009.



Financial Analysis of Individual Funds (in millions)

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, unreserved 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 end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$48.1, which was a decrease of \$2.1 or 4.2% over the previous fiscal year. Approximately \$25.3 of the fund balance is *unreserved fund balance*, which was available for spending at the government's discretion. Unreserved fund balance decreased by \$5.2, or 20.2%, over the previous fiscal year. It should, however, be noted that \$24.3 of the unreserved fund balance, or 96.0%, was designated for various purposes, such as debt service, capital projects, public art, police programs and the City Public Trust, leaving \$1.0 unreserved and undesignated. The remainder of fund balance, \$22.8, was reserved to indicate that it is not available for spending because it was already legally committed.

General Fund - Total fund balance of the General Fund on June 30, 2009, was \$20.5, a decrease of \$5.2 from the previous fiscal year. Approximately \$11.6 of this amount, or 56.6%, was unreserved. Of the unreserved fund balance, \$4.7, or 40.5% was designated for specific uses. These included \$3.7 for the City Public Trust for purposes of supporting capital improvements, and \$0.5 for green building education, and various amounts for other activities, such as unemployment insurance, housing, parks and recreation programs, and equipment and facilities maintenance. The remaining unreserved balance of \$6.9, or 59.5% of unreserved fund balance, was undesignated and represented a decrease of \$3.8, or 35.5%, over the previous fiscal year.

As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance, the undesignated portion of the unreserved fund balance, and total fund balance to total fund expenditures. Unreserved fund balance of \$11.6 represented 14.8% of total general fund expenditures of \$79.2, including capital contributions and transfers out of \$0.4. Unreserved and undesignated fund balance of \$6.9 represented 8.8%, and total fund balance of \$24.7 represented 31.5% of that same amount.

The 8.8% percent of total expenditures represented by the June 30, 2009, undesignated, unreserved fund balance did not meet the historic minimum target reserve level of 10% of the operating budget for the General Fund, it is anticipated that the 10% target will be accomplished in the next couple of years.

The \$5.2 decrease in fund balance was primarily a result of a decrease in unrestricted investment earnings in the amount of \$1.0, offset by an increase in Public Safety expenditures of \$5.4 and an overall savings in other activities of \$0.4.

Redevelopment Agency Fund - The City of Santa Cruz Redevelopment Agency is responsible for redevelopment of areas identified under the Community Redevelopment Plan determined to be in a declining condition. The Agency's operations are funded primarily by the issuance of debt, which is expected to be repaid out of property tax increment revenue generated by increases in property assessed values in the redevelopment areas.

At the end of FY 2009, the total fund balance of the Redevelopment Agency Fund was \$21.6, an increase of \$2.1 from the previous fiscal year, or 10.8%. Of that amount, \$9.3 was reserved to indicate that it was not available for spending because it had already been legally committed. The remainder of the unreserved fund balance of \$12.3 was designated for either debt service or capital projects. The primary reason for this increase of \$2.1 was that budgeted projects had not yet been completed.

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 FY 2009, the total fund balance of the General Capital Improvement Fund was a deficit of \$5.2, a deficit increase of \$2.6 over the prior fiscal year. Of that amount, \$0.6 was reserved to indicate that it was not available for spending because it had already been legally committed. The unreserved, undesignated deficit fund balance of \$5.8 was the result of the City’s arterial streets and roads overlay project that the City had originally planned to fund with the issuance of debt. Since interest rates were not favorable, the City decided to suspend the project until debt was issued, or additional monies were available.

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.

As discussed in the business-type activities section previously, the City’s net assets increased by \$9.8 as a result of a reclassification in capital assets-land in the amount of \$9.8 from the enterprise funds to the General Fund (recorded as a prior period adjustment), offset by an increase of revenues over expenses of \$6.9.

Net assets in the internal service funds in the amount of \$4.3 represented an increase of \$3.8 over the previous fiscal year. Increases in contributions to the Risk Management fund and decreases in the claims payable liability were the primary causes of this increase.

General Fund Budgetary Highlights.

The final amended general fund budget, including transfers out and advances, totaled \$86.2, and included amendments to the original budget, resulting in a \$0.2 decrease in operating expenditure appropriations.

Capital Assets and Debt Administration (in millions)

Capital Assets. The City’s investment in capital assets for its governmental and business- type activities as of June 30, 2009, amounted to \$419.7, net of accumulated depreciation of \$302.0. This investment in capital assets included land, land improvements, infrastructure, buildings, machinery and equipment, lease improvements, software, 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 reductions to the City’s investment in capital assets for the current fiscal year, after restatements and deletions, were \$1.6. Additions, deletions and restatements consisted of a net increase to capital assets of \$15.1 of and a net increase to accumulated depreciation of \$16.7.

Major capital asset additions during the FY 2009 included the following:

- Water Supply project, \$3.1
- Bay Street Reservoir project, \$1.3
- Arroyo Seco sewer project, \$0.7
- Heavy equipment and licensed vehicles, \$1.7
- Laurel Street safety improvements, \$0.9
- 2030 North Pacific-2 housing units, \$0.8

Additional information on the City's capital assets can be found in Note 6 on pages 71-74 of this report.

Capital Assets						
(net of depreciation)						
(amounts expressed in \$ millions)						
	Governmental Activities		Business-Type Activities		Total	
	June 30		June 30			
	2009	2008	2009	2008	2009	2008
Land	\$ 60.4	\$ 50.6	\$ 1.8	\$ 11.6	\$ 62.2	\$ 62.2
Construction in progress	4.1	10.2	21.7	15.2	25.8	25.4
Land improvements	5.3	5.7	2.5	2.7	7.8	8.4
Infrastructure	84.9	84.9	92.7	94.8	177.6	179.7
Buildings	33.6	29.2	97.5	101.0	131.1	130.2
Machinery and equipment	4.6	3.7	10.3	11.3	14.9	15.0
Lease improvements	0.2	0.3	-	-	0.2	0.3
Software	0.1	0.1	-	-	0.1	0.1
Totals	\$ 193.2	\$ 184.7	\$ 226.5	\$ 236.6	\$ 419.7	\$ 421.3

Debt Administration (in millions)

Long Term Debt - At the end of the current fiscal year, the City had \$111.3 in long term debt outstanding compared to \$121.2 last year, which was a decrease of \$9.9, or 8.2%. The Bonds, Notes, Loans and Leases payable associated with governmental activities decreased from \$25.8 to \$23.3, or 9.7%. The Bonds, Notes, Loans and Leases payable associated with Business-type activity debt was reduced from \$74.7 to \$69.3, or 7.2%.

The City currently has \$6.9 in outstanding general obligation debt. This debt was approved by voters in November 1998 and authorized an ad valorem tax override for acquisition of open space property, improvements to fire stations, acquisition of a fire administrative headquarters building, and construction of a community park. This tax override is currently assessed at \$9 per \$100,000 of the assessed value. In June, 2009 Council authorized the refunding of this debt and the City issued debt on December 8, 2009 when rates were favorable. The net present value savings to tax payers over the repayment term will be \$0.4.

The largest single debt obligation of the City is a note payable to the State of California for the construction of secondary treatment improvements at the City's wastewater treatment plant. As of June 30, 2009 the outstanding balance on this note was \$29.4. The City has a corresponding note receivable from the County of Santa Cruz for \$13.8. This note receivable relates to the County's obligation related to the construction of the treatment plant improvements. The chart below illustrates the changes in bonds, notes, loans and leases payable for the year ending June 30, 2009.

Bonds, Notes, Loans and Leases Payable						
(amounts expressed in \$ millions)						
	Governmental Activities		Business-Type Activities		Total	
	June 30		June 30			
	2009	2008	2009	2008	2009	2008
Certificates of participation	\$ 3.8	\$ 3.9	\$ 16.1	\$ 17.4	\$ 19.9	\$ 21.3
Revenue bonds payable	6.7	6.9	21.4	22.0	28.1	28.9
General obligation bonds	6.9	7.0	-	-	6.9	7.0
Notes payable	0.3	1.5	30.1	32.8	30.4	34.3
Tax allocation bonds payable	4.7	4.9	-	-	4.7	4.9
Capital lease obligations	0.7	0.8	1.7	2.5	2.4	3.3
Other long-term liabilities	0.2	0.8	-	-	0.2	0.8
Totals	\$ 23.3	\$ 25.8	\$ 69.3	\$ 74.7	\$ 92.6	\$ 100.5

The City of Santa Cruz also has significant 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, 2009	
	2009	2008			Due in less than one year	Due in more than one year
	Claims and judgements	\$ 10.1			\$ 10.4	\$ (0.3)
Compensated absences	4.2	3.9	0.3	7.7%	2.8	1.4
Closure and post closure landfill costs	4.3	6.4	(2.1)	(32.8%)	-	4.3
Totals	\$ 18.6	\$ 20.7	\$ (2.1)	(28.0%)	\$ 5.4	\$ 13.2

Additional information on the City of Santa Cruz’s long term debt can be found in Note 6 to the financial statements.

Economic Climate

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.

Consistent with State trends, housing prices in Santa Cruz County have declined, but less so within the City. Nonetheless, the City saw only a modest growth in property tax in FY 2009, and expects a decline in FY 2010, followed by a 3.0% decline in FY 2011. Other key revenues including property taxes and utility taxes are expected to be flat, but stable, in the near future.

On July 1, 2009 the California State Governor announced that the state’s budget deficit was \$26.3 billion. A fiscal emergency was declared and a special session of the Legislature was ordered to resolve the deficit. On July 24, 2009, the California legislature approved amendments to their FY 2010 budget to close the shortfall, which included borrowing \$2 billion (8%) from cities’ and counties’ property tax collections, as allowed by Proposition 1A (approved by voters in 2004), along with major cuts to the Redevelopment agencies. The fiscal impact to the City was a reduction in FY 2010 property tax receipts of \$1.3 million. This reduction was incorporated into the City FY 2010 budget. In November, 2009 the City was able to sell the \$1.3 million in receivables from the State for the same amount by participating in the Proposition 1A Securitization Program. Then City Redevelopment Agency is scheduled to lose \$3.1 million in tax increment to the State in FY 2010. The State cuts affecting Redevelopment agencies are currently under litigation.

Although the City cannot predict what further actions the State will take to address future ongoing budget deficits, estimated at \$20.0 billion per year by the State Legislature Analyst, the City is aware that the State may find ways to defer revenues owed to the City, or enact other measures that would further reduce the City’s revenues.

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, 809 Center Street, Room 101, Santa Cruz, CA 95060.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Santa Cruz
Statement of Net Assets
June 30, 2009

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 39,803,569	\$ 65,283,208	\$ 105,086,777
Restricted cash and cash equivalents	3,365,360	1,034,575	4,399,935
Interest receivable	468,180	687,692	1,155,872
Taxes receivable	3,736,363	1,401	3,737,764
Accounts receivable - net	2,167,385	8,259,190	10,426,575
Due from other governments	3,075,292	264,020	3,339,312
Notes receivable - due within one year	32,640	-	32,640
Loans receivable - due within one year	26,900	-	26,900
Intergovernmental receivable - due within one year	-	1,217,082	1,217,082
Prepaid items	59,716	-	59,716
Inventories	141,254	-	141,254
Deposits	1,347,253	30,000	1,377,253
Total current assets	54,223,912	76,777,168	131,001,080
Noncurrent assets:			
Restricted investments	291,236	1,521,134	1,812,370
Notes receivable - due in more than one year	7,799,152	401,058	8,200,210
Loans receivable - due in more than one year	3,131,599	-	3,131,599
Intergovernmental receivable - due in more than one year	-	12,766,735	12,766,735
Deferred charges	231,528	1,876,000	2,107,528
Internal balances	1,899,996	(1,899,996)	-
Capital assets:			
Land	60,380,806	1,819,287	62,200,093
Land improvements	8,213,319	3,713,741	11,927,060
Infrastructure	206,175,621	168,671,035	374,846,656
Buildings	44,957,405	160,386,023	205,343,428
Machinery and equipment	13,327,533	25,669,480	38,997,013
Lease improvements	724,114	70,000	794,114
Software	1,220,476	571,257	1,791,733
Construction in progress	4,117,673	21,659,072	25,776,745
Total capital assets	339,116,947	382,559,895	721,676,842
Less accumulated depreciation	(145,879,739)	(156,108,392)	(301,988,131)
Total capital assets, net	193,237,208	226,451,503	419,688,711
Total noncurrent assets	206,590,719	241,116,434	447,707,153
Total assets	260,814,631	317,893,602	578,708,233

See accompanying Notes to Basic Financial Statements.

City of Santa Cruz
Statement of Net Assets, Continued
June 30, 2009

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable and other current liabilities	\$ 5,352,391	\$ 4,320,111	\$ 9,672,502
Intergovernmental payable	2,600	-	2,600
Interest payable	222,787	1,180,322	1,403,109
Unearned revenue	164,250	40,221	204,471
Deposits payable	130,916	62,926	193,842
Claims and judgments payable - due within one year	2,610,820	-	2,610,820
Compensated absences payable - due within one year	2,051,160	702,812	2,753,972
Bonds, notes, loans and leases payable - due within one year	1,108,359	4,930,181	6,038,540
Total current liabilities	11,643,283	11,236,573	22,879,856
Noncurrent liabilities:			
Claims and judgments payable - due in more than one year	7,451,004	-	7,451,004
Compensated absences payable - due in more than one year	1,028,658	351,407	1,380,065
Bonds, notes, loans and leases payable - due in more than one year	22,186,136	64,387,518	86,573,654
Other post employment benefits obligation	1,150,251	296,521	1,446,772
Landfill closure costs	-	4,293,086	4,293,086
Total noncurrent liabilities	31,816,049	69,328,532	101,144,581
Total liabilities	43,459,332	80,565,105	124,024,437
NET ASSETS			
Invested in capital assets, net of related debt	175,147,345	157,133,804	332,281,149
Restricted for:			
Capital projects	4,891,110	-	4,891,110
Debt service	5,858,925	-	5,858,925
Public safety	51,610	-	51,610
Parks and recreation	1,197,209	-	1,197,209
Community and economic development	21,268,166	-	21,268,166
Unrestricted	8,940,934	80,194,693	89,135,627
Total net assets	\$ 217,355,299	\$ 237,328,497	\$ 454,683,796

See accompanying Notes to Basic Financial Statements.

City of Santa Cruz
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2009

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 14,034,816	\$ 7,099,183	\$ 1,239,677	\$ -	\$ 8,338,860
Public safety	36,639,798	1,846,123	417,185	16,353	2,279,661
Parks and recreation	11,821,434	2,965,592	1,045,373	114,917	4,125,882
Library	9,822,845	9,413,959	-	-	9,413,959
Public works	16,169,682	7,287,234	3,265,628	3,864,671	14,417,533
Transit	629,555	-	-	-	-
Community and economic development	11,830,169	2,055,595	2,193,445	196,000	4,445,040
Social services	1,863,587	-	-	-	-
Interest and fiscal charges on long-term debt	1,230,394	-	-	-	-
Total governmental activities	104,042,280	30,667,686	8,161,308	4,191,941	43,020,935
Business-type activities:					
Water	22,507,116	25,351,854	-	1,436,784	26,788,638
Wastewater	17,649,321	14,577,440	1,141,042	-	15,718,482
Refuse	12,367,327	15,766,490	30,114	-	15,796,604
Parking	3,325,271	2,541,330	39,929	-	2,581,259
Storm water	1,590,808	883,145	137,434	-	1,020,579
Golf course	2,525,758	1,846,399	-	-	1,846,399
Total business-type activities	59,965,601	60,966,658	1,348,519	1,436,784	63,751,961
Total primary government	\$ 164,007,881	\$ 91,634,344	\$ 9,509,827	\$ 5,628,725	\$ 106,772,896

General Revenues:

Taxes:

- Property taxes
- Sales and use taxes
- Franchise taxes
- Transient occupancy taxes
- Utility users taxes
- Admission taxes
- Other taxes

Total taxes

Unrestricted investment earnings

Gain on sale of assets

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning of year (as restated)

Net assets - end of year

See accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (5,695,956)	\$ -	\$ (5,695,956)
(34,360,137)	-	(34,360,137)
(7,695,552)	-	(7,695,552)
(408,886)	-	(408,886)
(1,752,149)	-	(1,752,149)
(629,555)	-	(629,555)
(7,385,129)	-	(7,385,129)
(1,863,587)	-	(1,863,587)
(1,230,394)	-	(1,230,394)
(61,021,345)	-	(61,021,345)
-	4,281,522	4,281,522
-	(1,930,839)	(1,930,839)
-	3,429,277	3,429,277
-	(744,012)	(744,012)
-	(570,229)	(570,229)
-	(679,359)	(679,359)
-	3,786,360	3,786,360
(61,021,345)	3,786,360	(57,234,985)
27,270,166	-	27,270,166
13,513,829	-	13,513,829
2,972,281	-	2,972,281
3,723,788	-	3,723,788
9,213,119	-	9,213,119
1,877,431	-	1,877,431
1,576,305	-	1,576,305
60,146,919	-	60,146,919
1,477,491	2,573,953	4,051,444
18,845	15,431	34,276
279,160	630,078	909,238
68,423	(68,423)	-
61,990,838	3,151,039	65,141,877
969,493	6,937,399	7,906,892
216,385,806	230,391,098	446,776,904
\$ 217,355,299	\$ 237,328,497	\$ 454,683,796

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FUND FINANCIAL STATEMENTS

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Governmental Fund Financial Statements

General Fund - 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.

Redevelopment Agency Fund - The Redevelopment Agency fund is used to account for all the activities of the City of Santa Cruz Redevelopment Agency. This includes the accumulation of resources for and the payment of interest and principal on debt issued to finance redevelopment activities and general redevelopment operations.

General Capital Improvement Fund - This fund is used to account for capital improvements for which special project 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, 2009

	Major Funds			Non-major Governmental Funds	Total Governmental Funds
	General Fund	Redevelopment Agency	General Capital Improvement		
ASSETS					
Cash and cash equivalents	\$ 10,733,823	\$ 12,040,431	\$ 2,019,498	\$ 8,086,806	\$ 32,880,558
Interest receivable	44,543	80,506	(14,564)	313,041	423,526
Taxes receivable	3,338,221	368,833	-	29,309	3,736,363
Accounts receivable - net	2,098,619	-	-	20,200	2,118,819
Due from other governments	187,444	-	786,573	2,101,275	3,075,292
Due from other funds	1,118,537	-	-	-	1,118,537
Prepaid items	59,716	-	-	-	59,716
Restricted assets:					
Cash and cash equivalents	-	2,890,697	4,632	470,031	3,365,360
Investments	-	-	291,236	-	291,236
Total restricted assets	-	2,890,697	295,868	470,031	3,656,596
Deposits	70,233	-	-	-	70,233
Notes receivable - net	178,372	7,028,545	-	624,875	7,831,792
Loans receivable - net	430,150	-	-	2,728,349	3,158,499
Advances to other funds	6,426,080	415,000	-	-	6,841,080
Total assets	\$ 24,685,738	\$ 22,824,012	\$ 3,087,375	\$ 14,373,886	\$ 64,971,011
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and other current liabilities	\$ 3,916,015	\$ 208,448	\$ 702,435	\$ 225,571	\$ 5,052,469
Due to other funds	-	-	5,618	1,114,727	1,120,345
Intergovernmental payable	-	-	-	2,600	2,600
Deferred revenue	89,836	73,600	-	282,404	445,840
Unearned revenue	32,850	-	37,096	94,304	164,250
Deposits payable	122,376	7,009	-	1,531	130,916
Advances from other funds	-	888,476	7,574,560	1,478,048	9,941,084
Total liabilities	4,161,077	1,177,533	8,319,709	3,199,185	16,857,504
Fund Balances:					
Reserved for:					
Encumbrances	816,939	295,882	610,641	645,359	2,368,821
Noncurrent receivables and advances	6,950,467	7,369,945	-	3,344,409	17,664,821
Prepaid items	59,716	-	-	-	59,716
Debt service	-	63,526	-	-	63,526
General plan update	811,080	-	-	-	811,080
Hardship grants	300,142	-	-	-	300,142
Low and moderate income housing	-	1,582,155	-	-	1,582,155
Unreserved, designated, reported in:					
General fund	4,709,120	-	-	-	4,709,120
Debt service funds	-	4,033,755	-	1,760,644	5,794,399
Redevelopment Agency fund	-	8,301,216	-	-	8,301,216
Special revenue funds	-	-	-	5,511,039	5,511,039
Capital improvement funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Unreserved, undesignated, reported in:					
General fund	6,877,197	-	-	-	6,877,197
Capital projects funds	-	-	(5,842,975)	-	(5,842,975)
Special revenue funds	-	-	-	(86,750)	(86,750)
Total fund balances	20,524,661	21,646,479	(5,232,334)	11,174,701	48,113,507
Total liabilities and fund balances	\$ 24,685,738	\$ 22,824,012	\$ 3,087,375	\$ 14,373,886	\$ 64,971,011

See accompanying Notes to Basic Financial Statements.

City of Santa Cruz
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2009

Total Fund Balances - All Governmental Funds \$ 48,113,507

Amounts reported for Governmental Activities in the Statement of Net Assets 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 Assets	Internal Service Funds	
Non-depreciable	\$ 64,498,479	\$ -	64,498,479
Depreciable, net	128,738,729	(1,296,439)	127,442,290
Total capital assets	\$ 193,237,208	\$ (1,296,439)	191,940,769

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.

(222,787)

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 and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Assets:

Equipment Operations Fund	557,828
Telecommunications Fund	379,787
Risk Management Fund	3,375,333
Total internal service funds	4,312,948

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

445,840

Noncurrent liabilities 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 Assets	Internal Service Funds	
Other post employment benefits obligation	\$ (1,150,251)	\$ 6,154	(1,144,097)
Compensated absences payable - due within one year	(2,051,160)	34,603	(2,016,557)
Compensated absences payable - due in more than one year	(1,028,658)	17,301	(1,011,357)
Bonds, notes, loans and leases payable - due within one year	(1,108,359)	-	(1,108,359)
Bonds, notes, loans and leases payable - due in more than one year	(22,186,136)	-	(22,186,136)
Total long-term liabilities	\$ (27,524,564)	\$ 58,058	(27,466,506)

Certain transactions related to debt issuance and refunding are reported as expenditures and other financing sources/uses in the governmental funds. For the Statement of Net Assets, the net amount of these transactions is capitalized as deferred charges, and will be amortized as an adjustment to interest expense over the remaining life of the debt.

231,528

Net Assets of Governmental Activities **\$ 217,355,299**

See accompanying Notes to Basic Financial Statements.

City of Santa Cruz
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2009

	Major Funds			Other	Total
	General Fund	Redevelopment Agency	General Capital Improvement	Governmental Funds	Governmental Funds
REVENUES					
Taxes	\$ 45,830,628	\$ 12,638,265	\$ 820,000	\$ 858,026	\$ 60,146,919
Licenses and permits	648,785	-	-	-	648,785
Intergovernmental	580,477	-	2,718,722	6,881,786	10,180,985
Charges for services	21,574,770	-	-	959,697	22,534,467
Fines and forfeitures	2,243,843	-	-	-	2,243,843
Use of money and property	2,772,858	570,743	47,066	231,620	3,622,287
Other revenues	646,573	415,702	673,743	4,242,112	5,978,130
Total revenues	74,297,934	13,624,710	4,259,531	13,173,241	105,355,416
EXPENDITURES					
Current:					
General government	14,568,766	-	3,000	-	14,571,766
Public safety	36,325,172	-	-	260,900	36,586,072
Parks and recreation	9,906,360	-	-	-	9,906,360
Library	10,193,470	-	-	-	10,193,470
Public works	4,793,841	-	1,192,726	770,657	6,757,224
Transit	-	-	-	629,555	629,555
Community and economic development	1,099,546	9,650,344	41,401	1,622,501	12,413,792
Social services	1,713,831	-	-	149,756	1,863,587
Capital outlay	403,562	43,035	7,414,002	4,580,596	12,441,195
Debt service:					
Principal	151,302	1,392,100	115,000	324,781	1,983,183
Interest and fiscal charges	34,915	382,274	82,575	596,566	1,096,330
Total expenditures	79,190,765	11,467,753	8,848,704	8,935,312	108,442,534
REVENUES OVER (UNDER) EXPENDITURES	(4,892,831)	2,156,957	(4,589,173)	4,237,929	(3,087,118)
OTHER FINANCING SOURCES (USES)					
Proceeds from asset disposition	18,845	-	-	-	18,845
Capital contributions - other funds	(25,628)	-	897,997	-	872,369
Transfers in	125,362	2,087,620	1,159,617	614,098	3,986,697
Transfers out	(360,036)	(2,087,620)	(71,516)	(1,356,373)	(3,875,545)
Total other financing sources (uses)	(241,457)	-	1,986,098	(742,275)	1,002,366
Net change in fund balances	(5,134,288)	2,156,957	(2,603,075)	3,495,654	(2,084,752)
FUND BALANCES					
Beginning of year	25,658,949	19,489,522	(2,629,259)	7,679,047	50,198,259
End of year	\$ 20,524,661	\$ 21,646,479	\$ (5,232,334)	\$ 11,174,701	\$ 48,113,507

See accompanying Notes to Basic Financial Statements.

City of Santa Cruz

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets For the year ended June 30, 2009

Net Change in Fund Balances - All Governmental Funds \$ (2,084,752)

Amounts reported for governmental activities in the Statement of Activities and Changes in Net Assets 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 capital outlays exceeded depreciation in the governmental funds (not including Internal Service Funds) for the current period, which are reported below:

	Government- Wide Statement of Net Assets	Internal Service Funds	
Capital assets	\$ 6,130,765	\$ (237,362)	5,893,403
Depreciation	(7,350,729)	(143,767)	(7,206,962)
Total	<u>\$ (1,219,964)</u>	<u>\$ (381,129)</u>	<u>(1,313,559)</u>

Revenues considered "unavailable" at the end of the previous fiscal year were collected during the current year and are reported as revenues in the governmental funds. These revenues were previously included in the Statement of Activities. (528,436)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. (169,360)

Proceeds of long-term debt and payments to refunding bond escrow agents are reported as financing sources/uses in governmental funds. In the Statement of Net Assets, however, issuing or refinancing debt affects noncurrent liabilities. (18,469)

Other Post Employment Benefits (OPEB) are long term liabilities and are not recorded in the governmental funds. (1,144,097)

Repayment of principal is an expenditure in governmental funds, but reduces noncurrent liabilities in the Statement of Net Assets. 2,528,966

Accrued but unpaid and accreted interest 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. (115,595)

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. 3,814,795

Change in Net Assets of Governmental Activities \$ 969,493

See accompanying Notes to Basic Financial Statements.

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Proprietary Fund Financial Statements

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).

Golf Course - This fund accounts for the activities of the Delaveaga Golf Course, which provides recreational facilities to the public.

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 Assets
Proprietary Funds
June 30, 2009

	Enterprise Funds			
	Water	Wastewater	Refuse	Parking
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 37,261,606	\$ 9,836,558	\$ 12,173,471	\$ 3,667,213
Restricted cash and cash equivalents	93,705	3,311	93,994	511,673
Interest receivable	182,771	408,969	67,720	18,734
Taxes receivable	-	-	-	1,401
Accounts receivable - net	2,834,892	3,468,613	1,769,160	28,521
Due from other governments	20,455	25,233	-	-
Due from other funds	800,000	-	-	-
Intergovernmental receivable - due within one year	-	1,217,082	-	-
Inventories	-	-	-	-
Deposits	-	-	-	30,000
Total current assets	41,193,429	14,959,766	14,104,345	4,257,542
Noncurrent assets:				
Restricted investments	-	378,416	866,812	-
Notes receivable - due in more than one year	401,058	-	-	-
Intergovernmental receivable - due in more than one year	-	12,766,735	-	-
Advances to other funds	-	64,874	-	-
Deferred charges	401,279	229,538	239,873	182,509
Capital assets:				
Land	-	-	-	-
Land improvements	71,900	910,270	-	280,701
Infrastructure	72,320,055	52,596,348	19,346,219	1,125,817
Buildings	9,245,067	126,672,607	2,766,820	20,465,211
Machinery and equipment	6,549,530	4,078,030	13,791,265	480,614
Lease improvements	-	70,000	-	-
Software	265,431	196,557	99,336	9,933
Construction in progress	18,341,432	884,804	186,981	57,971
Less accumulated depreciation	(40,576,914)	(78,010,343)	(21,034,962)	(8,259,827)
Total capital assets (net of accumulated depreciation)	66,216,501	107,398,273	15,155,659	14,160,420
Total noncurrent assets	67,018,838	120,837,836	16,262,344	14,342,929
Total assets	108,212,267	135,797,602	30,366,689	18,600,471

See accompanying Notes to Basic Financial Statements.

Enterprise Funds			Governmental
Storm Water	Golf Course	Total	Activities Internal Service Funds
\$ 2,326,570	\$ 17,790	\$ 65,283,208	\$ 6,923,011
809	331,083	1,034,575	-
11,537	(2,039)	687,692	44,654
-	-	1,401	-
37,385	120,619	8,259,190	48,566
210,732	7,600	264,020	-
-	-	800,000	760,000
-	-	1,217,082	-
-	-	-	141,254
-	-	30,000	1,277,020
<u>2,587,033</u>	<u>475,053</u>	<u>77,577,168</u>	<u>9,194,505</u>
-	275,906	1,521,134	-
-	-	401,058	-
-	-	12,766,735	-
-	-	64,874	5,000,000
710,617	112,184	1,876,000	-
-	1,819,287	1,819,287	-
-	2,450,870	3,713,741	-
22,972,361	310,235	168,671,035	-
-	1,236,318	160,386,023	-
6,421	763,620	25,669,480	2,458,007
-	-	70,000	-
-	-	571,257	336,296
2,187,884	-	21,659,072	-
<u>(6,246,011)</u>	<u>(1,980,335)</u>	<u>(156,108,392)</u>	<u>(1,497,864)</u>
<u>18,920,655</u>	<u>4,599,995</u>	<u>226,451,503</u>	<u>1,296,439</u>
<u>19,631,272</u>	<u>4,988,085</u>	<u>243,081,304</u>	<u>6,296,439</u>
<u>22,218,305</u>	<u>5,463,138</u>	<u>320,658,472</u>	<u>15,490,944</u>

(Continued)

City of Santa Cruz
Statement of Net Assets, Continued
Proprietary Funds
June 30, 2009

	Enterprise Funds			
	Water	Wastewater	Refuse	Parking
LIABILITIES				
Current liabilities:				
Accounts payable and other current liabilities	\$ 2,659,311	\$ 771,176	\$ 615,321	\$ 116,238
Due to other funds	-	-	-	-
Interest payable	177,894	781,659	89,700	46,244
Unearned revenue	622	-	21,210	-
Deposits payable	33,950	48	603	28,325
Claims and judgments payable	-	-	-	-
Compensated absences payable	317,828	143,592	194,353	22,584
Bonds, notes, loans and leases payable due in less than one year	317,641	2,852,681	1,059,602	220,000
Total current liabilities	3,507,246	4,549,156	1,980,789	433,391
Noncurrent liabilities:				
Advances from other funds	-	-	-	415,000
Claims and judgments payable	-	-	-	-
Compensated absences payable	158,914	71,796	97,177	11,292
Other post employment benefits	111,373	72,358	81,610	16,611
Bonds, notes, loans and leases payable due in more than one year	11,930,500	30,779,364	7,446,642	5,510,000
Landfill closure costs	-	-	4,293,086	-
Total noncurrent liabilities	12,200,787	30,923,518	11,918,515	5,952,903
Total liabilities	15,708,033	35,472,674	13,899,304	6,386,294
NET ASSETS				
Invested in capital assets, net of related debt	53,968,360	73,766,228	6,649,415	8,430,420
Unrestricted	38,535,874	26,558,700	9,817,970	3,783,757
Total net assets	\$ 92,504,234	\$ 100,324,928	\$ 16,467,385	\$ 12,214,177

See accompanying Notes to Basic Financial Statements.

Enterprise Funds			Governmental
Storm Water	Golf Course	Total	Activities Internal Service Funds
\$ 48,927	\$ 109,138	\$ 4,320,111	\$ 299,922
-	800,000	800,000	758,192
54,581	30,244	1,180,322	-
-	18,389	40,221	-
-	-	62,926	-
-	-	-	2,610,820
2,455	22,000	702,812	34,603
185,000	295,257	4,930,181	-
290,963	1,275,028	12,036,573	3,703,537
-	1,549,870	1,964,870	-
-	-	-	7,451,004
1,227	11,001	351,407	17,301
1,905	12,664	296,521	6,154
5,410,000	3,311,012	64,387,518	-
-	-	4,293,086	-
5,413,132	4,884,547	71,293,402	7,474,459
5,704,095	6,159,575	83,329,975	11,177,996
13,325,655	993,726	157,133,804	1,296,439
3,188,555	(1,690,163)	80,194,693	3,016,509
\$ 16,514,210	\$ (696,437)	\$ 237,328,497	\$ 4,312,948

(Concluded)

City of Santa Cruz
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the year ended June 30, 2009

	Enterprise Funds			
	Water	Wastewater	Refuse	Parking
OPERATING REVENUES				
Charges for services	\$ 25,351,854	\$ 14,577,440	\$ 15,766,490	\$ 2,541,330
Use of property	6,600	-	225	172,188
Other revenues	246,904	6,000	109,091	68,238
Total operating revenues	25,605,358	14,583,440	15,875,806	2,781,756
OPERATING EXPENSES				
Personnel services	8,933,108	5,661,827	6,945,218	1,399,195
Services, supplies, and other charges	9,844,553	6,713,398	3,146,306	1,167,054
Depreciation and amortization	2,269,513	4,254,720	1,803,981	511,885
Total operating expenses	21,047,174	16,629,945	11,895,505	3,078,134
Operating income (loss)	4,558,184	(2,046,505)	3,980,301	(296,378)
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental	-	1,141,042	30,114	39,929
Investment earnings	1,052,119	687,331	397,097	145,908
Interest expense and fiscal charges	(546,931)	(1,003,286)	(429,331)	(287,854)
Debt issuance costs	(15,015)	(16,090)	(17,491)	(9,910)
Gain (loss) on sale of capital assets	-	40,000	(24,569)	-
Total nonoperating revenues (expenses)	490,173	848,997	(44,180)	(111,927)
Income (loss) before contributions and transfers	5,048,357	(1,197,508)	3,936,121	(408,305)
Capital contributions - other agencies	1,436,784	-	-	-
Capital contributions - other funds	(897,996)	-	(25,000)	50,627
Transfers in	137,024	-	121	-
Transfers out	(10,465)	(117,296)	(77,686)	-
Total contributions and transfers	665,347	(117,296)	(102,565)	50,627
Change in net assets	5,713,704	(1,314,804)	3,833,556	(357,678)
NET ASSETS				
Beginning of year	90,444,940	103,011,062	12,732,404	17,209,957
Prior period adjustment	(3,654,410)	(1,371,330)	(98,575)	(4,638,102)
Beginning of year, as restated	86,790,530	101,639,732	12,633,829	12,571,855
End of year	\$ 92,504,234	\$ 100,324,928	\$ 16,467,385	\$ 12,214,177

See accompanying Notes to Basic Financial Statements.

Enterprise funds			Governmental
Storm Water	Golf Course	Total	Activities
			Internal
			Service Funds
\$ 883,145	\$ 1,846,399	\$ 60,966,658	\$ 9,724,473
-	200	179,213	-
-	199,845	630,078	37,372
883,145	2,046,444	61,775,949	9,761,845
137,430	1,074,959	24,151,737	1,496,125
456,170	1,005,597	22,333,078	4,592,680
747,208	205,277	9,792,584	143,767
1,340,808	2,285,833	56,277,399	6,232,572
(457,663)	(239,389)	5,498,550	3,529,273
137,434	-	1,348,519	-
91,653	20,632	2,394,740	328,251
(222,263)	(229,444)	(2,719,109)	-
(27,737)	(10,481)	(96,724)	-
-	-	15,431	-
(20,913)	(219,293)	942,857	328,251
(478,576)	(458,682)	6,441,407	3,857,524
-	-	1,436,784	-
-	-	(872,369)	-
-	-	137,145	-
-	(121)	(205,568)	(42,729)
-	(121)	495,992	(42,729)
(478,576)	(458,803)	6,937,399	3,814,795
17,001,608	(237,634)	240,162,337	498,153
(8,822)	-	(9,771,239)	-
16,992,786	(237,634)	230,391,098	498,153
\$ 16,514,210	\$ (696,437)	\$ 237,328,497	\$ 4,312,948

City of Santa Cruz
Combining Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2009

	Enterprise Funds			
	Water	Wastewater	Refuse	Parking
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers and users	\$ 28,003,292	\$ 13,560,870	\$ 14,876,583	\$ 2,547,528
Cash received from interfund services provided	-	-	-	-
Cash payments to suppliers for goods and services	(7,413,373)	(6,212,469)	(2,473,018)	(1,149,560)
Cash payments to employees for services	(8,892,135)	(5,659,591)	(6,904,296)	(1,391,034)
Cash payments for interfund services used	(1,817,242)	(1,155,312)	(2,429,673)	(84,238)
Cash payments to other governments	-	-	-	-
Cash received from (payments to) others	253,504	6,000	109,316	240,426
Net cash provided (used) by operating activities	10,134,046	539,498	3,178,912	163,122
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	137,024	-	121	-
Transfers out	(10,465)	(117,296)	(77,686)	-
Advances from other funds	-	-	-	(23,000)
Advances to other funds	5,164	13,144	-	-
Due to/from other funds	(800,000)	-	-	-
Receipts from other governments	(20,455)	2,324,974	30,114	50,228
Net cash provided (used) by noncapital financing activities	(688,732)	2,220,822	(47,451)	27,228
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital contributions	538,788	-	(25,000)	50,627
Purchase and construction of capital assets	(7,168,205)	(748,391)	(1,024,521)	(97,832)
Principal paid on capital debt	(289,811)	(2,764,006)	(1,693,960)	(200,090)
Interest paid on capital debt	(565,561)	(1,085,006)	(460,393)	(299,208)
Proceeds from sales of capital assets	-	40,000	(24,569)	-
Net cash provided (used) by capital and related financing activities	(7,484,789)	(4,557,403)	(3,228,443)	(546,503)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	-	(7,400)	64,833	495,522
Interest receivables	142,188	60,280	35,107	22,354
Investment income received	1,052,119	687,331	397,097	145,908
Net cash provided (used) by investing activities	1,194,307	740,211	497,037	663,784
Net increase (decrease) in cash and cash equivalents	3,154,832	(1,056,872)	400,055	307,631
CASH AND CASH EQUIVALENTS				
Beginning of year	34,200,479	10,896,741	11,867,410	3,871,255
End of year	\$ 37,355,311	\$ 9,839,869	\$ 12,267,465	\$ 4,178,886

See accompanying Notes to Basic Financial Statements.

Enterprise Funds			Governmental
Storm Water	Golf Course	Total	Activities Internal Service Funds
\$ 883,067	\$ 1,798,266	\$ 61,669,606	\$ 242,459
-	-	-	9,493,747
(474,403)	(431,892)	(18,154,715)	(4,718,797)
(135,664)	(1,074,156)	(24,056,876)	(1,501,258)
(42,379)	(508,537)	(6,037,381)	-
-	(130,750)	(130,750)	-
-	200,045	809,291	107,007
230,621	(147,024)	14,099,175	3,623,158
-	-	137,145	-
-	(121)	(205,568)	(42,729)
-	39,870	16,870	(5,000,000)
-	-	18,308	-
-	800,000	-	(7,481)
218,676	-	2,603,537	-
218,676	839,749	2,570,292	(5,050,210)
-	-	564,415	-
(219,838)	(182,432)	(9,441,219)	(237,362)
(146,605)	(152,439)	(5,246,911)	-
(251,750)	(240,691)	(2,902,609)	-
-	-	15,431	-
(618,193)	(575,562)	(17,010,893)	(237,362)
-	63,380	616,335	-
2,169	(6,515)	255,583	25,613
91,653	20,632	2,394,740	328,251
93,822	77,497	3,266,658	353,864
(75,074)	194,660	2,925,232	(1,310,550)
2,402,453	154,213	63,392,551	8,233,561
\$ 2,327,379	\$ 348,873	\$ 66,317,783	\$ 6,923,011

(Continued)

City of Santa Cruz
Combining Statement of Cash Flows, Continued
Proprietary Funds
For the year ended June 30, 2009

	Enterprise Funds			
	Water	Wastewater	Refuse	Parking
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 4,558,184	\$ (2,046,505)	\$ 3,980,301	\$ (296,378)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	2,269,513	4,254,720	1,803,981	511,885
Estimated closure/postclosure costs	-	-	(2,070,626)	-
Changes in assets and liabilities:				
Accounts receivable	2,652,750	(1,016,581)	(874,891)	1,330
Prepaid items	-	-	-	-
Inventories	-	-	-	-
Deposits	-	-	-	-
Notes and loans receivable	-	-	-	-
Accounts payable and other current liabilities	502,565	(726,741)	232,631	(83,355)
Deferred revenue	-	-	(15,016)	-
Deposits payable	(1,312)	11	-	4,868
Claims and judgments payable	-	-	-	-
OPEB	111,373	72,358	81,610	16,611
Compensated absences payable	40,973	2,236	40,922	8,161
Total adjustments	5,575,862	2,586,003	(801,389)	459,500
Net cash provided (used) by operating activities	\$ 10,134,046	\$ 539,498	\$ 3,178,912	\$ 163,122

See accompanying Notes to Basic Financial Statements.

Enterprise Funds			Governmental
Storm Water	Golf Course	Total	Activities Internal Service Funds
\$ (457,663)	\$ (239,389)	\$ 5,498,550	\$ 3,529,273
747,208	205,277	9,792,584	143,767
-	-	(2,070,626)	-
(78)	(48,133)	714,397	11,733
-	-	-	-
-	-	-	11,195
-	-	-	-
-	-	-	-
(62,517)	(78,246)	(215,663)	(137,312)
-	-	(15,016)	-
-	-	3,567	319,366
-	-	-	(249,731)
1,905	12,664	296,521	6,154
1,766	803	94,861	(11,287)
688,284	92,365	8,600,625	93,885
\$ 230,621	\$ (147,024)	\$ 14,099,175	\$ 3,623,158

(Concluded)

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Fiduciary Fund 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.

Agency Funds - Agency funds are used to account for resources held by the City in a custodial capacity. These funds account for the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

City of Santa Cruz
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009

	Private- Purpose Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 537,736	\$ 604,224
Restricted cash and cash equivalents	-	58,630
Receivables:		
Interest receivable	2,698	697
Taxes receivable	-	456,464
Accounts receivable - net	-	410,664
Due from other governments	-	4,835
Prepaid items	-	28,944
Total assets	\$ 540,434	\$ 1,564,458
LIABILITIES		
Accounts payable and other current liabilities	\$ -	\$ 278,534
Due to other governments	-	689,748
Deposits payable	-	308,369
Payable to bondholders	-	287,807
Total liabilities	-	\$ 1,564,458
NET ASSETS		
Held in trust for library programs	\$ 540,434	

See accompanying Notes to Basic Financial Statements.

City of Santa Cruz
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the year ended June 30, 2009

	Private- Purpose Trust Funds
ADDITIONS	
Investment earnings	\$ 15,204
Total additions	<u>15,204</u>
DEDUCTIONS	
Library programs	<u>20,455</u>
Total deductions	<u>20,455</u>
Change in net assets	<u>(5,251)</u>
NET ASSETS	
Beginning of year	<u>545,685</u>
End of year	<u><u>\$ 540,434</u></u>

See accompanying Notes to Basic Financial Statements.

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City of Santa Cruz
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For the year ended June 30, 2009

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City of Santa Cruz
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City of Santa Cruz
Notes to Basic Financial Statements
For the year ended June 30, 2009

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.

A. 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 aggregating/merging component unit data and data from the City at the combined financial statement level.

Based on the above criteria, the accompanying financial statements include the financial activities of the following entities as blended component units. Separate financial statements of these entities can be obtained from the Finance Department of the City.

City of Santa Cruz Redevelopment Agency - The City of Santa Cruz Redevelopment Agency (Agency) was formed in 1956 to improve social, physical and economic conditions of the City by constructing a series of commercial, residential and public buildings in the downtown area. The City's Council members are the Agency's Directors and have full accountability for the Agency's fiscal matters.

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 has responsibility for the operations of 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 Agency and the City, under the provisions of Article 1 (commencing with section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State of California ("Joint Powers Law"), for the purpose of creating a public agency which could provide financial assistance to the Agency and the City in connection with the public capital improvement.

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, 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.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus

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

Government - Wide Financial Statements

These basic financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. 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 indirect costs are included in the program expense reported for individual functions and activities.

Certain types of transactions are reported as program revenues for the City in three categories:

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

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Assets 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 and Changes in Net Assets, 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
- Advances to/from other funds
- Transfers in/out

For its business-type activities, the City applies all applicable GASB pronouncements currently in effect, as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure that do not conflict with or contradict GASB pronouncements.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

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 funds aggregated. The City's major governmental funds include the General Fund, Redevelopment Agency Fund, and the General Capital Improvement Fund. The Redevelopment Agency Fund is used to account for all the activities of the City of Santa Cruz Redevelopment Agency. This includes the accumulation of resources for the payment of interest and principal on debt issued to finance redevelopment activities, and general redevelopment operations. 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. The General Fund is used to account for sources and used of financial resources traditionally associated with governments, and which are not required to be accounted for in another fund. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the Governmental-Wide Financial Statements. The City has presented all major funds that met the applicable criteria.

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 assets. 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.

Revenues are recorded when received in cash, except for that revenues subject to accrual (generally 60 days after year-end) are recognized when due. 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.

Deferred revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also 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, the deferred revenue is removed from the Balance Sheet and revenue is recognized.

Reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences created by the integrated approach of GASB Statement No. 34.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, 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 are Equipment Operations, Telecommunications, and Risk Management Funds.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Net Assets increases (revenues) and decreases (expenses) in total net assets. 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 nonoperating expenses.

Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Net Assets and a Statement of Changes in Fiduciary Net Assets. The City's fiduciary funds represent private-purpose trust funds and agency funds, such as Library Joint Powers Authority, Payroll Payables, and Special Assessments. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are accounted for using the accrual basis of accounting. The private-purpose trust funds are used to account for resources legally held in trust for special purposes, such as McCaskill Trust - Local History, McCaskill Trust - Visually Impaired, and The Finkeldey Trust - Musical Literature.

C. Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Cash, Cash Equivalents, and Investments

Cash and cash equivalents are considered to be amounts in demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. For purposes of both the balance sheet and statements of cash flows, cash and cash equivalents includes not only currency on hand, but 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. 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). LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. The City valued its investments in LAIF as of June 30, 2009, by multiplying its account balance with LAIF times a fair value factor determined by LAIF (1.001304743). This fair value factor was determined by dividing the total aggregate fair value for all LAIF participants by the total aggregate amortized cost.

E. 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.

F. Prepaid Items

Certain payments applicable to future accounting periods are recorded as prepaid items. Prepaid items do not reflect current appropriable resources and, thus, an equivalent portion of fund balance is reserved.

G. Inventories

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

H. 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."

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. 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 improvements		10,000
Land improvements		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 estimated fair market 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 assets (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 GASB Statement No. 34 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 current date. The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date on a straight line, unrecovered cost method was computed using industry-accepted life expectancies for each infrastructure subsystem. The book value was then computed by deducting the accumulated depreciation from the estimated historical cost.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. Capital Assets, Continued

Fund Financial Statements

In the governmental fund financial statements, capital assets are not presented. 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 Assets.

J. Interest Payable

In the Government-Wide Financial Statements, interest payable on long-term debt is recognized as the liability is incurred for governmental fund types and proprietary fund types.

In the Fund Financial Statements, propriety fund types recognize the interest payable when the liability is incurred.

K. Deferred Revenue

In the Government-Wide Financial Statements, deferred revenue is recognized for transactions for which revenue has not yet been earned. Typical transactions recorded as deferred revenues in the Government-Wide Financial Statements are long-term assessments, and long-term loans receivable.

In the Fund Financial Statements, deferred revenue is recorded when transactions have not yet met the revenue recognition criteria based on the modified accrual basis of accounting. The City records deferred revenue for transactions for which revenues have not been earned, or for which funds are not available to meet current financial obligations. Typical transactions for which deferred revenue is recorded are grants received but not yet earned or available, interest on interfund advances receivable, long-term assessments, and loans receivable.

L. 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.

M. Bond Premiums, Discounts, and Issuance Costs

For governmental type activities, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as other financing sources net of the applicable premium or discount. Issuance costs, whether or not withheld from the actual net proceeds received, are reported as debt service expenditures.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

M. Bond Premiums, Discounts, and Issuance Costs, Continued

For business-type activities, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using a straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs and costs in excess of net assets acquired are reported as other assets in the accompanying financial statements.

N. Long-Term Debt

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

Fund Financial Statements - With the exception of compensated absences and 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 Assets.

O. Net Assets

In the Government-Wide Financial Statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt - 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 Assets - This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Assets - This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets."

P. Fund Balances - Reservations and Designations

In the Fund Financial Statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balances represent tentative management plans that are subject to change.

Q. Property Taxes

Assessed property values are determined annually by the County Assessor as of March 1, and become a lien on real property at July 1. Taxes are due 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.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

R. 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 reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

S. Implementation of New GASB Pronouncements

In 2009, the City adopted new accounting standards in order to conform to the following GASB Statements:

- GASB Statement No. 45, Financial Reporting for Postemployment Benefit Plans (OPEB) other than Pension Plans - This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.
- GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations - This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups.
- GASB Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments - This Statement incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature.
- GASB Statement No. 56, Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards - This Statement incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants (AICPA) auditing literature into the GASB's accounting and financial reporting literature for state and local governments.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

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, 2009:

	Government-Wide Statement of Net Assets			Statement of	
	Governmental Activities	Business-Type Activities	Total	Fiduciary Net Assets	Total
Unrestricted assets:					
Cash and cash equivalents	\$ 39,803,569	\$ 65,283,208	\$ 105,086,777	\$ 1,141,960	\$ 106,228,737
Total unrestricted assets	<u>39,803,569</u>	<u>65,283,208</u>	<u>105,086,777</u>	<u>1,141,960</u>	<u>106,228,737</u>
Restricted assets:					
Cash and cash equivalents	3,365,360	1,034,575	4,399,935	58,630	4,458,565
Investments	<u>291,236</u>	<u>1,521,134</u>	<u>1,812,370</u>	<u>-</u>	<u>1,812,370</u>
Total restricted assets	<u>3,656,596</u>	<u>2,555,709</u>	<u>6,212,305</u>	<u>58,630</u>	<u>6,270,935</u>
Grand Total	<u>\$ 43,460,165</u>	<u>\$ 67,838,917</u>	<u>\$ 111,299,082</u>	<u>\$ 1,200,590</u>	<u>\$ 112,499,672</u>

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, 2009:

Cash and cash equivalents:	
Pooled cash deposits	\$ 2,217,971
Outstanding checks	(831,130)
Other deposits and cash held by city	61,691
Certificates of deposit	696,000
Money market mutual funds available for debt service	10,931
Federal securities	29,918,714
State local agency investment fund (LAIF)	<u>74,154,560</u>
Total cash and cash equivalents	<u>106,228,737</u>
Restricted cash and cash equivalents:	
Pooled cash deposits	166,332
Other cash deposits	82,202
Money market mutual funds held by fiscal agents	1,382,860
State local agency investment fund (LAIF)	<u>2,827,171</u>
Total restricted cash and cash equivalents	<u>4,458,565</u>
Restricted investments:	
Federal securities held by fiscal agents	<u>1,812,370</u>
Total restricted investments	<u>1,812,370</u>
Total restricted assets	<u>6,270,935</u>
Total cash, cash equivalents, and investments	<u>\$ 112,499,672</u>

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

2. CASH DEPOSITS AND INVESTMENTS, Continued

A. Cash Deposits

At June 30, 2009, the carrying amounts of the City's cash deposits were \$1,697,066, net of outstanding checks in the amount of \$831,130. Bank balances before reconciling items were \$2,314,630. The total bank balance was collateralized or insured with securities held by the pledging financial institutions in the City's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. 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. Thus, collateral for cash deposits is considered to be held in the City's name.

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure city deposits by pledging first trust deed mortgage notes having a value of 150% of the City'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 two of the City's certificates of deposits: Bay Federal and Santa Cruz County Bank. The City waived security in the amount of \$100,000 for deposits held by each bank with the condition that sufficient collateral is maintained for all amounts in excess of \$100,000.

B. Investments

The investments made by the City treasurer are limited to those allowable under State statutes as incorporated into the City's Investment Policy, dated May 31, 2009, 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
- City of Santa Cruz Redevelopment Agency
- Santa Cruz Public Improvement Financing Corporation
- Santa Cruz Public Financing Authority

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

- a. Money market accounts deposited with a nationally or state-chartered bank.
- b. Bonds issued by the City. Purchases of this type shall not exceed five years to maturity.
- c. 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.
- d. 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.
- e. Bankers' acceptances with a term not to exceed 180 days' maturity or 40% of the City's portfolio.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

2. CASH DEPOSITS AND INVESTMENTS, Continued

B. Investments, Continued

- f. Nonnegotiable and nontransferable certificates of deposit issued by a nationally or state-chartered bank, state or federal credit union, or by a 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.
- g. LAIF as long as the total amount of City and Agency combined funds invested does not exceed the limit set by LAIF.
- h. 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 City's portfolio with no more than 10% of the portfolio in a single mutual fund.
- i. 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.

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 and as permitted by specific State statutes, applicable City ordinance or resolution, and bond indenture requirements.

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 City's investments with LAIF at June 30, 2009, included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities:

Structured Notes: debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities: generally mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2009, the City had \$76,981,731 invested in LAIF accounts, which had invested 14.713% of the pool investments in structured notes and asset-backed securities as compared to 14.725% in the previous year. The City's share of structured notes and asset-backed securities due to its holdings in LAIF amounted to approximately 10.222% of investments at June 30, 2009.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

2. CASH DEPOSITS AND INVESTMENTS, Continued

C. 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.

At June 30, 2009, the City had the following investment maturities:

Investment Type	Fair Value	Maturity (Days)
U.S. Agencies	\$ 31,731,084	360
U.S. Treasury Money Market Funds	1,393,791	1
Certificates of Deposit	696,000	454
LAIF	76,981,731	235
Total Fair Value of Investments Only*	\$ 110,802,606	
Portfolio Weighted Average Maturity (Days)		269
Portfolio Weighted Average Maturity (Years)		0.74

*Does not include net amount of bank balances

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, 2009, the City held \$17,728,384 in callable securities, which amounted to approximately 16.00% of investments at June 30, 2009. 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.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

2. CASH DEPOSITS AND INVESTMENTS, Continued

C. Risk Disclosures, Continued

Credit Risk - State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The City's investments are rated as follows:

	Moody's	Standard & Poor's
U.S. Agencies		
Federal Farm Credit Bank	Aaa	AAA
Federal Home Loan Bank	Aaa	AAA
Federal Home Loan Mortgage Corporation	Aaa	AAA
Federal National Mortgage Association	Aaa	AAA
U.S. Treasury Money Market Mutual Funds		
BlackRock - Treasury Trust Fund	Not Rated	AAA-m-G
BlackRock - T-Fund	Aaa	AAA-m
Goldman Sachs - Treasury Instruments Portfolio	Aaa	AAA-m-G
External Pool		
LAIF	Not Rated	Not Rated

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. The investment in BlackRock Treasury Trust Money Market Mutual Fund is rated by only one nationally recognized statistical rating organization; however, it is approved by the National Association of Investors Corporation.

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 following chart presents 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, 2009:

Investment Type	Amount Invested	Percentage of Investments
Federal Home Loan Bank	\$ 10,140,320	9.15%
Federal Home Loan Mortgage Corporation	11,990,426	10.82%
Federal National Mortgage Association	5,551,579	5.01%
Total	\$ 27,682,325	24.98%

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

2. CASH DEPOSITS AND INVESTMENTS, Continued

C. Risk Disclosures, Continued

The following chart presents the City's investments in money market mutual funds by issuer at June 30, 2009:

U.S. Treasury Money Market Mutual Funds	Amount Invested	Percentage of Investments
BlackRock - Treasury Trust Fund	\$ 22,037	0.02%
BlackRock - T-Fund	470,032	0.42%
Goldman Sachs - Treasury Instruments Portfolio	901,722	0.81%
Total	\$ 1,393,791	1.25%

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. \$2,064,630 of the City's deposits with financial institutions in excess of federal depository insurance limits was held in uncollateralized accounts. Of the City's total cash and investment balance at June 30, 2009, \$3,206,161 was held by fiscal agents, not in the name of the City, and invested as follows: \$1,812,370 in federal agency securities and \$1,393,791 in money market mutual funds.

3. RECEIVABLES

Government-Wide Statements

The following is a summary of receivables net of allowances for uncollectible amounts at June 30, 2009:

	Government-Wide Statement of Net Assets			Statement of	
	Governmental Activities	Business-Type Activities	Total	Fiduciary Net Assets	Total
Interest receivable	\$ 468,180	\$ 687,692	\$ 1,155,872	\$ 3,395	\$ 1,159,267
Taxes receivable	3,736,363	1,401	3,737,764	456,464	4,194,228
Accounts receivable, net	2,167,385	8,259,190	10,426,575	410,664	10,837,239
Due from other governments	3,075,292	264,020	3,339,312	4,835	3,344,147
Notes receivable	7,831,792	401,058	8,232,850	-	8,232,850
Loans receivable	3,158,499	-	3,158,499	-	3,158,499
Intergovernmental receivable	-	13,983,817	13,983,817	-	13,983,817
Total	\$ 20,437,511	\$ 23,597,178	\$ 44,034,689	\$ 875,358	\$ 44,910,047

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

3. RECEIVABLES, Continued

Fund Financial Statements

At June 30, 2009, the Fund Financial Statements show the following notes, loans and intergovernmental receivables:

Notes Receivable in the General Fund of \$178,372 (net of an allowance for uncollectible amounts of \$377,980) consist of a note from Neary Lagoon Partners in the amount of \$78,800; a loan to the River Street Shelter for repairs in the amount of \$5,700; a loan to First Night Santa Cruz for \$20,000; Harvey West Assessment District notes in the amount of \$102,671; various notes for housing improvement activities in the Housing In-Lieu program of \$279,181; and \$70,000 in loans to two borrowers participating in the Accessory Dwelling Unit Loan Program. Some notes are secured by a deed of trust.

The Redevelopment Agency Fund notes receivable balance of \$7,028,545 which includes an allowance of \$336,548 represents loans for low/moderate income housing projects. There are two types of loan repayment for these notes: due upon sale or transfer and lump sum payment at maturity. Interest rates range from 0% to 7%. The notes are all secured by a deed of trust.

Notes receivable in the Housing and Community Development special revenue fund of \$624,875 (net of an allowance of \$3,419,188) represent disaster relief funds for buildings damaged in the 1989 earthquake. There are two types of loan repayment plans: monthly repayment and deferred to a future date when monthly repayment will begin. The interest rate on these notes is 3%. The notes are all secured by a deed of trust.

Notes receivable in the enterprise funds are made up of two notes totaling \$401,058. Both are due from Neary Lagoon Partners for water system connection fees pertaining to a low/moderate income housing project. These notes do not bear interest, and repayment is deferred until 2019.

Loans Receivable in the general fund consists of a loan between the City and the Santa Cruz Library Joint Powers Authority with an outstanding balance of \$430,150 as of June 30, 2009. The City and the Authority entered into a loan agreement in the amount of \$467,303 in September, 2008 for the financing of tenant improvements to the City's Union/Locust building, which the Authority leases from the City under a long-term lease agreement. The loan will be repaid over a period of ten years, with an annual interest rate of 5% and the annual debt service payment is \$60,518. The first payment was made in January, 2009 and final payment will be made in January, 2018.

Loans receivable in the other governmental funds consists of loans of \$2,728,349 (net of an allowance of \$5,476,609) for rehabilitation of low/moderate income housing. The loans are made with Federal funds from the Department of Housing and Urban Development (HUD). The City administers these funds for HUD. There are four types of loan repayment schedules: monthly installments, due upon sale or transfer, deferred to a future date when monthly repayment will begin, 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.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

3. RECEIVABLES, Continued

Intergovernmental Receivables in the enterprise funds total \$13,983,817 and are comprised of amounts due from local and state governmental agencies. \$159,170 of the total relates to a levee construction and improvement project. The remaining \$13,824,647 (\$1,217,082 due within one year and \$12,607,565 due in more than one year) is owed by the County of Santa Cruz for its share of a State Water Resources Board loan for wastewater treatment plant upgrades. Payments of interest and principal from the County of Santa Cruz are due in annual installments of \$1,604,172, at an interest rate of 2.8%, with the final payment due August 1, 2018.

Allowance for uncollectible notes and loans - When considerable uncertainty exists as to the collectibility 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 notes and loans.

4. DEPOSITS

The City had deposits in the amount of \$1,377,253 at June 30, 2009:

Governmental Activities:	
Housing Programs	\$ 70,233
Workers Compensation	150,000
Liability Insurance	1,127,020
Total Governmental Funds	1,347,253
Business-type Activities:	
Parking	\$ 30,000
Total Business type Funds	30,000
Total	\$ 1,377,253

A. Governmental Activities

Deposits in the City's governmental funds total \$1,347,253 at June 30, 2009. 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 \$233 for a total deposit at June 30, 2009 of \$70,233. In FY 2005, the Workers Compensation Internal Service Fund established a deposit in the amount of \$150,000 with Sedgwick CMS which equals approximately 6 weeks of expected claims. As referenced in the Risk Management and Self Insurance Note, the City is self-insured up to \$1,000,000. At June 30, 2009 the City had a deposit in the amount of \$1,127,020 with ACCEL.

B. Business Type Activities

In FY 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's and Friend, Friend & Friend, L.P.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

5. INTERFUND BALANCES AND TRANSACTIONS

A. Government-Wide Financial Statements

Long-Term Internal Balances

At June 30, 2009, the City had the following long-term internal balances:

	Internal Balances Payable
	Governmental Activities
Internal Balances Receivable	
Business-Type Activities	\$ 1,899,996

This balances consists of the net amount of long-term advances between the Redevelopment Agency Fund and the Water, Wastewater and Parking enterprise funds. The advances are to fund various projects.

Transfers

The City had the following transfers for the year ending June 30, 2009:

	Transfers In
	Governmental Activities
Transfers Out	
Business-Type Activities	\$ 68,423

Transfers are used to move revenues from the enterprise funds to the General Capital Improvements capital projects fund for financing a share of project expenses or debt service costs for projects from which those funds receive benefit.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

5. INTERFUND BALANCES AND TRANSACTIONS, Continued

B. Funds Financial Statements

The City had the following due to/from other funds as of June 30, 2009:

Due to Other Funds	Due from Other Funds			
	General	Water	Internal	Total
	Fund	Enterprise	Service	
	Fund	Fund	Funds	
General CIP	\$ 5,618	-	-	\$ 5,618
Non-Major Governmental Funds	1,112,919	-	1,808	1,114,727
Golf Course Enterprise Fund	-	800,000	-	800,000
Internal Service Funds	-	-	758,192	758,192
Total	\$ 1,118,537	\$ 800,000	\$ 760,000	\$ 2,678,537

The outstanding balances between funds result mainly from a timing difference between when interest revenues are earned and when they are received for amounts which are transferred from the earning fund to the General Fund, and short-term loans to cover negative cash.

Long-Term Advances

The City had the following long-term advances as of June 30, 2009:

Advances from Other Funds	Advances to Other Funds				
	General	Redevelopment	Wastewater	Risk Mgmnt	Total
	Fund	Agency	Enterprise	Internal	
	Fund	Fund	Fund	Service Fund	
Redevelopment Agency Fund	\$ 888,476	\$ -	\$ -	\$ -	\$ 888,476
General CIP	2,509,686	-	64,874	5,000,000	7,574,560
Non-Major Governmental Funds	1,478,048	-	-	-	1,478,048
Parking Enterprise Fund	-	415,000	-	-	415,000
Golf Enterprise Fund	1,549,870	-	-	-	1,549,870
Total	\$ 6,426,080	\$ 415,000	\$ 64,874	\$ 5,000,000	\$ 11,905,954

Long-term advances were made 1) from the General Fund to the Golf Enterprise Fund to eliminate a cash deficit, 2) from the Wastewater Enterprise Fund to the Redevelopment Agency Fund to finance Redevelopment projects, 3) from the General Fund to the Housing and Community Development Special Revenue Fund as a deposit for matching grant funds, and 4) from the Redevelopment Agency Fund to the Parking Enterprise Fund to finance two parking capital improvements projects.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

5. INTERFUND BALANCES AND TRANSACTIONS, Continued

B. Funds Financial Statements, Continued

Transfers In/Out

The City had the following transfers for the year ending June 30, 2009:

		Transfers In						
		General	Redevelopment	General	Non-Major	Water	Refuse	
		Fund	Agency	Capital Imp.	Governmental	Enterprise	Enterprise	Total
					Funds	Fund	Fund	
Transfers Out	Governmental Funds:							
	General Fund	\$ -	\$ -	\$ 7,064	\$ 352,972	\$ -	\$ -	\$ 360,036
	Redevelopment Agency	-	2,087,620	-	-	-	-	2,087,620
	General Capital Improvement Fund	71,516	-	-	-	-	-	71,516
	Non-Major Governmental Funds	19,694	-	1,075,553	261,126	-	-	1,356,373
	Enterprise Funds:							
	Water	715	-	9,750	-	-	-	10,465
	Wastewater	40,708	-	-	-	76,588	-	117,296
	Refuse	-	-	17,250	-	60,436	-	77,686
	Golf Course	-	-	-	-	-	121	121
	Internal Service Funds	(7,271)	-	50,000	-	-	-	42,729
	Total	\$ 125,362	\$ 2,087,620	\$ 1,159,617	\$ 614,098	\$ 137,024	\$ 121	\$ 4,123,842

Transfers are used to 1) move interest revenues from the earning fund to the General Fund, and 2) move revenues from the General Fund and other funds to the General Capital Improvements Fund for financing various capital projects.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

6. CAPITAL ASSETS

A. Government-Wide Financial Statements

At June 30, 2009 the City's capital assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Capital Assets:			
Capital assets, not being depreciated:			
Land	\$ 60,380,806	\$ 1,819,287	\$ 62,200,093
Construction in progress	4,117,673	21,659,072	25,776,745
Subtotal, capital assets, not being depreciated	<u>64,498,479</u>	<u>23,478,359</u>	<u>87,976,838</u>
Capital assets, being depreciated:			
Land improvements	8,213,319	3,713,741	11,927,060
Infrastructure	206,175,621	168,671,035	374,846,656
Buildings	44,957,405	160,386,023	205,343,428
Machinery and equipment	13,327,533	25,669,480	38,997,013
Lease improvements	724,114	70,000	794,114
Software	1,220,476	571,257	1,791,733
Subtotal, capital assets, being depreciated	<u>274,618,468</u>	<u>359,081,536</u>	<u>633,700,004</u>
Total capital assets	<u>339,116,947</u>	<u>382,559,895</u>	<u>721,676,842</u>
Less accumulated depreciation:			
Land improvements	(2,865,217)	(1,204,698)	(4,069,915)
Infrastructure	(121,285,890)	(76,068,160)	(197,354,050)
Buildings	(11,398,977)	(62,895,197)	(74,294,174)
Machinery and equipment	(8,727,539)	(15,368,608)	(24,096,147)
Lease improvements	(509,394)	(19,833)	(529,227)
Software	(1,092,722)	(551,896)	(1,644,618)
Total accumulated depreciation	<u>(145,879,739)</u>	<u>(156,108,392)</u>	<u>(301,988,131)</u>
Total capital assets, net	<u><u>\$ 193,237,208</u></u>	<u><u>\$ 226,451,503</u></u>	<u><u>\$ 419,688,711</u></u>

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

6. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

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

	Balance July 1, 2008	Additions	Deletions	Prior Period Adjustments (Note 17)	Balance June 30, 2009
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 50,609,567	\$ -	\$ -	\$ 9,771,239	\$ 60,380,806
Construction in progress	10,186,790	4,917,300	(10,986,417)	-	4,117,673
Total capital assets, not being depreciated	<u>60,796,357</u>	<u>4,917,300</u>	<u>(10,986,417)</u>	<u>9,771,239</u>	<u>64,498,479</u>
Capital assets, being depreciated:					
Land improvements	7,976,050	237,269	-	-	8,213,319
Infrastructure	201,318,617	4,857,004	-	-	206,175,621
Buildings	39,721,209	5,236,196	-	-	44,957,405
Machinery and equipment	11,516,693	1,810,840	-	-	13,327,533
Lease improvements	724,114	-	-	-	724,114
Software	1,161,903	58,573	-	-	1,220,476
Total capital assets, being depreciated	<u>262,418,586</u>	<u>12,199,882</u>	<u>-</u>	<u>-</u>	<u>274,618,468</u>
Less accumulated depreciation:					
Land improvements	(2,309,219)	(555,998)	-	-	(2,865,217)
Infrastructure	(116,371,143)	(4,914,747)	-	-	(121,285,890)
Buildings	(10,512,046)	(886,931)	-	-	(11,398,977)
Machinery and equipment	(7,850,269)	(877,270)	-	-	(8,727,539)
Lease improvements	(439,925)	(69,469)	-	-	(509,394)
Software	(1,046,408)	(46,314)	-	-	(1,092,722)
Total accumulated depreciation	<u>(138,529,010)</u>	<u>(7,350,729)</u>	<u>-</u>	<u>-</u>	<u>(145,879,739)</u>
Capital assets, being depreciated, net	<u>123,889,576</u>	<u>4,849,153</u>	<u>-</u>	<u>-</u>	<u>128,738,729</u>
Total capital assets, net	<u>\$ 184,685,933</u>	<u>\$ 9,766,453</u>	<u>\$ (10,986,417)</u>	<u>\$ 9,771,239</u>	<u>\$ 193,237,208</u>

Depreciation expense of the governmental activities for the year ended June 30, 2009 was \$7,350,729 and was distributed as follows.

General Government	\$ 564,131
Public Safety	730,097
Parks and Recreation	2,181,465
Library - City	26,800
Public Works	3,744,751
Community & Economic Development	103,485
Total depreciation expense - general government	<u>\$ 7,350,729</u>

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

6. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

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

	Balance July 1, 2008	Additions	Deletions	Prior Period Adjustments (Note 17)	Balance June 30,2009
Business-type Activities:					
Capital assets, not being depreciated:					
Land	\$ 11,590,526	\$ -	\$ -	\$ (9,771,239)	\$ 1,819,287
Construction in process	15,229,557	8,076,953	(1,647,438)	-	21,659,072
Subtotal, capital assets, not being depreciated	<u>26,820,083</u>	<u>8,076,953</u>	<u>(1,647,438)</u>	<u>(9,771,239)</u>	<u>23,478,359</u>
Capital assets, being depreciated:					
Land improvements	3,713,741	-	-	-	3,713,741
Infrastructure	167,272,762	1,398,273	-	-	168,671,035
Buildings	160,328,296	57,727	-	-	160,386,023
Machinery and equipment	24,563,974	1,711,274	(789,706)	183,938	25,669,480
Lease improvements	70,000	-	-	-	70,000
Software	571,257	-	-	-	571,257
Subtotal, capital assets, being depreciated	<u>356,520,030</u>	<u>3,167,274</u>	<u>(789,706)</u>	<u>183,938</u>	<u>359,081,536</u>
Less accumulated depreciation:					
Land improvements	(1,023,426)	(181,272)	-	-	(1,204,698)
Infrastructure	(72,542,834)	(3,525,326)	-	-	(76,068,160)
Buildings	(59,349,831)	(3,545,366)	-	-	(62,895,197)
Machinery and equipment	(13,319,349)	(2,499,457)	634,136	(183,938)	(15,368,608)
Lease improvements	(17,033)	(2,800)	-	-	(19,833)
Software	(513,533)	(38,363)	-	-	(551,896)
Total accumulated depreciation	<u>(146,766,006)</u>	<u>(9,792,584)</u>	<u>634,136</u>	<u>(183,938)</u>	<u>(156,108,392)</u>
Subtotal, capital assets, being depreciated	<u>209,754,024</u>	<u>(6,625,310)</u>	<u>(155,570)</u>	<u>-</u>	<u>202,973,144</u>
Total capital assets, net	<u>\$ 236,574,107</u>	<u>\$ 1,451,643</u>	<u>\$ (1,803,008)</u>	<u>\$ (9,771,239)</u>	<u>\$ 226,451,503</u>

Business-type activities depreciation expense for the year ended June 30, 2009 is as follows:

Water	\$ 2,269,513
Wastewater	4,254,720
Refuse	1,803,981
Parking	511,885
Storm Water	747,208
Golf Course	205,277
Total depreciation expense	<u>\$ 9,792,584</u>

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

6. CAPITAL ASSETS, Continued

B. Fund Financial Statements

In the governmental fund financial statements, capital assets are not presented. 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 Assets.

7. LONG-TERM DEBT

A. Governmental Activities Long-Term Debt

	Balance July 1, 2008	Accreted Interest	Additions	Retirements	Balance June 30, 2009	Classification	
						Amount Due Within One Year	Amount Due in More Than One Year
						Compensated absences	\$ 2,921,745
Claims and judgments	10,442,555	-	541,986	(922,717)	10,061,824	2,610,820	7,451,004
Certificates of participation	3,945,289	-	-	(153,712)	3,791,577	161,577	3,630,000
General obligation bonds	6,972,333	102,477	-	(199,780)	6,875,030	205,937	6,669,093
Lease Revenue bonds	6,880,000	-	-	(125,000)	6,755,000	130,000	6,625,000
Notes payable	1,469,685	-	-	(1,176,630)	293,055	273,055	20,000
Tax allocation bonds payable	4,880,000	-	-	(130,000)	4,750,000	130,000	4,620,000
Capital lease obligations	819,608	-	-	(151,302)	668,306	156,781	511,525
Other long-term liabilities	754,069	-	-	(592,542)	161,527	51,009	110,518
Sub-Total	25,720,984	102,477	-	(2,528,966)	23,294,495	1,108,359	22,186,136
Total	\$ 39,085,284	\$ 102,477	\$ 3,151,165	\$ (5,902,789)	\$ 36,436,137	\$ 5,770,339	\$ 30,665,798

Compensated Absences and Claims and Judgments

As shown in the table above, the total amount outstanding at June 30, 2009 was \$3,079,818 for compensated absences and \$10,061,824 for claims and judgments. Claims and judgments are paid by the risk management internal service fund.

Certificates of Participation

Certificates of Participation payable at June 30, 2009, are comprised of the following individual issues:

Redevelopment Agency certificates of participation are part of the \$2,080,000 Golf and Redevelopment Agency Certificates described under Proprietary Fund Obligations in Note 7B. The outstanding balance relating to the Agency at June 30, 2009 was \$61,577, the total which is due within one year. For more information refer to the City of Santa Cruz Redevelopment Agency Basic Financial Statements.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

7. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

City of Santa Cruz issued certificates in April 2001 in the amount of \$4,415,000, to be used for the Civic Center Improvement Project. The certificates provide funds to finance the acquisition, construction, and improvement of the project. Although the City is obligated under the Lease Agreement to pay Lease Payments from any source of legally available funds, the Lease Agreement does not create a pledge, lien or encumbrance upon the revenues of the City. Annual payments are \$75,000 - \$270,000. The certificates bear interest at 4.6% - 5% and are payable semi-annually on April 1 and October 1 of each year, commencing October 1, 2001. Principal is payable annually on April 1 through the year 2031.

The balance outstanding at June 30, 2009 was \$3,730,000. The two certificates of participation combined have an outstanding balance of \$3,791,577 at June 30, 2009

The annual debt service requirements on the certificates of participation at June 30, 2009, were as follows:

For the Year Ending June 30,	Principal	Interest	Total
2010	\$ 161,577	\$ 184,616	\$ 346,193
2011	105,000	177,835	282,835
2012	110,000	173,005	283,005
2013	115,000	167,945	282,945
2014	120,000	162,655	282,655
2015-2019	685,000	725,085	1,410,085
2020-2024	865,000	541,500	1,406,500
2025-2029	1,105,000	302,500	1,407,500
2030-2034	525,000	39,750	564,750
Total	\$ 3,791,577	\$ 2,474,891	\$ 6,266,468

General Obligation & Lease Revenue Bonds

In March 1999, the City issued \$6,998,473 in general obligation bonds. The proceeds were used to upgrade fire stations, acquire open space property, and construct a community park and a fire administration facility. Annual payments ranging from \$142,625 to \$354,009 began September 1, 2000, and continue through September 1, 2029; interest ranges from 3.5% to 8.0%. The bonds are subject to early redemption at the option of the City beginning in 2008.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

7. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

The bonds are secured by and will be paid with annual ad valorem tax levies on all property subject to taxation within the City. Debt service for the fiscal year ended June 30, 2009, consisted of \$199,780 in principal and \$237,617 in interest for a total of \$437,398. Revenue pledged for the payment of current year debt service was \$635,833 resulting in a debt service to revenue source ratio of 68.8%. Remaining debt service payments for the life of the indenture are estimated to be \$5,610,443 in principal and \$5,860,540 in interest for a total debt service obligation of \$11,470,983. Total revenue pledged for the payment of total debt service is estimated to be \$13,352,493, resulting in a total debt service to revenue source ratio of 85.9%. Over the life of the obligation, the GO Obligation Bond Assessment taxes are expected to cover 100% of annual debt service payments. Any excess collections after the retirement of the bonds shall be transferred by the City to the General Fund to be used in a manner consistent with requirements of applicable state and federal tax laws.

The bonds were issued in two series. Series A consisted of \$4,500,000 of general obligation bonds, and Series B consisted of \$2,498,473 of general obligation bonds - capital appreciation bonds. The balance outstanding of Series A bonds at June 30, 2009 was \$3,810,000. The carrying value of the Series B bonds was increased to \$3,065,031 in order to reflect the accreted interest due at June 30, 2009. The total balance outstanding at June 30, 2009 was \$6,875,030.

The annual debt service requirements on the general obligation bonds at June 30, 2009, were as follows:

For the Year Ending June 30,	Principal	Interest	Total
2010	\$ 205,937	\$ 241,998	\$ 447,935
2011	208,582	244,570	453,152
2012	213,768	249,272	463,040
2013	218,437	254,150	472,587
2014	223,299	258,486	481,785
2015-2019	1,199,094	1,354,852	2,553,946
2019-2023	1,375,033	1,451,255	2,826,288
2024-2028	1,612,284	1,497,966	3,110,250
2029-2033	354,009	307,991	662,000
Sub-total	5,610,443	5,860,540	11,470,983
Accreted Interest	1,264,587	-	1,264,587
Total	\$ 6,875,030	\$ 5,860,540	\$ 12,735,570

In December 2007, the City issued \$6,880,000 in lease revenue bonds. The proceeds were to pay the costs of acquisition of land and improvements located in the City; to be used for public library and water department purposes; to fund interest on the bonds through September 1, 2008; to fund a reserve fund for the Bonds; and to pay the costs of issuing the Bonds. Annual payments ranging from \$162,113 to \$467,250 began June 30, 2008, and continue through June 30, 2039. Interest is 4.53068%. The bonds are subject to early redemption at the option of the City beginning in 2008.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

7. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

The bonds are secured by and payable from a pledge of revenues, consisting primarily of lease payments and amounts on deposit from time to time in the funds and accounts established under the Indenture. Lease payments from the Water enterprise fund and the Library Joint Powers Authority to the City's General fund will be adjusted annually to cover 100% of the City's total annual obligation. During the fiscal year ended June 30, 2009, debt service was partially paid with capitalized interest. Debt service consisted of \$125,000 in principal and \$303,963 in interest for a total debt service payment of \$428,963. Revenue pledged for the payment of current year debt service was \$428,963 resulting in a current debt service to revenue source ratio of 100%. Remaining debt service payments for the life of the indenture are estimated to be \$6,755,000 in principal and \$5,407,706 in interest for a total debt service obligation of \$12,162,706. The estimated total revenues pledged for the payment of the total debt service is estimated to be \$12,162,706, resulting in a total debt service to revenue source ratio of 100%.

The annual debt service requirements on the lease revenue bonds at June 30, 2009, were as follows:

For the Year Ending June 30,	Principal	Interest	Total
2010	\$ 130,000	\$ 298,963	\$ 428,963
2011	135,000	293,763	428,763
2012	140,000	288,363	428,363
2013	145,000	282,763	427,763
2014	150,000	276,963	426,963
2015-2019	850,000	1,289,613	2,139,613
2020-2024	1,035,000	1,105,144	2,140,144
2025-2029	1,255,000	874,213	2,129,213
2030-2034	1,640,000	568,425	2,208,425
2035-2039	1,275,000	129,500	1,404,500
Total	\$ 6,755,000	\$ 5,407,706	\$ 12,162,706

Notes Payable

In July 2001, the Agency received Housing Enabled by Local Partnerships (HELP) Loan funds from the State of California to be used to finance the acquisition, development, demolition of existing structures, and the construction of a multifamily rental apartment complex in the Beach Target Area. The proceeds for the note are to be repaid by July 2011 with an interest rate of 3%. The balance outstanding at June 30, 2009, was \$253,055.

In March 2006, the Redevelopment Agency received loan funds from Salz Leathers, Inc., to be used to finance the acquisition of land. The proceeds of the note were to be repaid by March 2009, with an interest rate of 5%. The loan was paid in full at June 30, 2009.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

7. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

In January 2007, the City received loan funds from Greg Fyvie to be used for renovation of Lawn Bowling Park. The proceeds of the note are to be repaid by January 2011, with no annual interest. The balance outstanding at June 30, 2009, was \$40,000.

For the Year Ending June 30,	Principal	Interest	Total
2010	\$ 146,527	\$ 7,592	\$ 154,119
2011	146,528	3,796	150,324
Total	\$ 293,055	\$ 11,388	\$ 304,443

Tax Allocation Bonds

In October 2004, the Redevelopment Agency issued \$5,245,000 in tax allocation bonds. On December 1, 2004, together with other funds, the proceeds were used to redeem all of the Agency's outstanding 1996 Merged Earthquake Recovery and Reconstruction Project Area Tax Allocation Refunding Bonds, in the amount of \$2,505,000, and to raise additional funds for programs, projects, and activities related to the Redevelopment project. Annual principal payments of \$120,000 - \$305,000 will be made through October 2031; interest ranges from 2.50% to 4.625%. The principal, interest and premium (if any) on the bonds are payable solely from tax revenues and from amounts in certain accounts held by the trustee under and pursuant to the indenture. Debt service for the fiscal year ended June 30, 2009, consisted of \$130,000 in principal and \$199,766 in interest for a total of \$329,766. Revenue pledged for the payment of current year debt service was \$4,917,868 resulting in a debt service to revenue source ratio of 6.7%. Remaining debt service payments for the life of the indenture are estimated to be \$4,750,000 in principal and \$2,786,207 in interest for a total debt service obligation of \$7,536,207. The estimated total revenues pledged for the payment of the total debt service is estimated to be \$108,193,096 resulting in a total debt service to pledged revenue source ratio of 7.0%.

The annual debt service requirements on the tax allocation bonds at June 30, 2009, were as follows:

For the Year Ending June 30,	Principal	Interest	Total
2010	\$ 130,000	\$ 196,516	\$ 326,516
2011	135,000	192,866	327,866
2012	140,000	188,566	328,566
2013	145,000	183,844	328,844
2014	150,000	178,773	328,773
2015-2019	835,000	802,981	1,637,981
2020-2024	1,025,000	614,861	1,639,861
2025-2029	1,275,000	362,934	1,637,934
2030-2032	915,000	64,866	979,866
Total	\$ 4,750,000	\$ 2,786,207	\$ 7,536,207

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

7. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

Capital Lease Obligations

In June 2002, the City acquired land under a capital lease agreement with Zion's First National Bank in the amount of \$765,000. The agreement is payable in semi-annual installments of \$61,362 through 2021, with a 4.88% interest rate through January 2007, and a variable interest rate thereafter. From January 2007 through January 2021, the interest is to be recomputed, for each interest period, based on 90% of the current Index Rate. The balance outstanding at June 30, 2009 was \$546,578.

In July 2004, the City entered into a five-year capital lease agreement to obtain financing in the amount of \$580,000 for the purchase of a seventy-five foot aerial fire truck to replace a 1979 Crown Telesquirt unit. The first interest payment of \$9,657 was due in February 2005, with annual installment payments of \$125,781 beginning in August 2005 and ending in August 2009. Interest is at the rate of 3.33% and the payments will be made from the General Fund. The balance outstanding at June 30, 2009 was \$121,728.

The future minimum lease obligation and the net present value of these minimum lease payments as of June 30, 2009, were as follows:

For the Year Ending June 30,	Principal	Interest	Total
2010	\$ 156,781	\$ 29,437	\$ 186,218
2011	36,680	23,755	60,435
2012	38,384	22,052	60,436
2013	40,167	20,269	60,436
2014	42,032	18,404	60,436
2015-2019	241,317	60,862	302,179
2020-2021	112,945	7,927	120,872
Total	\$ 668,306	\$ 182,706	\$ 851,012

Other Long-Term Liabilities

The Agency was obligated under three separate Owner Participation Agreements (OPA) for various portions of the \$1,250,000 Chestnut Street Special Assessment District Debt. Under the first OPA, the Redevelopment Agency owes \$17,203 as of June 30, 2009. Under the second OPA, the Redevelopment Agency owes \$144,324 as of June 30, 2009. Under the third OPA, the Redevelopment Agency assumes responsibility for an additional 48.68% of the Special Assessment Debt contingent upon the availability of tax increment. During this past fiscal year, the Owner sold the relevant property, which released the Agency from the Special Assessment Debt; thereby, reducing the Agency's liability to \$0.

The total outstanding principal of Other Long-Term Liabilities as of June 30, 2009 was \$161,527, and the outstanding interest was \$13,925 for a total debt service of \$175,452 payable in the next three years. The tax increment revenue for the obligation term is estimated to be \$14,753,604 resulting in a debt service payment to revenue source ratio of 1.19%.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

7. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

The annual debt service requirements for other long-term liabilities outstanding at June 30, 2009, are as follows:

For the Year Ending June 30,	Principal	Interest	Total
2010	\$ 51,009	\$ 7,617	\$ 58,626
2011	53,134	4,701	57,835
2012	57,384	1,607	58,991
Total	\$ 161,527	\$ 13,925	\$ 175,452

Conduit Debt - During the fiscal year 2003, the 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 Santa Cruz Shaffer Road Investors L.P., the Agency issued 2002 Series A bonds and 2002 Series A-T in the amounts of \$29,925,000 and \$985,000, respectively. For the 1010 Pacific Investors L.P., the Agency issued 2002 Series B bonds in the amount of \$21,650,000 were issued. The amount outstanding as of June 30, 2009 is \$52,560,000. The 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. The trust estate includes the Agency's interest in the loans made to the developer, including rights to receive payments on the loans, and rights to certain bond proceeds and related revenues. The Official Statements contain more information regarding the trust estate.

During the fiscal year 2008, the Agency issued multifamily housing revenue bonds to provide funding for loans made to Tannery Artists Lofts L.P. (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.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

7. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

The bonds were issued under a Master Agency Agreement, dated August 1, 2007 between the Agency, and Washington Mutual Bank. For the Tannery Artists Lofts L.P., the Agency issued 2007 Series A-1 bonds in the amount of \$4,195,000. For the remaining portion of the loan relating to the 100-unit multifamily housing rental facility, the Agency issued 2007 Series A-2 bonds in the amount of \$24,010,000. The amount outstanding as of June 30, 2009 is \$27,532,181. The bonds mature on March 1, 2045 for Series A-1 and September 1, 2009 (subject to extension as set forth in Series A-2 Note) respectively.

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. The trust estate includes the Agency's interest in the loans made to the developer, including rights to receive payments on the loans, and rights to certain bond proceeds and related revenues. The Official Statements contain more information regarding the trust estate.

B. Proprietary Fund Obligations

A summary of long-term debt transactions of the City for the enterprise funds for the year ended June 30, 2009, is as follows:

	Balance			Classification		
	July 1, 2008	Additions	Retirements	Balance June 30, 2009	Amount Due Within One Year	Amount Due in More than One Year
Compensated absences	\$ 959,358	\$ 999,655	\$ (904,794)	\$ 1,054,219	\$ 702,812	\$ 351,407
Landfill closure costs	6,363,712	-	(2,070,626)	4,293,086	-	4,293,086
Certificates of participation	17,384,711	-	(1,306,288)	16,078,423	823,423	15,255,000
Revenue bonds payable	22,010,000	-	(615,000)	21,395,000	635,000	20,760,000
Notes payable	32,783,456	-	(2,624,607)	30,158,849	2,697,272	27,461,577
Capital lease obligations	2,484,435	106,559	(905,567)	1,685,427	774,486	910,941
Sub-Total	74,662,602	106,559	(5,451,462)	69,317,699	4,930,181	64,387,518
Total	\$ 81,985,672	\$ 1,106,214	\$ (8,426,882)	\$ 74,665,004	\$ 5,632,993	\$ 69,032,011

Compensated Absences

As shown in the table above, the total amount outstanding at June 30, 2009 was \$1,054,219 for compensated absences.

Landfill Closure Costs

As shown in the table above, the total amount outstanding at June 30, 2009 was \$4,293,086 for landfill closure costs. Refer to Note 9 for landfill closure details.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

7. LONG-TERM DEBT, Continued

B. Proprietary Fund Obligations, Continued

Certificates of Participation

Certificates of Participation payable at June 30, 2009, are comprised of the following individual issues:

Santa Cruz Golf and Redevelopment Agency Certificates issued in November 1998, in the amount of \$2,080,000, were used to refinance an issue used for improvements to the City's golf course and projects within the City's redevelopment plan areas. Annual payments of \$125,000 to \$215,000 will be made through May 2010; interest ranges from 3.5% to 4.25%. Although the City is obligated under the Lease Agreement to pay Lease Payments from any source of legally available funds, the Lease Agreement does not create a pledge, lien or encumbrance upon the revenues of the City. The balance outstanding relating to the Golf Course fund at June 30, 2009, was \$153,423.

Santa Cruz Parking Certificates issued in November 1998 in the amount of \$7,955,000, were used for the construction of a second parking structure in the downtown area. Although the City is obligated under the Lease Agreement to pay Lease Payments from any source of legally available funds, the Lease Agreement does not create a pledge, lien or encumbrance upon the revenues of the City. Annual payments are \$155,000 to \$445,000. The certificates bear interest at 3.5% to 4.9%. Interest is payable semi-annually on May 1 and November 1, and principal is payable annually on May 1 through the year 2028. The balance outstanding at June 30, 2009, was \$5,730,000.

Santa Cruz Refuse Certificates, issued in October 1999 in the amount of \$4,345,000, were issued to repay the Wastewater Enterprise Fund for earlier loans to construct a tunnel at the City's landfill and a leachate line from the landfill to the City's sewer treatment plant. Annual payments of \$100,000 to \$245,000 will be made through October 2024; interest ranges from 4.0% to 5.625%. The balance outstanding at June 30, 2009, was \$3,330,000.

Santa Cruz Refuse Certificates issued in March 2001, in the amount of \$7,500,000, were used in the purchase of certain property and improvements, and to finance the acquisition, construction, and improvement of the project. The installment payments are payable solely from and secured by a first pledge of certain revenues of the City's Refuse Enterprise Fund. Annual payments are \$45,000 to \$720,000. The certificates bear interest at 3.5% to 4.875%. Interest represented by the certificates will be payable semi-annually on April 1 and October 1 of each year. Principal is payable annually on October 1 through the year 2021. The certificates are subject to optional and mandatory prepayment. The balance outstanding at June 30, 2009, was \$3,540,000.

The Master Indenture for the 1999 and 2001 Refuse Certificates 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) 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 2024 or early retirement of the Bonds, whichever first occurs.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

7. LONG-TERM DEBT, Continued

B. Proprietary Fund Obligations, Continued

For the fiscal year ended June 30, 2009, principal payments of \$850,000 and interest payments of \$350,430 were made for a total debt service of \$1,200,430. Net Refuse revenues for the fiscal year ended June 30, 2009, were \$6,181,379 resulting in a debt service to revenue source ratio of 19.4%. Total future debt service payments for the Refuse Certificates are estimated to be \$9,750,534, consisting of \$6,870,000 in principal and \$2,880,534 in interest. The estimated net revenues pledged and collected by the Refuse fund for this obligation term will be approximately \$98,902,064 resulting in a total debt service payment to revenue source ratio of 9.9%.

Santa Cruz Golf Agency Certificates issued in May 2004 in the amount of \$3,700,000 were used to finance the acquisition and construction of improvements to the DeLaveaga Golf Course. Annual payments of \$90,000 to \$260,000 will be made through 2029; interest ranges from 4.0% to 5.375%. The City is obligated, subject to abatement, under the Agreement to pay the certificate payments from any source of legally available funds. The City is currently liable and may become liable on other obligations payable from general revenues, some of which may have priority over the lease payments. The balance outstanding relating to the Golf Course Fund at June 30, 2009 was \$3,325,000.

The annual debt service requirements on the certificates of participation at June 30, 2009, were as follows:

	For the Year			
	Ending			
	June 30,	Principal	Interest	
			Total	
2010	\$	823,423	\$ 786,140	\$ 1,609,563
2011		670,000	750,562	1,420,562
2012		690,000	721,156	1,411,156
2013		725,000	689,920	1,414,920
2014		760,000	656,405	1,416,405
2015-2019		4,395,000	2,690,892	7,085,892
2020-2024		4,885,000	1,480,276	6,365,276
2025-2029		3,130,000	405,331	3,535,331
Total	\$	16,078,423	\$ 8,180,682	\$ 24,259,105

Annual principal and interest requirements for the certificates of participation are apportioned to the various funds based on the percentage share of certificate proceeds.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

7. LONG-TERM DEBT, Continued

B. Proprietary Fund Obligations, Continued

Revenue Bonds Payable

2005 Wastewater Revenue Refunding Bonds, issued in November 2005 in the amount of \$4,715,000 were used to refinance the Series B Sewer Revenue Bonds issued in February 1994. Annual payments of \$200,000 to \$350,000 will be made through November 2023; interest ranges from 3.0% to 4.50%. Annual debt service is payable solely from and secured by a lien on net revenues of the City's sewer system. The balance outstanding at June 30, 2009, was \$4,100,000.

The Master Indenture for the 2005 Wastewater Revenue Refunding 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) in an amount equal to at least 125% of the annual debt service requirement each fiscal year, through final maturity of the Bonds on November 2023 or early retirement of the Bonds, whichever first occurs. The City had met the 125% debt coverage ratio. Principal payments of \$210,000 and interest payments of \$165,161 were made during the fiscal year ended June 30, 2009, for a debt service total of \$375,161.

For the fiscal year ended June, 30 2009, net Wastewater revenues were \$2,895,547 resulting in a debt service to revenue source ratio of 13.0%. Total future debt service payments for this indenture are estimated to be \$5,504,857 consisting of principal in the amount of \$4,100,000 and interest in the amount of \$1,404,857. The estimated net revenues pledged and collected by the Wastewater fund for this obligation term will be approximately \$43,433,205 resulting in a total debt service payment to revenue source ratio of 12.7%.

2005 Storm Water Revenue Refunding Bonds, issued in September 2005 in the amount of \$6,100,000 were used to refinance the Santa Cruz Storm Water Certificates issued in October 1999. Annual payments of \$160,000 to \$385,000 will be made through October 2029; interest ranges from 3.0% to 4.375%. The bonds are special obligations of the City payable solely from the revenues received by the City from the ownership and operation of the Storm Water Enterprise. All revenues are irrevocably pledged to the payment of the bonds. The balance outstanding at June 30, 2009, was \$5,595,000.

Charges for services must equal 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. The City had met the 125% debt coverage ratio. Principal in the amount of \$175,000 and interest in the amount of \$221,822 for a total of \$396,822 in debt service payments were applied against this indenture for the fiscal year ended June 30, 2009. The current year Storm Water revenues were \$974,798 resulting in a debt service to revenue source ratio of 40.7%. The total future debt service payments for this indenture are estimated to be \$5,595,000 in principal and \$2,728,438 in interest for a debt service total of \$8,323,438. The estimated revenues pledged and collected by the Storm Water fund for this obligation term is estimated to be \$20,470,758, resulting in a total debt service payment to revenue source ratio of 40.7%.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

7. LONG-TERM DEBT, Continued

B. Proprietary Fund Obligations, Continued

2006 Water Revenue Bonds issued in May 2006 in the amount of \$12,450,000 were used to finance construction of a new transmission main connecting the Graham Hill Water Treatment Plant to the Bay Street Reservoir. Annual payments of \$220,000 to \$555,000 will be made through March 2036; interest ranges from 4.0% to 4.625%. The bonds are special obligations of the City payable from the Net Revenues received by the City from the ownership and operation of the City's water system. The balance outstanding at June 30, 2009, was \$11,700,000.

The Master Indenture for the 2006 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) in an amount equal to at least 125% 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. The City had met the 125% debt coverage ratio. Principal payments of \$230,000 and interest payments of \$530,622 were made in the current year for a debt service total of \$760,622. Net Water revenues for the fiscal year ended June 30, 2009, were \$7,670,981 resulting in a debt service to revenue source ratio of 9.9%. Total future debt service payments for this indenture are estimated to be \$17,560,852 consisting of principal in the amount of \$11,700,000 and interest in the amount of \$5,860,852. The estimated net revenues pledged and collected by the Water fund for this obligation term will be approximately \$207,116,487, resulting in a total debt service to revenue source ratio of 8.5%.

The annual debt service requirements on the revenue bonds at June 30, 2009, were as follows:

For the Year Ending June 30,	Principal	Interest	Total
2010	\$ 635,000	\$ 895,831	\$ 1,530,831
2011	660,000	874,017	1,534,017
2012	680,000	851,151	1,531,151
2013	700,000	827,018	1,527,018
2014	725,000	801,388	1,526,388
2015-2019	4,065,000	3,556,639	7,621,639
2020-2024	4,965,000	2,631,608	7,596,608
2025-2029	4,125,000	1,651,827	5,776,827
2030-2034	3,420,000	779,035	4,199,035
2035-2036	1,420,000	101,888	1,521,888
Total	\$ 21,395,000	\$ 12,970,402	\$ 34,365,402

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

7. LONG-TERM DEBT, Continued

B. Proprietary Fund Obligations, Continued

Notes Payable

Proceeds for the State of California loans for the construction of a water main line north of the City were received in September 1995, to be repaid in semi-annual installments of \$46,679, including interest at 2.973%, through October 2015. This debt is recorded in the Water Enterprise Fund. The balance outstanding at June 30, 2009, was \$548,141.

Proceeds for the State of California loans for the construction of secondary treatment improvements at the City's wastewater treatment plant were received as the City incurred project expenditures. Repayment began August 1999. Annual payments of \$3,417,099, including interest at 2.8%, will be made through August 2018. This debt is recorded in the Wastewater Enterprise Fund. The balance outstanding at June 30, 2009, was \$29,377,375.

Proceeds for the State of California loans for the construction of certain solid waste facilities to assist them to achieve or improve compliance with State minimum standards were received in March 2001, and the loan is to be repaid in annual principal payments of \$33,333 through 2016. No interest is due on the principal balance of the loan outstanding. This debt is recorded in the Refuse Enterprise Fund. The balance outstanding at June 30, 2009, was \$233,333.

The annual debt service requirements on the notes at June 30, 2009, were as follows:

For the Year Ending June 30,	Principal	Interest	Total
2010	\$ 2,697,272	\$ 838,295	\$ 3,535,567
2011	2,771,987	763,553	3,535,540
2012	2,848,804	686,736	3,535,540
2013	2,927,839	607,703	3,535,542
2014	3,009,031	526,509	3,535,540
2015-2019	15,903,916	1,347,245	17,251,161
Total	\$ 30,158,849	\$ 4,770,041	\$ 34,928,890

Lease Obligations

The City leases equipment in the Refuse, Water, Wastewater, Parking, and Golf Course funds under various capital lease agreements in the amount of \$3,753,227, payable in semi-annual and annual installments through August 2014 with interest rates ranging from 4.5% to 5.9%.

In January 2005, the City acquired four refuse trucks under a capital lease agreement payable in semi-annual installments of \$88,482 through February 2009, with an annual interest rate of 3.04%. This lease has been allocated to the Refuse Fund. This lease was paid in full as of June 30, 2009.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

7. LONG-TERM DEBT, Continued

B. Proprietary Fund Obligations, Continued

In April 2005, the City acquired 25 receptacles, three recycling trucks and a truck retrofit under a capital lease agreement, payable in semi-annual installments of \$85,636 through May 2010, with an annual interest rate of 3.70%. This lease has been allocated to the Refuse Fund. The balance outstanding at June 30, 2009, was \$166,635.

In December 2005, the City entered into a capital lease agreement for lease rental of two fairway mowers. The lease is payable in quarterly installments of \$9,584 through December 2010 with an annual interest rate of 3.90%. The lease has been allocated to the Golf Course Fund. The balance outstanding at June 30, 2009 was \$27,417.

In June 2, 2006, the City acquired one front loader and five side-loaders under a capital lease agreement payable in semi-annual installments of \$135,798 through June 2011 with an annual interest rate of 4.16%. This lease has been allocated to the Refuse Fund. The balance outstanding at June 30, 2009, was \$516,080.

In December 2006, the City acquired three trucks, one street sweeper and one sewer /storm drain vacuor truck under a capital lease agreement payable in semi-annual installments of \$118,213 through December 2011, with an annual interest rate of 3.88%. This lease has been allocated to the Refuse and Wastewater Funds. The balance outstanding at June 30, 2009 was \$558,168.

In May 2007, the City acquired one Caterpillar D&T Waste Bulldozer under a capital lease agreement payable in semi-annual installments of \$56,519 through May 2012, with an annual interest rate of 3.98%. This lease has been allocated to the Refuse Fund. The balance outstanding at June 30, 2009 was \$316,697.

In April 2009, the City entered into a capital lease agreement for lease rental of mowers. The lease is payable in quarterly installments of \$6,129 through January 2014 with an annual interest rate of 6.11%. The lease has been allocated to the Golf Course Fund. The balance outstanding at June 30, 2009 was \$100,430.

The future minimum lease obligation and the net present value of these minimum lease payments as of June 30, 2009, were as follows:

For the Year Ending June 30,	Principal	Interest	Total
2010	\$ 774,486	\$ 61,541	\$ 836,027
2011	623,586	31,581	655,167
2012	246,953	12,228	259,181
2013	22,561	1,959	24,520
2014	17,841	548	18,389
Total	\$ 1,685,427	\$ 107,857	\$ 1,793,284

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

8. RISK MANAGEMENT AND SELF-INSURANCE

The City has an established a Risk Management Fund (an internal service fund) to account for a self-insurance program. For the period ending June 30, 2009, 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, and this self-insurance program is accounted for in the General Fund. The City contracts with outside administrators to administer these programs. There were no significant reductions in insurance coverage. Settlements have not exceeded insurance coverage in any of the past three fiscal years.

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. ACCEL was founded in 1986 to provide medium-sized California cities self-funding for catastrophic losses. There are currently twelve members. 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 twelve member Board of Directors. Each member agency 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 ACCEL assets at any time are insufficient to discharge its liabilities.

For the 2008-2009 fiscal year, ACCEL charged its members \$0.53 cents per one-hundred dollars of payroll for the self-funded \$4,000,000 excess of a \$1,000,000 member self-insured retention. Members also purchased commercial excess insurance limits of \$30,000,000 excess of \$5,000,000. Nine cities purchased additional optional limits of \$15,000,000 excess of \$35,000,000. In addition, three cities purchased optional limits of \$25,000,000 excess of \$50,000,000; and two cities purchased optional limits of \$25,000,000 excess of \$75,000,000. Members were also charged administrative costs in equal amounts. The City's share of administrative costs was \$35,900 during the 2008-2009 fiscal year.

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 provides coverage above each member's self-insured retention (SIR), subject to aggregate limit. Historically, ACCEL provided an optional coverage of \$500,000 excess of \$500,000 per occurrence through 1989-90; however, this coverage is no longer available.

Prior to July 1, 1990, ACCEL pooled losses incurred by its members up to \$10,000,000. Effective July 1, 1990, ACCEL created a reinsurance pool within the \$9,000,000 excess of \$1,000,000 layer by purchasing \$5,000,000 excess of \$5,000,000 coverage. On July 1, 1997, ACCEL further reduced its exposure and purchased coverage of \$17,000,000 excess of \$3,000,000 coverage. Due to favorable market conditions, ACCEL purchased coverage of \$19,000,000 excess of \$1,000,000 effective July 1, 1998. Six members with SIR of \$500,000 purchased additional coverage of \$500,000 excess of \$500,000. As of July 1, 2000, nine members purchased insurance of \$19,500,000 excess of \$1,000,000. ACCEL was fully insured through June 30, 2003.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

8. RISK MANAGEMENT AND SELF-INSURANCE, Continued

As of July 1, 2003, the Authority purchased reinsurance covering \$20,000,000 in excess of \$2,000,000 and pooled losses in the layer \$1,000,000 excess of \$1,000,000. All members have SIR of \$1,000,000.

ACCEL members may participate in the purchase of other insurance, such as excess worker's compensation and excess liability over \$5,000,000 per occurrence where risk is not transferred to the pool. ACCEL does not administer claims for these programs; therefore, no revenue or expense is reflected in ACCEL's financial statements. ACCEL also purchases a Crime Policy and Directors and Officers Errors and Omissions Policy which cover the authority.

ACCEL has a retrospective rating plan whereby all premiums collected, together with related investment income earned, in excess of pooled losses and loss expenses for each program year will be returned to members beginning five years after the end of the program year. Losses and loss expenses are allocated to each member based on a weighted actual loss formula. At the June 2009 Board of Directors meeting, a retrospectively rated refund was made available for distribution to the members for program years 2 through 17 in the amount of \$7,854,764. Members may elect to have returned all or a portion of their refund and the funds will remain in the respective program year in the name of the member city. The City of Santa Cruz's retrospective rated refund is \$95,155.

Summary audited financial information for ACCEL as of and for the year ended June 30, 2009, is as follows:

Assets	
Cash and investments	\$ 30,369,077
Other assets	256,176
Total assets	<u>\$ 30,625,253</u>
Liabilities and Net Assets	
Unpaid claims liability	\$ 15,600,000
Retrospectively rated refunds liability	7,854,764
Other liabilities	39,805
Total liabilities	<u>23,494,569</u>
Net assets	7,130,684
Total liabilities and net assets	<u>\$ 30,625,253</u>
Revenues	
Premiums earned	\$ 10,416,178
Investment income	1,731,255
Administrative fees	430,800
Total revenues	<u>12,578,233</u>
Expenses	
Loss provision and premiums paid	8,305,308
General and administrative	388,031
Total expenses	<u>8,693,339</u>
Net income	3,884,894
Net assets, beginning of year	3,245,790
Net assets, end of year	<u>\$ 7,130,684</u>

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

8. RISK MANAGEMENT AND SELF-INSURANCE, Continued

Complete financial statements for ACCEL can be obtained from Alliant Insurance Services, Inc., 600 Montgomery Street, 9th Floor, San Francisco, CA 94111.

Risk Management Fund revenues are primarily premium charges received from other funds and are planned to match expenses of insurance premiums for coverage in excess of self-insured amounts, estimated payments resulting from self-insurance programs, and operating expenses. Department charges are based on historical experience. Claims known to be payable and the estimated liability for the balance, including nonincremental claims adjustment expense based on a case-by-case review of all claims, are recorded as claims payable. An additional estimate of the amount to be paid for claims incurred, but not reported, is also recorded as claims payable.

Changes in the Risk Management Fund's claims liability amount for the years ended June 30, 2007 through 2009 are as follows:

	CLAIMS PAYABLE			
	Beginning Balance	Claims Incurred and Changes in Estimate	Payments	Ending Balance
June 30, 2007	\$ 11,007,290	\$ 2,988,351	\$ (3,553,086)	\$ 10,442,555
June 30, 2008	10,442,555	2,869,053	(2,869,053)	10,442,555
June 30, 2009	10,442,555	2,281,871	(2,662,602)	10,061,824

The General Fund and Redevelopment Agency Fund typically have been used in prior years to liquidate the liability for claims and judgments.

9. LANDFILL CLOSURE AND POSTCLOSURE COSTS

In accordance with requirements established by the California Integrated Waste Management Board, 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. The total estimated costs are as follows:

Total estimated closure costs	\$ 3,386,780
Total estimated postclosure costs	<u>9,206,993</u>
Total estimated closure and postclosure costs	<u><u>\$ 12,593,773</u></u>

The current fiscal year 2009 closure cost estimate is now based on an estimate approved by the California Integrated Waste Management Board and is lower than estimates used in prior years resulting in a decrease in liability. Therefore, the changes in estimates have been posted as current period change in estimate in accordance with GASB 18, Paragraph 52. At June 30, 2009, the estimated landfill closure cost liabilities of \$4,293,086 and estimated annual landfill closure cost adjustment of (\$2,070,626) were calculated as follows:

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

9. LANDFILL CLOSURE AND POSTCLOSURE COSTS, Continued

Total estimated closure and postclosure costs	\$ 12,593,773
Percent of used capacity to total capacity	34.09%
	<u>4,293,217</u>
Miscellaneous adjustments due to rounding	(131)
Revised estimated total closure and postclosure costs liability	4,293,086
Previous closure costs accrued	<u>(6,363,712)</u>
2008-2009 expense for closure and postclosure costs	<u><u>\$ (2,070,626)</u></u>

The landfill had an estimated remaining capacity of 5,480,571 cubic yards as of June 30, 2009, and has a current projected closure date of January, 2038.

Based upon the requirements of the California Integrated Waste Management Board, the City maintains separate accounts for closure and post closure costs. The assets in each fund (including pooled cash interest receivable) are to equal the respective liabilities of each account.

Landfill Closure	\$ 1,154,518
Landfill Post Closure	<u>3,138,568</u>
Total	<u><u>\$ 4,293,086</u></u>

10. RETIREMENT PLANS

A. Pension Plan

Plan Description

The City contributes to the California Public Employees' Retirement System (PERS); an agent multiple-employer defined benefit pension plan. The Police and Fire Safety plans are required to participate in a risk pool since there were less than 100 active members in at least one valuation since June 30, 2003. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS 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 PERS' Annual Financial Report may be obtained from their Executive Office located at 400 P Street, Sacramento, CA 95814.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

10. RETIREMENT PLANS, Continued

A. Pension Plan, Continued

Funding Policy

City employees are required to contribute 9% for safety employees and 7% for all other employees of their annual covered salary. The City employer is required to contribute at an actuarially determined rate; the fiscal year 2009 rate is 13.229% for miscellaneous employees, 37.513% for police safety employees, and 40.969% for fire safety employees of annual covered payroll.

During the first half of fiscal year 2008, miscellaneous employees continued a cost-sharing agreement whereby employees were required to pay the employer share above 6.354%, a portion on a pre-tax basis and a portion on a post-tax basis. In November 2007 and January 2008, all contracts for miscellaneous employees were negotiated to reduce the employee contribution to 7%. This increase in the City's share of PERS costs for miscellaneous employees, along with PERS rate increases for public safety employees contributed to a rise in 2009 Annual Pension Costs.

The contribution requirements of City employees and the City employer are established and may be amended by PERS.

Annual Pension Cost

For fiscal year 2009, the City's annual pension cost of \$11,301,802 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2006, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumption included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases ranging from 3.25% to 14.45% depending on age, service, and type of employment, and (c) 2% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of PERS assets was determined using techniques that smooth the effects of volatility in the market value of investments over a fifteen-year period. PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis. The amortization period at June 30, 2006 was 14 years for Public Safety Police employees, 14 years for Public Safety Fire Employees, and 30 years for miscellaneous employees for prior and current service unfunded liability.

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2007	\$ 6,462,742	100%	\$ -
June 30, 2008	9,024,674	100%	-
June 30, 2009	11,301,802	100%	-

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

10. RETIREMENT PLANS, Continued

A. Pension Plan, Continued

Funding Status as of the Most Recent Actuarial Date

A schedule of funding progress for the most current available year follows. Additional periods can be found in the RSI section.

**PUBLIC EMPLOYEE RETIREMENT SYSTEMS (PERS)
SCHEDULE OF FUNDING PROGRESS**

Miscellaneous Employees

Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Unfunded (Overfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll
June 30, 2008	\$ 196,880,882	\$ 224,181,921	\$ 27,301,039	87.8%	\$ 39,734,245	68.7%

Police Safety and Fire Safety Employees

Since the City has less than 100 active members in Fire and Police plans in at least one valuation since June 30, 2004, the City is required to participate in a risk pool. An actuarial valuation was performed with other participants within the same risk pool. Therefore, standalone information of the schedule of the funding progress for the City is not available.

11. POST-EMPLOYMENT RETIREMENT BENEFITS (OPEB)

Retiree Medical Plan

The City of Santa Cruz Post-Retirement Health Care Plan is a single-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 \$101 per month towards the retiree monthly premium for eligible retirees participating in PEMHCA.

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:

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

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

11. POST-EMPLOYMENT RETIREMENT BENEFITS (OPEB), Continued

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.

Funding Policy

The contributions and 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. The financial statements assume that pay-as-you-go funding will continue. In fiscal year 2009, the City contributed the following amounts for eligible employees:

OPEB	Number of Employees	Amount
Required Employer Contribution	158	\$ 186,975
Retiree Medical Incentive	71	108,253
Total FY09 OPEB Costs		<u>\$ 295,228</u>

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding, which if paid on an on-going basis, is projected to cover the normal cost of each year and amortized cost over thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation.

Annual required contribution (First Year)	\$ 1,742,000
Interest on net OPEB obligation	-
Adjustment to annual required contributions	-
Annual OPEB cost (Expense)	<u>1,742,000</u>
Contributions made	<u>(295,228)</u>
Increase in net OPEB obligation	1,446,772
Net OPEB obligation - Beginning of year	-
Net OPEB obligation - End of year	<u>\$ 1,446,772</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2009 were as follows:

Fiscal Year	Annual OPEB Cost	Contribution	Percentage of OPEB Cost	Net OPEB Obligation
6/30/2009	\$ 1,742,000	\$ 295,228	20.41%	\$ 1,446,772

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

11. POST-EMPLOYMENT RETIREMENT BENEFITS, Continued

Funding Status and Progress

As of July 1, 2008, the most recent actuarial evaluation date, the Plan was not funded. The actuarial accrued liability (AAL) was \$15,596,000 and there were no actuarial value of assets, which resulted in the unfunded actuarial liability of \$15,596,000. The annual covered payroll was \$61,935,000 and the ratio of the unfunded actuarial liability to the annual covered payroll was 25.18%. The schedule of funding progress is presented as RSI following the notes to the financial statements.

Actuarial Valuation Date	Actuarial Asset Value	Actuarial Accrued Liability Entry Age	(Unfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Liability as Percentage of Covered Payroll
7/1/2008	\$ -	\$ 15,596,000	\$ (15,596,000)	0.0%	\$ 61,935,000	25.18%

Actuarial valuations of the ongoing plan involve estimates of the value reported amounts and assumptions about the probability of occurrence of events far into the future. Examples of these estimates and assumptions include future employment trends, mortality and health care cost trend. Amounts are determined regarding the funded status of the plan, and the annual required contribution of the employer are subject to the continual revision, as actual results are compared with past expectations and new estimates are made about the future. Because this is the first valuation under GASB 45, there is no historical information provided in the Schedule of Funding Progress. The schedule will, in the subsequent fiscal year, present multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2008 actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions include a 5% interest rate (used to discount results to present value), covered payroll rising 3.25% annually, premiums rising 5% annually, the PERS minimum employer contribution (MEC) rising 4% annually, and the same mortality, retirement, and turnover rates used in the City's pension costs. The unfunded actuarial accrued liability (UAAL) is being amortized over 30 years as a level percentage of increasing payroll. Payments are set to rise 3.25% annually, so that they are expected to remain a constant percentage of covered payrolls.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

12. COMMITMENTS AND CONTINGENCIES

The City participates in a number of Federal assisted grant programs, of which the principal grants are the Disaster Assistance Program, Community Development Block Grant (CDBG), Home Investments Partnership Program (HOME) grant program, 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.

The following is a list of major commitments and contracts as of June 30, 2009:

Major Commitments and Contracts:	
Water Treatment Plant Upgrades	\$ 3,618,440
Water Supply Project	1,896,500
Design and Construction Landfill Cell 3	553,048
Bay Street Reservoir Reconstruction	396,018
Bridge Seismic Retrofits	306,363
Delware Sewer Pump Station	281,048
General Plan Activities	172,423
Recycling Building/ Yard Maintenance	168,805
MBNMS Visitor Center	158,167
Loch Lomond Bathymetry Monitoring	156,450
Permitting System	140,652
HCP/Fish & Game Code Legal Support	114,874
Highway 1 Bike/ Pedestrian Overpass	107,842
SLR Bike & Pedestrian Bridge	88,998
Generators	80,779
Total Commitments and Contract:	\$ 8,240,407

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

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, 2009 were \$425,772. 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, 2009 are as follows:

Year Ending June 30,	Balance
2010	\$ 411,806
2011	297,924
2012	285,589
2013	285,189
2014	284,656
2015-2019	1,426,480
2020-2024	1,426,834
2025-2030	1,419,546
2031-2034	1,472,357
2035-2037	936,381
Total future minimum lease payments	<u>\$ 8,246,762</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, 2009 were \$1,097,083. The total cost of leased assets as of June 30, 2009 was \$36,315,005, and the accumulated depreciation of those assets that are depreciable amounted to \$8,689,277. Annual depreciation expense amounted to \$606,447. Future estimated revenues from these leases are as follows:

Year Ending June 30,	Amount
2010	\$ 1,034,090
2011	943,155
2012	754,255
2013	497,334
2014	324,373
2015-2019	1,047,954
2020-2024	359,664
2025-2030	204,015
2031-2034	204,015
2035-2037	204,015
Total	<u>\$ 5,572,870</u>

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

14. RESERVED AND DESIGNATED FUND BALANCES

Fund balances at June 30, 2009, have been reserved and designated for the following purposes:

	General Fund	Redevelopment Agency Fund	Capital Projects Funds	Special Revenue Funds	Debt Service Funds	Total
Reserved for:						
Encumbrances	\$ 816,939	\$ 295,882	\$ 610,641	\$ 644,359	\$ 1,000	\$ 2,368,821
Noncurrent receivables and advances	6,950,467	7,369,945	-	3,344,409	-	17,664,821
Prepaid items	59,716	-	-	-	-	59,716
Debt service	-	63,526	-	-	-	63,526
General plan update	811,080	-	-	-	-	811,080
Hardship grants	300,142	-	-	-	-	300,142
Low and moderate income housing	-	1,582,155	-	-	-	1,582,155
Total reserved	8,938,344	9,311,508	610,641	3,988,768	1,000	22,850,261
Designated for:						
City public trust	3,682,810	-	-	-	-	3,682,810
Code enforcement	87,417	-	-	-	-	87,417
Co-op Retail Management	15,058	-	-	-	-	15,058
CPVAW	3,359	-	-	-	-	3,359
Debt service	-	4,033,755	-	-	1,760,644	5,794,399
Equipment maintenance	45,162	-	-	-	-	45,162
Green building education	456,441	-	-	-	-	456,441
Housing in-lieu program	74,742	-	-	-	-	74,742
Kiosk maintenance	66,801	-	-	-	-	66,801
Museum building	21,506	-	-	-	-	21,506
Parks and recreation programs	140,192	-	-	1,166,226	-	1,306,418
Planning/zoning programs	215	-	-	-	-	215
Police programs	8,376	-	-	44,656	-	53,032
Public works programs	7,983	-	-	4,300,157	-	4,308,140
Redevelopment agency	-	8,301,216	-	-	-	8,301,216
Street trees	10,891	-	-	-	-	10,891
Unemployment insurance	88,167	-	-	-	-	88,167
Total designated	4,709,120	12,334,971	-	5,511,039	1,760,644	24,315,774
Unreserved, Undesignated	6,877,197	-	(5,842,975)	(86,750)	-	947,472
Total fund balances	\$ 20,524,661	\$ 21,646,479	\$ (5,232,334)	\$ 9,413,057	\$ 1,761,644	\$ 48,113,507

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

15. DEFICIT NET ASSETS

The City had total deficits of (\$5,928,771) as of June 30, 2009. This amount was comprised of the General Capital Improvement governmental fund deficit of (\$5,232,334) and the Golf enterprise fund deficit net assets of (\$696,437).

The General Capital Improvement Fund's deficit is a result of the accelerated completion of the City Arterial and Collector Street Overlay Project. The City had originally planned to issue long term debt to cover these expenditures, but due to the slowdown of the economy issuing debt was not advantageous to the situation. Instead, the City chose to advance monies to cover the expenditures.

The Golf Fund's deficit net assets was due in large part to the repair of damage to a small section of the greens in the prior fiscal year and the downturn of the economy in this fiscal year. The City is currently exploring options necessary to clear this deficit.

A detail listing of deficits by fund is shown below:

	<u>Net Assets</u>
Capital Improvement Fund	\$ (5,232,334)
Golf Fund	<u>(696,437)</u>
Total deficits	<u><u>\$ (5,928,771)</u></u>

16. SUBSEQUENT EVENTS

A. State of California Condition

Subsequent to June 30, 2009, the State of California has decided to borrow, to defer certain revenue payments and to take certain funds from local governments including the City. These amounts are significant to the City and are as follows:

8% of Property Taxes	<u>\$ 1,314,242</u>
Gas Tax Deferrals	<u>\$ 2,292</u>
Redevelopment Agency	<u><u>\$ 3,068,000</u></u>

Property Taxes borrowed by the State for fiscal year 2009-2010 were nearly \$2 billion Statewide to help the State's budget shortfall. Legislators and the Governor promised to allow local agencies to sell their eventual repayment from the State to investors to cover the property taxes and to pay the full cost of the sale, known as securitization. The City has participated in the securitization program and sold its repayment obligation to California Communities. By participating in the securitization program, the City will receive payments equal to 100% of the tax reduction on January 15, 2010 and May 3, 2010.

Agency funds have been estimated for a two year takeaway by the State. This decision is to be litigated by the California Redevelopment Association and other parties with hope that this will be considered unconstitutional as was last year's State proposed takeaway.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

16. SUBSEQUENT EVENTS, Continued

A. State of California Condition, Continued

Pursuant to SB 65, the State deferred local governments' July-September 2009 gas tax payments until October, 2009. The October monthly payment was received on schedule. The November, 2009 through March, 2010 payments will be delayed and paid in April, 2010. The April-June 2010 payments are scheduled to be made on time. The FY 2010 impact to the City will be an interest revenue loss of \$2,292.

B. 2009 General Obligation Refunding Bonds

The City issued 2009 General Obligation Refunding Bonds after the close of the fiscal year. On June 6, 2009 City Council authorized the refunding of the 1999 Government Obligation Bonds, series A and series B, in order to provide interest rate savings to taxpayers. The refunding closed on December 8, 2009 at a par amount of \$6,995,000, a true interest cost of 4.19%, and a net present value savings of \$397,877. The final payment date will be September 1, 2029.

17. PRIOR PERIOD ADJUSTMENTS

A. Government-Wide Financial Statements

The City recorded the following prior-period adjustments in the Government-Wide Financial Statements. Adjustments to the Governmental Activities include a net increase of \$9,771,239 in Capital assets-land asset account, and adjustments to the Business type activities include a net decrease of \$9,771,239 in Capital assets-land asset account due to a change in accounting policy to recognize the value of these assets in the General Fund instead of various Enterprise Funds. Accordingly, the net assets as of July 1, 2008, have been restated as follows:

Government-Wide Financial Stements	Net Assets, as Previously Reported	Prior Period Adjustments Capital Assets	Net Assets, As Restated
Governmental Activities:			
Net assets	\$ 206,614,567	\$ 9,771,239	\$ 216,385,806
Total governmental activities	206,614,567	9,771,239	216,385,806
Business-Type Activities			
Net assets	240,162,337	(9,771,239)	230,391,098
Total governmental activities	240,162,337	(9,771,239)	230,391,098
Total government-wide	\$ 446,776,904	\$ -	\$ 446,776,904

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

17. PRIOR PERIOD ADJUSTMENTS, Continued

B. Funds Financial Statements

The City recorded the following prior-period adjustments in the fund financial statements: Adjustments to the Business-Type Activities include a \$9,771,239 reduction in Capital assets - land due to a change in accounting policy to recognize the cost of the City's capital asset - land in the General Fund instead of various enterprise funds. Accordingly, the net assets as of July 1, 2008, have been restated as follows:

Fund Financial Statements	Net Assets, as Previously Reported	Prior Period Adjustments Capital Assets	Net Assets, As Restated
Major Enterprise Funds:			
Water	\$ 90,444,940	\$ (3,654,410)	\$ 86,790,530
Wastewater	103,011,062	(1,371,330)	101,639,732
Refuse	12,732,404	(98,575)	12,633,829
Parking	17,209,957	(4,638,102)	12,571,855
Storm Water	17,001,608	(8,822)	16,992,786
Golf	(237,634)	-	(237,634)
	\$ 240,162,337	\$ (9,771,239)	\$ 230,391,098

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REQUIRED SUPPLEMENTARY INFORMATION

City of Santa Cruz
Required Supplementary Information
For the year ended June 30, 2009

1. 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 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.

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 are reported as reservation of fund balances since they 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, 2009.

Budgets are adopted each year for all general, special revenue, debt service, and capital projects funds. These governmental fund budgets are prepared on a basis consistent with GAAP.

BUDGETARY SCHEDULES

City of Santa Cruz
Required Supplementary Information, Continued
For the year ended June 30, 2009

Budgetary Comparison Schedule, General Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 49,498,874	\$ 49,678,874	\$ 45,830,628	\$ (3,848,246)
Licenses and permits	690,500	690,500	648,785	(41,715)
Intergovernmental	526,000	1,174,485	580,477	(594,008)
Charges for services:				
External	7,136,151	7,292,901	6,028,593	(1,264,308)
Internal	4,025,747	5,209,305	6,132,218	922,913
Interagency	11,312,059	11,312,059	9,413,959	(1,898,100)
Subtotal charges for services	22,473,957	23,814,265	21,574,770	(2,239,495)
Fines and forfeitures	2,087,000	2,372,417	2,243,843	(128,574)
Use of money and property	2,828,411	2,905,911	2,772,858	(133,053)
Other revenues	68,200	255,020	646,573	391,553
Total revenues	78,172,942	80,891,472	74,297,934	(6,593,538)
EXPENDITURES				
Current:				
General government	16,796,846	16,917,122	14,568,766	2,348,356
Public safety	36,785,960	36,639,439	36,325,172	314,267
Parks and recreation	11,306,206	10,256,359	9,906,360	349,999
Library	11,121,905	11,121,905	10,193,470	928,435
Public works	5,310,311	5,423,276	4,793,841	629,435
Community and economic development	1,592,405	1,902,822	1,099,546	803,276
Social services	1,799,613	1,749,007	1,713,831	35,176
Capital outlay	876,027	933,075	403,562	529,513
Debt service:				
Principal	-	443,232	151,302	291,930
Interest and fiscal charges	105,186	107,686	34,915	72,771
Total expenditures	85,694,459	85,493,923	79,190,765	6,303,158
REVENUES OVER (UNDER) EXPENDITURES	(7,521,517)	(4,602,451)	(4,892,831)	(290,380)
OTHER FINANCING SOURCES (USES)				
Proceeds from asset disposition	1,600	1,600	18,845	17,245
Proceeds from long-term debt issued	4,000	4,000	-	(4,000)
Capital contributions - other funds	-	-	(25,628)	(25,628)
Transfers in	320,850	320,850	125,362	(195,488)
Transfers out	(727,031)	(727,031)	(360,036)	366,995
Total other financing sources (uses)	(400,581)	(400,581)	(241,457)	159,124
Net change in fund balance	(7,922,098)	(5,003,032)	(5,134,288)	(131,256)
FUND BALANCE				
Beginning of the year	25,658,949	25,658,949	25,658,949	-
End of year	\$ 17,736,851	\$ 20,655,917	\$ 20,524,661	\$ (131,256)

City of Santa Cruz
Required Supplementary Information, Continued
For the year ended June 30, 2009

Budgetary Comparison Schedule, Redevelopment Agency

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Tax increment	\$ 11,213,836	\$ 11,887,486	\$ 12,638,265	\$ 750,779
Use of money and property	430,225	430,225	570,743	140,518
Other revenues	2,144,000	3,540,000	415,702	(3,124,298)
Total revenues	13,788,061	15,857,711	13,624,710	(2,233,001)
EXPENDITURES				
Current:				
Community and economic development	12,524,786	23,001,827	9,650,344	13,351,483
Capital outlay	30,000	43,050	43,035	15
Debt service:				
Principal	3,935,176	3,966,570	1,392,100	2,574,470
Interest and fiscal charges	471,130	471,130	382,274	88,856
Total expenditures	16,961,092	27,482,577	11,467,753	16,014,824
REVENUES OVER (UNDER) EXPENDITURES	(3,173,031)	(11,624,866)	2,156,957	13,781,823
OTHER FINANCING SOURCES (USES)				
Loan proceeds	2,435,000	2,435,000	-	(2,435,000)
Loan principal receipts	23,000	23,000	-	(23,000)
Transfer in	3,245,144	3,255,296	2,087,620	(1,167,676)
Transfer out	(3,245,144)	(3,255,296)	(2,087,620)	1,167,676
Total other financing sources (uses)	2,458,000	2,458,000	-	(2,458,000)
Net change in fund balance	(715,031)	(9,166,866)	2,156,957	11,323,823
FUND BALANCE				
Beginning of the year, as restated	19,489,522	19,489,522	19,489,522	-
End of year	\$ 18,774,491	\$ 10,322,656	\$ 21,646,479	\$ 11,323,823

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City of Santa Cruz
Required Supplementary Information, Continued
For the year ended June 30, 2009

PUBLIC EMPLOYEE RETIREMENT SYSTEM (PERS)
SCHEDULE OF FUNDING PROGRESS

Miscellaneous Employees

Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Unfunded (Overfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll
June 30, 2006	\$ 164,898,761	\$ 183,410,717	\$ 18,511,956	89.9%	\$ 33,001,059	56.1%
June 30, 2007	181,207,670	200,228,705	19,021,035	90.5%	34,999,086	54.3%
June 30, 2008	196,880,882	224,181,921	27,301,039	87.8%	39,734,245	68.7%

Police Safety Employees

Since the City has less than 100 active members in Police plan in at least one valuation since June 30, 2007, the City is required to participate in a risk pool. An actuarial valuation was performed with other participants within the same risk pool. Therefore, stand alone information of the schedule of the funding progress for the City was not available.

Fire Safety Employees

Since the City has less than 100 active members in Fire plan in at least one valuation since June 30, 2007, the City is required to participate in a risk pool. An actuarial valuation was performed with other participants within the same risk pool. Therefore, stand alone information of the schedule of the funding progress for the City was not available.

OTHER POST-EMPLOYMENT BENEFITS (OPEB)
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Asset Value	Actuarial Accrued Liability Entry Age	(Unfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Liability as Percentage of Covered Payroll
7/1/2008	\$ -	\$ 15,596,000	\$ (15,596,000)	0.0%	\$ 61,935,000	25.18%

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SUPPLEMENTARY INFORMATION

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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).

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.

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 4, 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, 2009

	Special Revenue			
	Police	State Highway	Traffic Impact Fee	Parks and Recreation
ASSETS				
Cash and cash equivalents	\$ 141,193	\$ 8,508	\$ 4,091,646	\$ 1,228,909
Interest receivable	1,124	2,126	21,019	5,092
Taxes receivable	-	-	-	-
Accounts receivable - net	3,749	12,549	3,902	-
Due from other governments	-	1,974,409	-	-
Restricted assets:				
Cash and cash equivalents	-	-	-	-
Notes receivable - net	-	-	-	-
Loans receivable - net	-	-	-	-
Total assets	\$ 146,066	\$ 1,997,592	\$ 4,116,567	\$ 1,234,001
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and other current liabilities	\$ -	\$ 109,147	\$ -	\$ 30,686
Due to other funds	152	1,110,000	-	4,575
Intergovernmental payable	-	-	-	-
Deferred revenue	-	-	3,902	-
Unearned revenue	94,304	-	-	-
Deposits payable	-	-	-	1,531
Advances from other funds	-	-	-	-
Total liabilities	94,456	1,219,147	3,902	36,792
Fund Balances:				
Reserved for:				
Encumbrances	6,954	590,953	-	30,983
Non-current receivables	-	-	-	-
Unreserved, designated for:				
Parks programs	-	-	-	1,166,226
Police programs	44,656	-	-	-
Public works programs	-	187,492	4,112,665	-
Debt service	-	-	-	-
Unreserved, undesignated, reported in:				
Special revenue funds	-	-	-	-
Total fund balances	51,610	778,445	4,112,665	1,197,209
Total liabilities and fund balances	\$ 146,066	\$ 1,997,592	\$ 4,116,567	\$ 1,234,001

Special Revenue		Debt Service		
Housing and Community Development	Transportation Development Act	General Obligation Bonds	Lease Revenue Bonds	Total Other Governmental Funds
\$ 1,285,541	\$ -	\$ 1,330,081	\$ 928	\$ 8,086,806
275,621	-	6,098	1,961	313,041
-	-	29,309	-	29,309
-	-	-	-	20,200
126,866	-	-	-	2,101,275
-	-	-	470,031	470,031
624,875	-	-	-	624,875
2,728,349	-	-	-	2,728,349
<u>\$ 5,041,252</u>	<u>\$ -</u>	<u>\$ 1,365,488</u>	<u>\$ 472,920</u>	<u>\$ 14,373,886</u>
\$ 85,738	\$ -	\$ -	\$ -	\$ 225,571
-	-	-	-	1,114,727
2,600	-	-	-	2,600
278,502	-	-	-	282,404
-	-	-	-	94,304
-	-	-	-	1,531
1,401,284	-	-	76,764	1,478,048
<u>1,768,124</u>	<u>-</u>	<u>-</u>	<u>76,764</u>	<u>3,199,185</u>
15,469	-	-	1,000	645,359
3,344,409	-	-	-	3,344,409
-	-	-	-	1,166,226
-	-	-	-	44,656
-	-	-	-	4,300,157
-	-	1,365,488	395,156	1,760,644
(86,750)	-	-	-	(86,750)
3,273,128	-	1,365,488	396,156	11,174,701
<u>\$ 5,041,252</u>	<u>\$ -</u>	<u>\$ 1,365,488</u>	<u>\$ 472,920</u>	<u>\$ 14,373,886</u>

City of Santa Cruz
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2009

	Special Revenue			
	Police	State Highway	Traffic Impact Fee	Parks and Recreation
	-	-	-	-
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ 222,193
Intergovernmental	200,666	4,060,781	-	5,000
Charges for services	30,298	-	-	929,399
Use of money and property	7,355	14,345	92,434	33,249
Other revenues	-	139,831	3,302,586	25,000
Total revenues	238,319	4,214,957	3,395,020	1,214,841
EXPENDITURES				
Current:				
Public safety	260,900	-	-	-
Public works	-	770,657	-	-
Transit	-	-	-	-
Community and economic development	-	-	-	439,619
Social services	-	-	-	-
Capital outlay	114,468	3,347,951	-	1,118,177
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	375,368	4,118,608	-	1,557,796
REVENUES OVER (UNDER) EXPENDITURES	(137,049)	96,349	3,395,020	(342,955)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	261,126	-	-
Transfers out	(841)	(874,041)	(261,126)	(19,898)
Total other financing sources (uses)	(841)	(612,915)	(261,126)	(19,898)
Net change in fund balances	(137,890)	(516,566)	3,133,894	(362,853)
FUND BALANCES				
Beginning of year	189,500	1,295,011	978,771	1,560,062
End of year	\$ 51,610	\$ 778,445	\$ 4,112,665	\$ 1,197,209

Special Revenue		Debt Service		
Housing and Community Development	Transportation Development Act	General Obligation Bonds	Lease Revenue Bonds	Total Other Governmental Funds
\$ -	\$ -	\$ 635,833	\$ -	\$ 858,026
1,985,784	629,555	-	-	6,881,786
-	-	-	-	959,697
140,239	-	29,109	(85,111)	231,620
774,695	-	-	-	4,242,112
<u>2,900,718</u>	<u>629,555</u>	<u>664,942</u>	<u>(85,111)</u>	<u>13,173,241</u>
-	-	-	-	260,900
-	-	-	-	770,657
-	629,555	-	-	629,555
1,182,882	-	-	-	1,622,501
149,756	-	-	-	149,756
-	-	-	-	4,580,596
-	-	199,781	125,000	324,781
33,974	-	240,001	322,591	596,566
<u>1,366,612</u>	<u>629,555</u>	<u>439,782</u>	<u>447,591</u>	<u>8,935,312</u>
<u>1,534,106</u>	<u>-</u>	<u>225,160</u>	<u>(532,702)</u>	<u>4,237,929</u>
-	-	-	352,972	614,098
-	-	-	(200,467)	(1,356,373)
-	-	-	152,505	(742,275)
1,534,106	-	225,160	(380,197)	3,495,654
<u>1,739,022</u>	<u>-</u>	<u>1,140,328</u>	<u>776,353</u>	<u>7,679,047</u>
<u>\$ 3,273,128</u>	<u>\$ -</u>	<u>\$ 1,365,488</u>	<u>\$ 396,156</u>	<u>\$ 11,174,701</u>

City of Santa Cruz
Schedule of Budget and Actual Revenues
General Fund
For the year ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 14,821,800	\$ 14,601,300	\$ 13,996,069	\$ (605,231)
Sales and use	15,572,196	15,572,196	13,513,829	(2,058,367)
Business license	795,700	795,700	769,232	(26,468)
Franchise	3,278,000	3,278,000	2,972,281	(305,719)
Transient occupancy	3,108,000	3,288,000	2,903,788	(384,212)
Parking	296,000	296,000	266,581	(29,419)
Utility users	9,524,174	9,524,174	9,213,119	(311,055)
Admission	1,985,000	1,985,000	1,877,431	(107,569)
Business improvement	220,000	220,000	199,794	(20,206)
Other taxes	118,504	118,504	118,504	-
Total taxes	49,719,374	49,678,874	45,830,628	(3,848,246)
Licenses and permits:				
Construction permits	638,500	638,500	523,717	(114,783)
Other licenses and permits	52,000	52,000	125,068	73,068
Total licenses and permits	690,500	690,500	648,785	(41,715)
Intergovernmental revenues:				
Federal	-	297,359	116,884	(180,475)
State	513,000	839,126	435,593	(403,533)
Local	13,000	38,000	28,000	(10,000)
Total intergovernmental revenues	526,000	1,174,485	580,477	(594,008)
Charges for services:				
General government:				
Legislative	400,325	400,325	140	(400,185)
Management and support	46,257	46,257	-	(46,257)
Planning and zoning	1,379,081	1,379,081	1,236,891	(142,190)
Other general government	5,600	5,600	6,671	1,071
Public safety:				
Police	239,370	239,370	376,106	136,736
Fire	433,800	433,800	420,382	(13,418)
Protective inspection	623,800	623,800	377,578	(246,222)
Other public safety	25,000	25,000	54,549	29,549
Parks and recreation:				
Parks	3,000	23,000	16,150	(6,850)
Recreation	1,622,000	1,640,000	1,475,740	(164,260)
Other parks and recreation	15,000	15,000	4,547	(10,453)
Subtotal of charges for services	4,793,233	4,831,233	3,968,754	(862,479)

City of Santa Cruz
Schedule of Budget and Actual Revenues, Continued
General Fund
For the year ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Charges for services, Continued:				
Subtotal from previous page	\$ 4,793,233	\$ 4,831,233	\$ 3,968,754	\$ (862,479)
Public works:				
Engineering	72,000	72,000	76,443	4,443
Transportation	2,031,500	2,150,250	1,966,035	(184,215)
Community and economic development:				
Other community and economic development	686,000	686,000	663,035	(22,965)
Internal charges for services provided	3,579,165	4,762,723	5,044,901	282,178
Interagency personnel services charges:				
Library	9,727,154	9,727,154	8,768,285	(958,869)
Redevelopment Agency	1,584,905	1,584,905	1,087,317	(497,588)
Subtotal interagency charges	11,312,059	11,312,059	9,855,602	(1,456,457)
Total charges for services	22,473,957	23,814,265	21,574,770	(2,239,495)
Fines and forfeitures:				
Court and traffic fines	1,791,000	2,076,417	1,891,266	(185,151)
Other fines and forfeitures	296,000	296,000	352,577	56,577
Total fines and forfeitures	2,087,000	2,372,417	2,243,843	(128,574)
Use of money and property:				
Investment income	667,154	667,154	431,626	(235,528)
Rents and royalties	2,161,257	2,238,757	2,341,232	102,475
Total use of money and property	2,828,411	2,905,911	2,772,858	(133,053)
Other revenues:				
Contributions and donations	23,800	147,620	167,313	19,693
Other miscellaneous revenues	44,400	107,400	479,260	371,860
Total other revenues	68,200	255,020	646,573	391,553
Total revenues	78,393,442	80,891,472	74,297,934	(6,593,538)
OTHER FINANCING SOURCES/(USES)				
Proceeds from asset dispositions	1,600	1,600	18,845	17,245
Proceeds from long term debt	4,000	4,000	-	(4,000)
Capital contributions - other funds	-	-	(25,628)	(25,628)
Transfers in	320,850	320,850	125,362	(195,488)
Transfers Out	(727,031)	(727,031)	(366,036)	366,995
Total other financing sources	(400,581)	(400,581)	(241,457)	159,124
Total revenues and other financing sources	\$ 77,992,861	\$ 80,490,891	\$ 74,056,477	\$ (6,434,414)

City of Santa Cruz

Schedule of Budget and Actual Expenditures and Other Financing Uses For Legally Adopted Appropriations by Department - General Fund For the year ended June 30, 2009

	Services, Supplies					Actual Amounts	Final Budget	Variance with Final Budget - Positive (Negative)
	Personnel Services	and Other Charges	Debt Service	Capital Outlay				
City Council	\$ 255,638	\$ 311,387	\$ -	\$ -	\$ 567,025	\$ 603,796	\$ 36,771	
City Clerk	485,234	218,734	-	10,114	714,082	767,002	52,920	
City Manager	798,191	242,616	-	5,939	1,046,746	1,215,883	169,137	
City Attorney	20,392	733,855	-	-	754,247	940,725	186,478	
Human Resources	968,329	1,654,683	-	159	2,623,171	2,870,523	247,352	
Finance	1,935,024	384,138	-	-	2,319,162	2,539,201	220,039	
Information Technology	1,636,324	532,106	-	79,362	2,247,792	2,479,725	231,933	
Police	18,555,448	3,966,550	-	214,226	22,736,224	22,966,756	230,532	
Fire	11,048,436	1,271,828	-	57,654	12,377,918	12,377,918	-	
Parks and Recreation	6,652,117	3,239,020	-	22,029	9,913,166	10,316,935	403,769	
Library	8,798,593	1,394,877	-	-	10,193,470	11,121,905	928,435	
Public Works	4,101,475	1,543,183	-	-	5,644,658	6,834,288	1,189,630	
Planning and Community Development	2,809,480	804,853	-	14,079	3,628,412	4,976,208	1,347,796	
Redevelopment Administration	1,087,317	6,305	-	-	1,093,622	1,093,622	-	
Non-Departmental	27,017	3,102,613	-	-	3,129,630	3,166,448	36,818	
Debt service	-	-	201,440	-	201,440	876,209	674,769	
Total expenditures	59,179,015	19,406,748	201,440	403,562	79,190,765	85,147,144	5,956,379	

City of Santa Cruz
Schedule of Budget and Actual Revenues
General Capital Improvement Fund
For the year ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Positive (Negative)
REVENUES				
Taxes	\$ 1,000,000	\$ 820,000	\$ 820,000	\$ -
Intergovernmental	2,500,000	9,169,919	2,718,722	(6,451,197)
Use of money and property	64,260	64,260	47,066	(17,194)
Other revenues	10,000	986,823	673,743	(313,080)
Total revenues	3,574,260	11,041,002	4,259,531	(6,781,471)
EXPENDITURES				
Current:				
General government	3,000	3,000	3,000	-
Public works	610,599	3,044,514	1,192,726	1,851,788
Social services	41,401	41,401	41,401	-
Capital outlay	7,908,095	19,363,772	7,414,002	11,949,770
Debt service:				
Principal	160,200	160,200	115,000	45,200
Interest and fiscal charges	191,105	191,105	82,575	108,530
Total expenditures	8,914,400	22,803,992	8,848,704	13,955,288
REVENUES OVER (UNDER) EXPENDITURES	(5,340,140)	(11,762,990)	(4,589,173)	7,173,817
OTHER FINANCING SOURCES (USES)				
Capital contributions - other funds	-	-	897,997	897,997
Capital contributions - other agencies	650,000	700,000	-	(700,000)
Proceeds from long-term debt	6,250,000	11,000,000	-	(11,000,000)
Transfers in	356,400	1,197,062	1,159,617	(37,445)
Transfers out	(56,750)	(56,750)	(71,516)	(14,766)
Total other financing sources (uses)	7,199,650	12,840,312	1,986,098	(10,854,214)
Net change in fund balances	1,859,510	1,077,322	(2,603,075)	(3,680,397)
FUND BALANCES				
Beginning of the year	(2,629,259)	(2,629,259)	(2,629,259)	-
End of year	\$ (769,749)	\$ (1,551,937)	\$ (5,232,334)	\$ (3,680,397)

City of Santa Cruz
Schedule of Budget and Actual Revenues
Police Special Revenue Fund
For the year ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Positive (Negative)
REVENUES				
Intergovernmental	\$ 110,669	\$ 199,433	\$ 200,666	\$ 1,233
Charges for services	35,000	35,000	30,298	(4,702)
Fines and forfeitures	-	-	-	-
Use of money and property	9,800	9,800	7,355	(2,445)
Total revenues	155,469	244,233	238,319	(5,914)
EXPENDITURES				
Current:				
Public safety:				
Police	265,000	265,000	260,900	4,100
Capital outlay	-	117,710	114,468	3,242
Total expenditures	265,000	382,710	375,368	7,342
REVENUES OVER (UNDER) EXPENDITURES	(109,531)	(138,477)	(137,049)	1,428
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,200)	(1,200)	(841)	359
Total other financing sources (uses)	(1,200)	(1,200)	(841)	359
Net change in fund balance	(110,731)	(139,677)	(137,890)	1,787
FUND BALANCE				
Beginning of the year	189,500	189,500	189,500	-
End of year	\$ 78,769	\$ 49,823	\$ 51,610	\$ 1,787

City of Santa Cruz
Schedule of Budget and Actual Revenues
State Highway Special Revenue Fund
For the year ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 2,422,200	\$ 10,073,589	\$ 4,060,781	\$ (6,012,808)
Use of money and property	56,700	56,700	14,345	(42,355)
Other revenues			139,831	139,831
Total revenues	2,478,900	10,130,289	4,214,957	(5,915,332)
EXPENDITURES				
Current:				
Public works:				
Transportation	974,257	1,605,122	770,657	834,465
Capital outlay	2,059,000	11,642,145	3,347,951	8,294,194
Total expenditures	3,033,257	13,247,267	4,118,608	9,128,659
REVENUES OVER (UNDER) EXPENDITURES	(554,357)	(3,116,978)	96,349	3,213,327
OTHER FINANCING SOURCES (USES)				
Proceeds from asset dispositions	-	300,000	-	(300,000)
Proceeds from long-term debt	400,000	1,000,000	-	(1,000,000)
Transfers in	250,000	1,202,614	261,126	(941,488)
Transfers out	-	(599,041)	(874,041)	(275,000)
Total other financing sources (uses)	650,000	1,903,573	(612,915)	(2,516,488)
Net change in fund balance	95,643	(1,213,405)	(516,566)	696,839
FUND BALANCE				
Beginning of the year	1,295,011	1,295,011	1,295,011	-
End of year	\$ 1,390,654	\$ 81,606	\$ 778,445	\$ 696,839

City of Santa Cruz
Schedule of Budget and Actual Revenues
Traffic Impact Fee Fund
For the year ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 26,540	\$ 26,540	\$ 92,434	\$ 65,894
Other revenues	-	-	3,302,586	3,302,586
Total revenues	26,540	26,540	3,395,020	3,368,480
REVENUES OVER (UNDER) EXPENDITURES				
	26,540	26,540	3,395,020	3,368,480
OTHER FINANCING SOURCES (USES)				
Transfers out	(250,000)	(620,000)	(261,126)	358,874
Total other financing sources (uses)	(250,000)	(620,000)	(261,126)	358,874
Net change in fund balance	(223,460)	(593,460)	3,133,894	3,727,354
FUND BALANCE				
Beginning of the year	978,771	978,771	978,771	-
End of year	\$ 755,311	\$ 385,311	\$ 4,112,665	\$ 3,727,354

City of Santa Cruz
Schedule of Budget and Actual Revenues
Parks and Recreation Fund
For the year ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 350,000	\$ 761,500	\$ 222,193	\$ (539,307)
Intergovernmental	-	161,000	5,000	(156,000)
Charges for services	704,000	794,000	929,399	135,399
Use of money and property	71,249	71,249	33,249	(38,000)
Other revenues	-	25,000	25,000	-
Total revenues	1,125,249	1,812,749	1,214,841	(597,908)
EXPENDITURES				
Current:				
Parks and Recreation	871,500	1,703,113	439,619	1,263,494
Capital outlay	920,000	1,354,475	1,118,177	236,298
Total expenditures	1,791,500	3,057,588	1,557,796	1,499,792
REVENUES OVER (UNDER) EXPENDITURES	(666,251)	(1,244,839)	(342,955)	901,884
OTHER FINANCING SOURCES (USES)				
Transfers out	(9,000)	(9,000)	(19,898)	(10,898)
Total other financing sources (uses)	(9,000)	(9,000)	(19,898)	(10,898)
Net change in fund balance	(675,251)	(1,253,839)	(362,853)	890,986
FUND BALANCE				
Beginning of the year	1,560,062	1,560,062	1,560,062	-
End of year	\$ 884,811	\$ 306,223	\$ 1,197,209	\$ 890,986

City of Santa Cruz
Schedule of Budget and Actual Revenues
Housing and Community Development Fund
For the year ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,212,722	\$ 2,680,602	\$ 1,985,784	\$ (694,818)
Use of money and property	96,500	96,500	140,239	43,739
Other revenues	1,264,000	1,264,000	774,695	(489,305)
Total revenues	2,573,222	4,041,102	2,900,718	(1,140,384)
EXPENDITURES				
Current:				
Community and economic development:				
Housing and community development	1,129,563	2,695,272	1,182,882	1,512,390
Social services:				
CDBG social services	149,755	149,755	149,756	(1)
Debt service:				
Principal	1,065,000	1,065,000	-	1,065,000
Interest and fiscal charges	36,000	36,000	33,974	2,026
Total expenditures	2,380,318	3,946,027	1,366,612	2,579,415
REVENUES OVER (UNDER) EXPENDITURES	192,904	95,075	1,534,106	1,439,031
OTHER FINANCING SOURCES (USES)				
Loan principal receipts	64,800	64,800	-	(64,800)
Total other financing sources (uses)	64,800	64,800	-	(64,800)
Net change in fund balance	257,704	159,875	1,534,106	1,374,231
FUND BALANCE				
Beginning of the year	1,739,022	1,739,022	1,739,022	-
End of year	\$ 1,996,726	\$ 1,898,897	\$ 3,273,128	\$ 1,374,231

City of Santa Cruz
Schedule of Budget and Actual Revenues
Transportation Development Act
For the year ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 687,043	\$ 687,043	\$ 629,555	\$ (57,488)
Total revenues	687,043	687,043	629,555	(57,488)
EXPENDITURES				
Current:				
Transit	687,043	687,043	629,555	57,488
Total expenditures	687,043	687,043	629,555	57,488
REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-
FUND BALANCE				
Beginning of the year	-	-	-	-
End of year	\$ -	\$ -	\$ -	\$ -

City of Santa Cruz
Schedule of Budget and Actual Revenues
General Obligation Bond
For the year ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 544,794	\$ 544,794	\$ 635,833	\$ 91,039
Use of money and property	19,087	19,087	29,109	10,022
Total revenues	563,881	563,881	664,942	101,061
EXPENDITURES				
Debt service:				
Principal	199,780	199,780	199,781	(1)
Interest and fiscal charges	239,417	239,417	240,001	(584)
Total expenditures	439,197	439,197	439,782	(585)
REVENUES OVER (UNDER) EXPENDITURES	124,684	124,684	225,160	100,476
FUND BALANCE				
Beginning of the year	1,140,328	1,140,328	1,140,328	-
End of year	\$ 1,265,012	\$ 1,265,012	\$ 1,365,488	\$ 100,476

City of Santa Cruz
Schedule of Budget and Actual Revenues
Lease Revenue Bond Fund
For the year ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ -	\$ -	\$ (85,111)	\$ (85,111)
Total revenues	-	-	(85,111)	(85,111)
EXPENDITURES				
Debt service:				
Principal	125,000	125,000	125,000	-
Interest and fiscal charges	305,712	305,712	322,591	(16,879)
Total expenditures	430,712	430,712	447,591	(16,879)
REVENUES OVER (UNDER) EXPENDITURES	(430,712)	(430,712)	(532,702)	(101,990)
OTHER FINANCING SOURCES (USES)				
Transfers in	276,275	276,275	352,972	76,697
Transfers out	-	-	(200,467)	(200,467)
Total other financing sources (uses)	276,275	276,275	152,505	(123,770)
Net change in fund balance	(154,437)	(154,437)	(380,197)	(225,760)
FUND BALANCE				
Beginning of the year	776,353	776,353	776,353	-
End of year	\$ 345,641	\$ 345,641	\$ 396,156	\$ (225,760)

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INTERNAL SERVICE FUNDS

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.

Telecommunications - This fund is used to account for the expenses related to the acquisition of communications equipment and ongoing maintenance of the telephone network including the main telephone switch, voice mail system, pagers, cell phones, and fax machines. Internal contributions to support this fund are based on cost recovery through user departments and funds. These charges do not include the cost of equipment replacement.

Risk Management - This fund is used to account for 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

City of Santa Cruz
Combining Statement of Net Assets
All Internal Service Funds
June 30, 2009

	Equipment Operations	Telecommu- nications	Risk Management	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 426,933	\$ 8,864	\$ 6,487,214	\$ 6,923,011
Interest receivable	2,422	(4,290)	46,522	44,654
Accounts receivable - net	42,104	-	6,462	48,566
Inventories	141,254	-	-	141,254
Due from other funds	-	-	760,000	760,000
Deposits	-	-	1,277,020	1,277,020
Total current assets	612,713	4,574	8,577,218	9,194,505
Noncurrent assets:				
Advances to other funds	-	-	5,000,000	5,000,000
Capital assets:				
Machinery and equipment	504,222	1,945,625	8,160	2,458,007
Software	-	336,296	-	336,296
Less accumulated depreciation	(356,870)	(1,132,834)	(8,160)	(1,497,864)
Total capital assets (net of accumulated depreciation)	147,352	1,149,087	-	1,296,439
Total noncurrent assets	147,352	1,149,087	5,000,000	6,296,439
Total assets	760,065	1,153,661	13,577,218	15,490,944
LIABILITIES				
Current liabilities:				
Accounts payable and other current liabilities	162,230	3,785	133,907	299,922
Due to other funds	2,422	755,770	-	758,192
Claims and judgments payable	-	-	2,610,820	2,610,820
Compensated absences payable	25,057	9,546	-	34,603
Total current liabilities	189,709	769,101	2,744,727	3,703,537
Noncurrent liabilities:				
Claims and judgments payable	-	-	7,451,004	7,451,004
Other post employment benefits	-	-	6,154	6,154
Compensated absences payable	12,528	4,773	-	17,301
Total noncurrent liabilities	12,528	4,773	7,457,158	7,474,459
Total liabilities	202,237	773,874	10,201,885	11,177,996
NET ASSETS				
Invested in capital assets, net of related debt	147,352	1,149,087	-	1,296,439
Unrestricted	410,476	(769,300)	3,375,333	3,016,509
Total net assets	\$ 557,828	\$ 379,787	\$ 3,375,333	\$ 4,312,948

City of Santa Cruz
Combining Statement of Revenues, Expenses and Changes in Net Assets
All Internal Service Funds
For the year ended June 30, 2009

	Equipment Operations	Telecommu- nications	Risk Management	Total
OPERATING REVENUES				
Charges for services - internal	\$ 2,766,640	\$ 369,329	\$ 6,357,778	\$ 9,493,747
Charges for services - external	125,655	76,773	28,298	230,726
Other revenues	16,494	20,525	353	37,372
Total operating revenues	2,908,789	466,627	6,386,429	9,761,845
OPERATING EXPENSES				
Personnel services	915,180	140,300	440,645	1,496,125
Services, supplies, and other charges	1,969,478	131,762	2,491,440	4,592,680
Depreciation and amortization	34,837	108,930	-	143,767
Total operating expenses	2,919,495	380,992	2,932,085	6,232,572
Operating income (loss)	(10,706)	85,635	3,454,344	3,529,273
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	16,571	(23,843)	335,523	328,251
Total nonoperating revenues (expenses)	16,571	(23,843)	335,523	328,251
Income (loss) before transfers	5,865	61,792	3,789,867	3,857,524
Transfers out	(16,571)	23,842	(50,000)	(42,729)
Total transfers	(16,571)	23,842	(50,000)	(42,729)
Change in net assets	(10,706)	85,634	3,739,867	3,814,795
NET ASSETS				
Beginning of year	568,534	294,153	(364,534)	498,153
End of year	\$ 557,828	\$ 379,787	\$ 3,375,333	\$ 4,312,948

City of Santa Cruz
Combining Statement of Cash Flows
All Internal Service Funds
For the year ended June 30, 2009

	Equipment Operations	Telecommu- nications	Risk Management	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers and users	\$ 109,002	\$ 80,748	\$ 52,709	\$ 242,459
Cash received from interfund services provided	2,766,640	369,329	6,357,778	9,493,747
Cash payments to suppliers for goods and services	(1,995,515)	(198,765)	(2,524,517)	(4,718,797)
Cash payments to employees for services	(928,023)	(138,744)	(434,491)	(1,501,258)
Cash received from (payments to) others	16,494	20,525	69,988	107,007
Net cash provided (used) by operating activities	(31,402)	133,093	3,521,467	3,623,158
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in/out	(16,571)	23,842	(50,000)	(42,729)
Due to/from other funds	(3,505)	56,024	(60,000)	(7,481)
Advances to other funds	-	-	(5,000,000)	(5,000,000)
Net cash provided (used) by noncapital financing activities	(20,076)	79,866	(5,110,000)	(5,050,210)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase and construction of capital assets	(52,315)	(186,647)	1,600	(237,362)
Net cash provided (used) by capital and related financing activities	(52,315)	(186,647)	1,600	(237,362)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interests receivable	3,505	-	22,108	25,613
Investment income received	16,571	(23,843)	335,523	328,251
Net cash provided (used) by investing activities	20,076	(23,843)	357,631	353,864
Net increase (decrease) in cash and cash equivalents	(83,717)	2,469	(1,229,302)	(1,310,550)
CASH AND CASH EQUIVALENTS				
Beginning of year	510,650	6,395	7,716,516	8,233,561
End of year	\$ 426,933	\$ 8,864	\$ 6,487,214	\$ 6,923,011
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (10,706)	\$ 85,635	\$ 3,454,344	\$ 3,529,273
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	34,837	108,930	-	143,767
Changes in current assets and liabilities:				
Accounts receivable	(16,653)	3,975	24,411	11,733
Inventories	11,195	-	-	11,195
Accounts payable and other current liabilities	(37,232)	(67,003)	(33,077)	(137,312)
Deposits payable	-	-	319,366	319,366
Claims and judgments payable	-	-	(249,731)	(249,731)
Other post employment benefits payable	-	-	6,154	6,154
Compensated absences payable	(12,843)	1,556	-	(11,287)
Total adjustments	(20,696)	47,458	67,123	93,885
Net cash provided (used) by operating activities	(31,402)	133,093	3,521,467	3,623,158

Private-Purpose Trust Funds

McCaskill Trust - Local History - This fund is restricted in purpose to promulgate local history. The principal and income benefit the Library Joint Powers Authority,

McCaskill Trust - Visually Impaired - This fund is restricted in purpose to provide library materials for the visually impaired. The principal and income benefit the Library Joint Powers Authority.

The Finkeldey Trust - Musical Literature - This fund is restricted in purpose to acquire musical literature. The principal and income benefit the Library Joint Powers Authority.

City of Santa Cruz
Combining Statement of Fiduciary Net Assets
Private-Purpose Trust Funds
June 30, 2009

	McCaskill Trust - Local History	McCaskill Trust - Visually Impaired	The Finkeldey Trust - Musical Literature	Total Private-Purpose Trust Funds
ASSETS				
Cash and cash equivalents	\$ 265,728	\$ 261,701	\$ 10,307	\$ 537,736
Receivables:				
Interest receivable	1,334	1,313	51	2,698
Total assets	267,062	263,014	10,358	540,434
NET ASSETS				
Held in trust for library programs	<u>\$ 267,062</u>	<u>\$ 263,014</u>	<u>\$ 10,358</u>	<u>\$ 540,434</u>

City of Santa Cruz
Combining Statement of Changes in Fiduciary Net Assets
Private-Purpose Trust Funds
For the year ended June 30, 2009

	McCaskill Trust - Local History	McCaskill Trust - Visually Impaired	The Finkeldey Trust - Musical Literature	Total Private-Purpose Trust Funds
ADDITIONS				
Investment earnings	\$ 7,491	\$ 7,417	\$ 296	\$ 15,204
Total additions	7,491	7,417	296	15,204
DEDUCTIONS				
Library programs	9,300	10,400	755	20,455
Total deductions	9,300	10,400	755	20,455
Change in net assets	(1,809)	(2,983)	(459)	(5,251)
NET ASSETS				
Beginning of year	268,871	265,997	10,817	545,685
End of year	<u>\$ 267,062</u>	<u>\$ 263,014</u>	<u>\$ 10,358</u>	<u>\$ 540,434</u>

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Agency Funds

Library Joint Powers Authority - This fund is used to account for funds held by the City in an agency capacity for the Library Joint Powers Authority, which was established to finance the operations of the former City/County library system.

Trust Deposit Holding - This fund is used to hold cash deposits received from outside parties on a temporary basis.

Payroll Payables - This fund is used to account for cash transferred from various funds to pay for payroll liabilities, which are paid out of this fund.

Special Assessments - This fund is used to account for assets held by the City in an agency capacity for special assessment districts. The City acts as agent for collection of principal and interest payments from the property owners and remits these monies to the bondholders. If funds are not available, the City is under no obligation to make bond payments from its own funds.

City of Santa Cruz
Combining Statement of Fiduciary Net Assets
Agency Funds
June 30, 2009

	Library Joint Powers Authority	Trust Deposit Holding	Payroll Payables	Special Assessments	Total Agency Funds
ASSETS					
Cash and cash equivalents	\$ 33,672	\$ 332,290	\$ 20,075	\$ 218,187	\$ 604,224
Restricted Cash and cash equivalents		-	-	58,630	58,630
Prepaid Expenses	28,944	-	-	-	28,944
Receivables:					
Interest receivable	(524)	315	-	906	697
Taxes receivable	446,380	-	-	10,084	456,464
Accounts receivable - net	410,664	-	-	-	410,664
Due from other governments	4,835	-	-	-	4,835
Total assets	\$ 923,971	\$ 332,605	\$ 20,075	\$ 287,807	\$ 1,564,458
LIABILITIES					
Accounts payable and other current liabilities	\$ 233,067	\$ 25,392	\$ 20,075	\$ -	\$ 278,534
Due to other governments	689,748	-	-	-	689,748
Deposits payable	1,156	307,213	-	-	308,369
Payable to bondholders	-	-	-	287,807	287,807
Total liabilities	\$ 923,971	\$ 332,605	\$ 20,075	\$ 287,807	\$ 1,564,458

City of Santa Cruz
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the year ended June 30, 2009

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
<u>Library Joint Powers Authority</u>				
Assets:				
Cash and cash equivalents	\$ 160,228	\$ 13,268,439	\$ 13,394,995	\$ 33,672
Prepaid Expenses	-	28,944	-	28,944
Receivables:				
Interest receivable	10,167	9,558	20,249	(524)
Taxes receivable	559,660	909,524	1,022,804	446,380
Accounts receivable - net	507,692	839,386	936,414	410,664
Due from other governments	26,554	4,835	26,554	4,835
Total assets	\$ 1,264,301	\$ 15,060,686	\$ 15,401,016	\$ 923,971
Liabilities:				
Accounts payable and other current liabilities	\$ 780,697	\$ 3,037,492	\$ 3,585,122	\$ 233,067
Due to other governments	406,668	667,431	384,351	689,748
Deferred revenue	76,053	47,143	123,196	-
Deposit payable	883	469	196	1,156
Total liabilities	\$ 1,264,301	\$ 3,752,535	\$ 4,092,865	\$ 923,971
<u>Trust Deposit Holding</u>				
Assets:				
Cash and cash equivalents	\$ 482,691	\$ 1,003,208	\$ 1,153,609	\$ 332,290
Interest receivable	988	2,201	2,874	315
Total assets	\$ 483,679	\$ 1,005,409	\$ 1,156,483	\$ 332,605
Liabilities:				
Accounts payable and other current liabilities	\$ 34,484	\$ 776,344	\$ 785,436	\$ 25,392
Deferred revenue	369	-	369	-
Deposits payable	448,826	1,006,829	1,148,442	307,213
Total liabilities	\$ 483,679	\$ 1,783,173	\$ 1,934,247	\$ 332,605
<u>Payroll Payables</u>				
Assets:				
Cash and cash equivalents	\$ 1,044,828	\$ 93,636,432	\$ 94,661,185	\$ 20,075
Total assets	\$ 1,044,828	\$ 93,636,432	\$ 94,661,185	\$ 20,075
Liabilities:				
Accounts payable and other current liabilities	\$ 1,044,828	\$ 114,424,072	\$ 115,448,825	\$ 20,075
Total liabilities	\$ 1,044,828	\$ 114,424,072	\$ 115,448,825	\$ 20,075
<u>Special Assessments</u>				
Assets:				
Cash and cash equivalents	\$ 208,018	\$ 321,539	\$ 311,370	\$ 218,187
Restricted cash and cash equivalents	64,634	-	6,004	58,630
Receivables:				
Interest receivable	1,573	3,419	4,086	906
Taxes receivable	9,750	10,084	9,750	10,084
Accounts receivable - net	-	3,553	3,553	-
Total assets	\$ 283,975	\$ 338,595	\$ 334,763	\$ 287,807
Liabilities:				
Payable to bondholders	\$ 283,975	\$ 3,832	\$ -	\$ 287,807
Total liabilities	\$ 283,975	\$ 3,832	\$ -	\$ 287,807

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STATISTICAL SECTION

(Unaudited)

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

<u>Contents</u>	<u>Page</u>
Financial Trends	145
<i>These tables contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.</i>	
Revenue Capacity	152
<i>These tables contain information to help the reader assess the city's most significant local revenue source, the property tax.</i>	
Debt Capacity	155
<i>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.</i>	
Demographic and Economic Information	168
<i>These tables offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place.</i>	
Operating Information	170
<i>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.</i>	

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

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City of Santa Cruz
Net Assets By Component
Last Seven Fiscal Years

TABLE 1

	Fiscal Year Ended June 30						
	2003	2004	2005	2006	2007	2008	2009
Governmental activities:							
Invested in capital assets,							
net of related debt	\$ 136,369,360	\$ 136,556,019	\$ 139,024,926	\$ 142,216,967	\$ 144,203,036	\$ 159,910,861	\$ 175,147,345
Restricted	10,441,164	11,411,611	10,105,142	12,132,237	13,648,674	6,496,936	33,267,020
Unrestricted	16,662,826	12,267,438	18,695,330	19,428,634	24,563,381	40,206,770	8,940,934
Total governmental activities net assets	<u>\$ 163,473,350</u>	<u>\$ 160,235,068</u>	<u>\$ 167,825,398</u>	<u>\$ 173,777,838</u>	<u>\$ 182,415,091</u>	<u>\$ 206,614,567</u>	<u>\$ 217,355,299</u>
Business-type activities:							
Invested in capital assets,							
net of related debt	\$ 168,876,424	\$ 174,395,150	\$ 179,988,569	\$ 164,275,405	\$ 172,324,984	\$ 161,911,506	\$ 157,133,804
Restricted	-	-	704,469	-	-	-	-
Unrestricted	62,492,429	58,267,139	57,125,277	78,560,182	81,361,517	78,250,831	80,194,693
Total business-type activities net assets	<u>\$ 231,368,853</u>	<u>\$ 232,662,289</u>	<u>\$ 237,818,315</u>	<u>\$ 242,835,587</u>	<u>\$ 253,686,501</u>	<u>\$ 240,162,337</u>	<u>\$ 237,328,497</u>
Primary government:							
Invested in capital assets,							
net of related debt	\$ 305,245,784	\$ 310,951,169	\$ 319,013,495	\$ 306,492,372	\$ 316,528,020	\$ 321,822,367	\$ 332,281,149
Restricted	10,441,164	11,411,611	10,809,611	12,132,237	13,648,674	6,496,936	33,267,020
Unrestricted	79,155,255	70,534,577	75,820,607	97,988,816	105,924,898	118,457,601	89,135,627
Total primary government net assets	<u>\$ 394,842,203</u>	<u>\$ 392,897,357</u>	<u>\$ 405,643,713</u>	<u>\$ 416,613,425</u>	<u>\$ 436,101,592</u>	<u>\$ 446,776,904</u>	<u>\$ 454,683,796</u>

The City of Santa Cruz implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.

Source: City of Santa Cruz Finance Department

City of Santa Cruz
Changes in Net Assets
Last Seven Fiscal Years

TABLE 2

	Fiscal Year Ended June 30						
	2003	2004	2005	2006	2007	2008	2009
Expenses							
Governmental activities:							
General government	\$ 10,382,020	\$ 11,451,699	\$ 9,889,427	\$ 9,755,194	\$ 12,494,563	\$ 14,185,248	\$ 14,034,816
Public safety	23,770,732	27,054,407	27,218,149	27,227,214	29,646,507	33,112,567	36,639,798
Parks and recreation	12,312,469	13,022,089	11,944,976	11,715,023	12,002,102	12,687,303	11,821,434
Library	8,441,896	8,697,195	8,934,173	9,179,637	9,644,172	10,215,576	9,822,845
Public works	9,790,984	9,618,748	7,801,586	9,047,430	11,509,715	13,714,776	16,169,682
Transit	569,247	588,183	586,896	624,214	646,548	727,191	629,555
Community and economic development	8,265,841	7,140,903	7,719,248	7,414,895	10,616,686	11,027,594	11,830,169
Social services	1,976,456	1,803,125	1,715,326	2,563,680	1,758,216	1,966,940	1,863,587
Interest and fiscal charges	979,508	1,126,311	1,066,994	883,866	1,304,447	1,591,970	1,230,394
Total governmental activities expenses	76,489,153	80,502,660	76,876,775	78,411,153	89,622,956	99,229,165	104,042,280
Business-type activities:							
Water	13,994,913	13,707,644	14,643,440	15,204,565	16,203,872	19,169,949	22,507,116
Wastewater	14,824,444	15,456,161	15,524,855	16,192,904	15,377,903	16,030,806	17,649,321
Refuse	14,824,819	14,924,093	14,581,347	12,700,841	12,974,413	15,013,682	12,367,327
Parking	2,222,770	2,471,710	2,565,800	2,960,225	2,632,045	3,259,850	3,325,271
Storm Water	2,165,345	1,956,563	2,150,359	1,925,661	1,938,275	1,450,158	1,590,808
Golf course	1,745,322	1,811,128	1,781,330	2,325,920	2,165,390	3,214,206	2,525,758
Total business-type activities expenses	49,777,613	50,327,299	51,247,131	51,310,116	51,291,898	58,138,651	59,965,601
Total primary government expenses	\$ 126,266,766	\$ 130,829,959	\$ 128,123,906	\$ 129,721,269	\$ 140,914,854	\$ 157,367,816	\$ 164,007,881
Program Revenues							
Governmental activities:							
Charges for services:							
General government	\$ 3,945,684	\$ 3,938,389	\$ 3,814,053	\$ 4,662,211	\$ 5,507,904	\$ 8,015,647	\$ 7,099,183
Public safety	1,950,228	2,760,629	3,230,321	3,041,137	3,410,308	3,761,166	1,846,123
Parks and recreation	3,798,713	3,956,257	2,863,615	3,191,193	3,011,980	3,419,078	2,965,592
Library	7,005,781	7,672,089	8,152,865	8,478,112	8,894,858	9,617,480	9,413,959
Public works	3,459,306	3,083,205	4,008,187	4,253,232	4,072,956	4,390,495	7,287,234
Transit	-	-	-	66,643	-	17,198	-
Community and economic development	432,651	110,889	115,183	996,327	108,009	380,839	2,055,595
Operating grants and contributions	3,979,717	3,165,361	2,829,078	2,125,537	5,439,954	4,706,969	8,161,308
Capital grants and contributions	5,823,628	4,864,757	5,141,507	2,499,565	5,669,638	5,446,172	4,191,941
Total governmental activities program revenues	30,395,708	29,551,576	30,154,809	29,313,957	36,115,607	39,755,044	43,020,935
Business-type activities:							
Charges for services:							
Water	14,278,839	15,687,800	17,283,215	19,480,617	22,442,267	25,205,503	25,351,854
Wastewater	11,461,188	11,664,391	11,911,915	13,079,711	13,978,613	15,289,391	14,577,440
Refuse	13,341,636	14,583,240	14,562,560	13,525,848	15,108,051	16,570,435	15,766,490
Parking	2,209,631	2,478,911	2,635,129	2,654,549	2,697,863	2,637,422	2,541,330
Storm Water	892,378	862,150	872,569	869,490	875,730	876,944	883,145
Golf course	1,867,914	1,933,684	992,439	1,608,752	1,770,614	1,896,967	1,846,399
Operating grants and contributions	85,446	138,515	369,968	15,704	40,470	109,445	1,348,519
Capital grants and contributions	2,312,416	3,391,001	6,439,375	2,480,435	1,662,249	2,342,720	1,436,784
Total business-type activities program revenues	46,449,448	50,739,692	55,067,170	53,715,106	58,575,857	64,928,827	63,751,961
Total primary government program revenues	76,845,156	80,291,268	85,221,979	83,029,063	94,691,464	104,683,871	106,772,896
Net (expense)/revenue:							
Governmental activities	(46,093,445)	(50,951,084)	(46,721,966)	(49,097,196)	(53,507,349)	(59,474,121)	(61,021,345)
Business-type activities	(3,328,165)	412,393	3,820,039	2,404,990	7,283,959	6,790,176	3,786,360
Total primary government net (expense)/revenue	\$ (49,421,610)	\$ (50,538,691)	\$ (42,901,927)	\$ (46,692,206)	\$ (46,223,390)	\$ (52,683,945)	\$ (57,234,985)

City of Santa Cruz
Changes in Net Assets
Last Seven Fiscal Years

TABLE 2

	Fiscal Year Ended June 30						
	2003	2004	2005	2006	2007	2008	2009
General Revenues and Other Changes in Net Assets							
Governmental activities:							
Taxes							
Property taxes	\$ 15,078,406	\$ 15,792,225	\$ 16,476,980	\$ 22,384,981	\$ 24,593,312	\$ 26,297,145	\$ 27,270,166
Sales and use taxes	8,291,244	9,084,026	11,383,231	11,738,917	12,770,015	14,665,124	13,513,829
Franchise taxes	3,132,743	3,329,454	3,478,971	2,136,686	2,607,388	2,911,919	2,972,281
Transient occupancy taxes	2,932,256	3,016,463	3,067,869	3,385,148	3,750,509	3,685,248	3,723,788
Utility users taxes	7,592,049	7,638,926	8,080,171	8,304,371	8,288,655	8,725,383	9,213,119
Admission taxes	1,664,150	1,724,330	1,629,164	1,715,133	1,909,012	1,964,404	1,877,431
Other taxes	2,000,338	2,480,973	2,107,273	2,303,363	2,466,711	1,938,111	1,576,305
Unrestricted grants and contributions	4,526,808	2,565,897	4,562,277	1,121,274	-	-	-
Investment earnings	1,095,006	437,672	846,634	1,380,087	2,628,122	2,499,381	1,477,491
Gain (loss) on sale of assets	(4,963)	716,218	60,093	24,318	322,288	46,045	18,845
Extraordinary items	477,109	-	-	-	-	-	-
Miscellaneous	673,184	679,168	577,892	487,841	2,648,223	674,905	279,160
Transfers	57,444	334,346	78,584	67,517	3,367	49,509	68,423
Total governmental activities	47,515,774	47,799,698	52,349,139	55,049,636	61,987,602	63,457,174	61,990,838
Business-type activities:							
Unrestricted grants and contributions	-	250	222	-	-	-	-
Investment earnings	2,421,200	717,261	1,469,180	2,079,379	3,637,989	3,496,323	2,573,953
Gain (loss) on sale of assets	60,717	(11,712)	-	91,920	51,527	7,590	15,431
Miscellaneous	545,733	108,532	97,529	508,500	530,158	523,779	630,078
Transfers	(57,444)	(334,346)	(78,584)	(67,517)	(3,367)	(49,509)	(68,423)
Total business-type activities	2,970,206	479,985	1,488,347	2,612,282	4,216,307	3,978,183	3,151,039
Total primary government	\$ 50,485,980	\$ 48,279,683	\$ 53,837,486	\$ 57,661,918	\$ 66,203,909	\$ 67,435,357	\$ 65,141,877
Change in Net Assets							
Governmental activities	\$ 1,422,329	\$ (3,151,386)	\$ 5,627,173	\$ 5,952,440	\$ 8,480,253	\$ 3,983,053	\$ 969,493
Business-type activities	(357,959)	892,378	5,308,386	5,017,272	11,500,266	10,768,359	6,937,399
Total primary government	\$ 1,064,370	\$ (2,259,008)	\$ 10,935,559	\$ 10,969,712	\$ 19,980,519	\$ 14,751,412	\$ 7,906,892

The City of Santa Cruz implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.

Source: City of Santa Cruz Finance Department

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

	Fiscal Year Ended June 30			
	2000	2001	2002	2003
General Fund				
Reserved	\$ 6,215,738	\$ 4,906,611	\$ 4,008,809	\$ 5,237,443
Unreserved, designated	-	5,194,894	6,392,382	5,922,853
Unreserved, undesignated	12,011,261	9,170,827	6,974,625	4,806,652
Total General Fund	<u>\$ 18,226,999</u>	<u>\$ 19,272,332</u>	<u>\$ 17,375,816</u>	<u>\$ 15,966,948</u>
All other governmental funds				
Reserved	\$ 11,383,565	\$ 13,204,616	\$ 14,174,955	\$ 12,311,339
Unreserved, designated, reported in:				
Redevelopment Agency fund	1,210,456	1,351,077	994,997	4,014,256
Special revenue funds	-	-	-	589,008
Debt service funds	890,922	1,092,974	2,591,507	-
Capital projects funds	-	-	-	470,840
Unreserved, undesignated, reported in:				
Redevelopment Agency fund	-	-	(948,602)	(55,035)
Special revenue funds	(63,288)	861,078	660,747	1,747,678
Capital projects funds	1,508,205	671,223	1,558,754	446,564
Total all other governmental funds	<u>\$ 14,929,860</u>	<u>\$ 17,180,968</u>	<u>\$ 19,032,358</u>	<u>\$ 19,524,650</u>

Source: City of Santa Cruz Finance Department

TABLE 3

Fiscal Year Ended June 30					
2004	2005	2006	2007	2008	2009
\$ 4,388,586	\$ 3,870,996	\$ 4,327,113	\$ 4,006,713	\$ 6,444,005	\$ 8,938,344
7,638,171	7,435,828	7,120,993	8,488,474	8,480,033	4,709,120
5,964,197	8,729,971	11,354,586	13,924,233	10,734,911	6,877,197
<u>\$ 17,990,954</u>	<u>\$ 20,036,795</u>	<u>\$ 22,802,692</u>	<u>\$ 26,419,420</u>	<u>\$ 25,658,949</u>	<u>\$ 20,524,661</u>
\$ 13,691,282	\$ 10,721,195	\$ 11,148,536	\$ 11,608,393	\$ 13,462,418	\$ 13,911,917
3,987,557	6,497,637	7,958,925	9,126,250	10,883,854	8,301,216
509,404	476,904	536,451	1,053,286	1,058,197	5,511,039
-	557,277	707,775	909,576	1,916,681	5,794,399
457,945	91,180	92,641	-	-	-
-	-	-	-	-	-
2,207,906	3,185,320	3,341,962	2,851,774	1,834,139	(86,750)
(1,444,460)	2,196,529	281,931	(2,796,246)	(4,615,979)	(5,842,975)
<u>\$ 19,409,634</u>	<u>\$ 23,726,042</u>	<u>\$ 24,068,221</u>	<u>\$ 22,753,033</u>	<u>\$ 24,539,310</u>	<u>\$ 27,588,846</u>

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City of Santa Cruz
General Governmental Tax Revenues by Source¹
Last Ten Fiscal Years

Fiscal Year Ended June 30	Property	Sales and Use	Franchise	Transient Occupancy	Utility Users	Admission
2000	\$ 12,176,209	\$ 8,857,748	\$ 2,771,014	\$ 3,541,396	\$ 7,149,619	\$ 1,583,897
2001	13,342,450	9,790,693	2,851,830	3,900,905	8,246,829	1,611,318
2002	14,944,971	9,126,341	2,996,907	3,131,378	7,627,331	1,612,526
2003	15,629,920	8,291,244	3,132,743	2,932,256	7,592,049	1,664,150
2004	15,792,225	9,084,026	3,329,454	3,016,463	7,638,926	1,724,330
2005	16,501,921	11,383,231 ⁴	3,478,971	3,067,869	8,080,171	1,629,164
2006	22,348,981 ⁵	11,738,917	2,136,686	3,385,148	8,304,371	1,715,133
2007	24,593,312	12,770,015 ⁶	2,607,388	3,750,509	8,288,655	1,909,012
2008	26,297,145	14,665,124	2,911,919	3,685,248	8,725,383	1,964,404
2009	27,270,166	13,513,829	2,972,281	3,723,788	9,213,119	1,877,431

Notes:

- 1 This table includes all governmental fund types.
- 2 Beginning with fiscal year 2003, business improvement taxes include the Co-op Retail Management Business Real Property Improvement District.
- 3 Prior to fiscal year 2003, business license taxes were shown in Permits and Licenses.
- 4 A new quarter-cent sales tax override was implemented in fiscal year 2005. This was replaced by a permanent half-cent tax override in fiscal year 2009.
- 5 Beginning in fiscal year 2006, property taxes include amounts for Property Taxes In Lieu of Vehicle License Fees.
- 6 A new permanent quarter-cent sales tax override was implemented in fiscal year 2007. In addition, the temporary quarter-cent sales tax override previously implemented in fiscal year 2005 was made permanent in fiscal year 2007.
- 7 The County of Santa Cruz overpaid Property Transfer Taxes to the City in FYE 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.

Source: City of Santa Cruz Finance Department

TABLE 5

Parking	Business Improvement ²	Property Transfer	Business License ³	Parks and Recreation Facilities	Total
\$ 158,229	\$ 170,369	\$ 219,132	\$ -	\$ -	\$ 36,627,613
178,373	183,711	200,041	-	-	40,306,150
194,646	175,868	194,632	-	-	40,004,600
199,371	273,965	191,042	784,446	551,514	41,242,700
221,133	296,536	276,466	792,893	357,305	42,529,757
221,790	292,422	325,305	777,308	510,348	46,268,500
229,629	316,742	562,723	777,068	417,202	51,932,600
264,510	330,614	641,579	787,225	442,783	56,385,602
265,594	320,518	233,679	770,837	347,483	60,187,334
266,581	318,299	- ⁷	769,232	222,193	60,146,919

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

TABLE 6

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
2000	\$ 27,646,368	\$ 1,595,964	\$ 4,732,311	\$ 6,566,033	\$ 1,347,496	\$ 3,574,121	\$ 324,802	\$ 45,787,095
2001	30,258,503	1,342,471	5,281,661	7,009,901	1,286,990	4,152,368	327,692	49,659,586
2002	29,238,472	1,267,939	5,339,612	7,151,012	1,282,697	3,577,774	397,896	48,255,402
2003	30,027,154	614,012	4,788,035	16,693,936	1,555,481	2,252,373	308,104	56,239,095
2004	31,696,322	529,649	3,745,601	16,865,754	1,799,557	2,086,163	418,764	57,141,810
2005	34,384,206	603,344	5,465,642	17,799,213	2,022,779	2,333,922	276,565	62,885,671
2006	39,495,863	615,448	1,073,997	19,062,464	1,962,697	2,541,909	216,721	64,969,099
2007	42,837,408	824,258	1,563,745	19,786,417	2,218,082	3,061,718	187,732	70,479,360
2008	45,809,387	935,191	854,975	22,559,336	2,123,686	3,062,604	198,312	75,543,491
2009	45,830,628	648,785	580,477	21,574,770	2,243,843	2,772,858	646,573	74,297,934

Notes:

Beginning in fiscal year 2003, charges for personnel services provided to the Library Joint Powers Authority were included in General Fund charges for services, as well as charges for interfund personnel services provided. Also, prior to fiscal year 2003, business license taxes were shown in licenses and permits.

Source: City of Santa Cruz Finance Department

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

TABLE 7

Fiscal Year Ended June 30	Real Property				Personal Property	Total Assessed Value	Total Direct Tax Rate
	Residential	Commercial	Other	Total			
	2000	\$ 2,980,522,986	\$ 510,282,517	\$ 92,665,671			
2001	3,193,569,036	537,141,067	113,773,535	3,844,483,638	207,913,809	4,052,397,447	0.009%
2002	3,494,071,877	611,373,783	111,624,535	4,217,070,195	237,668,331	4,454,738,526	0.009%
2003	3,657,553,824	663,946,747	122,103,592	4,443,604,163	237,898,436	4,681,502,599	0.009%
2004	3,882,699,208	700,948,081	123,781,647	4,707,428,936	225,168,674	4,932,597,610	0.009%
2005	4,150,085,545	755,991,976	126,848,221	5,032,925,742	217,439,195	5,250,364,937	0.009%
2006	4,563,844,105	788,484,799	110,751,935	5,463,080,839	216,627,737	5,679,708,576	0.009%
2007	5,032,785,543	841,223,841	112,527,378	5,986,536,762	219,805,452	6,206,342,214	0.009%
2008	5,334,777,709	911,303,678	159,469,219	6,405,550,606	222,004,469	6,627,555,075	0.009%
2009	5,697,835,412	905,963,091	91,806,266	6,695,604,769	219,837,712	6,915,442,481	0.009%

Notes:

Total Direct Tax Rate is from Table 8.

With the passage of a constitutional amendment (Proposition 13) and subsequently enacted State legislation, property is assessed according to a base year rather than on a percentage of market value. Accordingly, a reliable estimate of actual value of taxable property within the City is not possible.

Source: County of Santa Cruz Auditor-Controller's Office
 County of Santa Cruz Assessor's Office
 California Municipal Statistics, Inc.

City of Santa Cruz
Direct and Overlapping Property Tax Rates¹
Last Ten Fiscal Years

TABLE 8

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Direct Rates:										
Debt service	\$ 0.009	\$ 0.009	\$ 0.009	\$ 0.009	\$ 0.009	\$ 0.009	\$ 0.009	\$ 0.009	\$ 0.009	\$ 0.009
Total Direct Rate	0.009	0.009	0.009	0.009	0.009	0.009	0.009	0.009	0.009	0.009
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	0.007	0.012	0.021	0.019	0.019	0.038	0.037	0.024	0.030	0.033
Santa Cruz Schools	0.016	0.077	0.067	0.075	0.074	0.068	0.081	0.027	0.037	0.044
Bonny Doon Schools	0.019	0.021	0.035	0.036	0.034	0.033	0.029	0.023	0.025	0.023
Live Oak Schools	0.050	0.046	0.043	0.037	0.023	0.042	0.043	0.052	0.048	0.048
Scotts Valley Schools	0.077	0.073	0.052	0.084	0.055	0.054	0.050	0.044	0.043	0.043
Total Overlapping Rate	1.169	1.229	1.218	1.251	1.205	1.235	1.240	1.170	1.182	1.191
Total Direct and Overlapping Rate	\$ 1.178	\$ 1.238	\$ 1.227	\$ 1.260	\$ 1.214	\$ 1.244	\$ 1.249	\$ 1.179	\$ 1.191	\$ 1.200

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: County of Santa Cruz Auditor - Controller's Office

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

TABLE 9

Tax Owner	Fiscal Year Ended June 30					
	2009			2000		
	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Santa Cruz Seaside Company	\$ 58,334,486	1	0.871%	\$ 42,522,455	2	1.049%
Cypress Point RE Investors, LLC	41,404,723	2	0.618%	-	-	-
S C Beach Hotel Partners, LLC	40,335,205	3	0.602%	-	-	-
Santa Cruz Shaffer Road Investors	33,097,008	4	0.494%	-	-	-
Frederick Electronics Corporation	23,640,309	5	0.353%	11,462,367	9	0.283%
1010 Pacific Investors	22,576,478	6	0.337%	-	-	-
CFRI/Seagate Ocean Street, LLC	22,175,030	7	0.331%	-	-	-
222 Columbia St. LLC	20,987,450	8	0.313%	-	-	-
Cooper House, LLC	20,627,728	9	0.308%	-	-	-
University Business Park, LLC	19,980,731	10	0.298%	-	-	-
Silicon Systems Inc/Texas Instruments	-	-	-	125,322,689	1	3.093%
Thomas J. Lipton, Inc.	-	-	-	19,348,313	3	0.477%
Santa Cruz Hotel, LLC	-	-	-	19,019,287	4	0.469%
Cypress Point LP at Jefferson	-	-	-	17,626,521	5	0.435%
Red Tree Property / 1200 Pacific	-	-	-	14,512,965	6	0.358%
The Price Company/Costco Wholesale	-	-	-	14,310,290	7	0.353%
Outlook Apartments	-	-	-	13,691,275	8	0.338%
Pacific Square LP	-	-	-	9,749,388	10	0.241%
Totals	<u>\$ 303,159,148</u>		<u>4.528%</u>	<u>\$ 287,565,550</u>		<u>7.096%</u>
Total assessed value	<u>\$ 6,695,172,331</u>			<u>\$ 4,052,397,447</u>		

Source: HDL

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City of Santa Cruz
Property Tax Levies and Collections¹
Last Ten Fiscal Years

TABLE 10

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
2000	\$ 11,732,295	\$ 11,732,295	100.0%	\$ -	\$ 11,732,295	100.0%	\$ -	\$ -
2001	12,516,202	12,516,202	100.0%	-	12,516,202	100.0%	-	-
2002	14,190,378	14,190,378	100.0%	-	14,190,378	100.0%	-	-
2003	14,639,056	14,639,056	100.0%	-	14,639,056	100.0%	-	-
2004	15,335,693	15,335,693	100.0%	-	15,335,693	100.0%	-	-
2005	16,013,591	16,013,591	100.0%	-	16,013,591	100.0%	-	-
2006	18,191,952	18,191,952	100.0%	-	18,191,952	100.0%	-	-
2007	20,310,069	20,310,069	100.0%	-	20,310,069	100.0%	-	-
2008	21,573,114	21,573,114	100.0%	-	21,573,114	100.0%	-	-
2009	22,350,357	22,350,357	100.0%	-	22,350,357	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 it 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				
	2000	2001	2002	2003	2004
Governmental Activities:					
General obligation bonds	\$ 7,176,298	\$ 7,299,481	\$ 7,286,115	\$ 7,260,759	\$ 7,228,152
Tax allocation bonds	3,385,000	3,225,000	3,055,000	2,880,000	2,695,000
Revenue bonds payable					
Certificates of participation	518,392	4,890,431	4,769,607	4,642,350	4,513,661
Capital leases	1,583,610	1,649,722	3,355,410	2,450,555	1,765,216
Notes	-	-	1,500,000	1,500,000	1,624,706
Other	-	531,900	998,692	985,663	920,263
Total Governmental Activities	12,663,300	17,596,534	20,964,824	19,719,327	18,746,998
Business-type Activities:					
Wastewater revenue bonds	5,210,000	5,085,000	4,955,000	4,955,000	4,820,000
Storm water revenue bonds	-	-	-	-	-
Water revenue bonds	-	-	-	-	-
Golf course revenue bonds	80,000	-	-	-	-
Certificates of Participation	22,339,568	28,985,383	28,047,650	28,047,650	29,831,339
Leases	2,353,054	2,942,887	2,926,370	4,624,099	3,939,187
Notes	48,894,934	47,221,604	44,988,271	44,883,261	42,593,574
Total Business-type Activities	78,877,556	84,234,874	80,917,291	82,510,010	81,184,100
Total Primary Government	\$ 91,540,856	\$ 101,831,408	\$ 101,882,115	\$ 102,229,337	\$ 99,931,098
Personal income ¹	\$ 1,890,711,810	\$ 2,154,291,172	\$ 2,096,039,335	\$ 2,085,569,904	\$ 2,109,542,853
Debt as percentage of personal income	4.84%	4.73%	4.86%	4.90%	4.74%
Population ²	56,046	55,028	55,085	55,633	56,289
Debt per capita	1,633	1,851	1,850	1,838	1,775
Assessed value ³	5,679,708,576	4,681,502,599	4,932,597,610	4,681,502,599	4,932,597,610
Debt as percentage of assessed value	1.61%	2.18%	2.07%	2.18%	2.03%

Notes:

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

Source: ²State Department of Finance

³County of Santa Cruz Assessor's Office

City of Santa Cruz Finance Department

TABLE 11

Fiscal Year Ended June 30					
	2005	2006	2007	2008	2009
\$	7,183,381	\$ 7,126,075	\$ 7,055,866	\$ 6,972,334	6,875,031
	5,245,000	5,125,000	5,005,000	4,880,000	4,750,000
			-	6,880,000	6,755,000
	4,377,108	4,239,123	4,096,139	3,945,290	3,791,577
	1,766,635	1,247,913	965,627	819,608	668,306
	1,334,942	4,205,026	2,920,485	1,469,685	293,055
	1,029,804	944,836	851,581	754,069	161,526
	<u>20,936,870</u>	<u>22,887,973</u>	<u>20,894,698</u>	<u>25,720,985</u>	<u>23,294,495</u>
	4,680,000	4,715,000	4,510,000	4,310,000	4,100,000
	-	6,100,000	5,940,000	5,770,000	5,595,000
	-	12,450,000	12,150,000	11,930,000	11,700,000
	-	-	-	-	-
	28,662,892	20,915,877	19,183,861	17,384,710	16,078,423
	3,108,344	3,145,352	3,514,756	2,484,435	1,685,427
	40,240,469	37,822,337	35,337,269	32,783,456	30,158,849
	<u>76,691,705</u>	<u>85,148,566</u>	<u>80,635,886</u>	<u>74,662,602</u>	<u>69,317,699</u>
\$	<u>97,628,575</u>	<u>\$ 108,036,539</u>	<u>\$ 101,530,584</u>	<u>\$ 100,383,587</u>	<u>\$ 92,612,194</u>
\$	2,247,596,565	\$ 2,365,518,375	\$ 2,638,747,497	\$ 2,785,524,375	\$ 2,851,012,934
	4.34%	4.57%	3.85%	3.60%	3.25%
	56,451	56,925	57,553	58,125	58,982
	1,729	1,898	1,764	1,727	1,570
	5,250,364,937	5,679,708,576	6,206,342,214	6,627,555,075	6,915,442,481
	1.86%	1.90%	1.64%	1.51%	1.34%

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

TABLE 12

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
2000	\$ 7,176,298	\$ 125,218	\$ 7,051,080	0.19%	\$ 126	\$ 3,782,301,841	56,046
2001	7,299,481	277,763	7,021,718	0.17%	128	4,052,397,447	55,028
2002	7,286,115	324,117	6,961,998	0.16%	126	4,454,738,526	55,085
2003	7,260,759	389,184	6,871,575	0.15%	124	4,681,502,599	55,633
2004	7,228,153	457,945	6,770,208	0.14%	120	4,932,597,610	56,289
2005	7,183,381	557,277	6,626,104	0.13%	117	5,250,364,937	56,451
2006	7,126,075	707,777	6,418,298	0.11%	113	5,679,708,576	56,925
2007	7,055,866	909,576	6,146,290	0.10%	107	6,206,342,214	57,553
2008	6,972,334	1,136,665	5,835,669	0.09%	100	6,627,555,075	58,125
2009	6,875,031	1,365,489	5,509,542	0.08%	93	6,915,442,481	58,982

Source: ¹County of Santa Cruz Assessor's Office
²State Department of Finance
City of Santa Cruz Finance Department

City of Santa Cruz
Computation of Direct and Overlapping Debt
June 30, 2009

2008-2009 Assessed Valuation	\$ 6,915,442,481
Redevelopment Incremental Valuation:	1,215,353,255
Adjusted Assessed Valuation:	<u>\$ 5,700,089,226</u>

	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	\$ 173,011,061	20.061%	\$ 34,707,749
Santa Cruz High School District	87,739,039	54.793%	48,074,852
Santa Cruz Elementary School District	22,425,022	94.062%	21,093,424
Live Oak School District	19,359,975	3.208%	621,068
Scotts Valley Unified School District	18,985,000	0.023%	4,367
City of Santa Cruz	5,610,444	100.000%	5,610,444 (2)
City of Santa Cruz 1915 Act Bonds	1,110,000	100.000%	1,110,000
Total Direct and Overlapping Tax and Assessment Debt	\$ 328,240,541		\$ 111,221,904
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Santa Cruz County Certificates of Participation	71,000,773	20.294%	14,408,897
Santa Cruz County Office of Education Certificates of Participation	11,605,000	20.294%	2,355,119
Cabrillo Joint Community College District Certificates of Participation	2,430,000	20.061%	487,482
Scotts Valley Unified School District Certificates of Participation	4,065,000	0.023%	935
Santa Cruz City Schools Certificates of Participation	4,910,000	54.793%	2,690,336
Live Oak School District Certificates of Participation	18,877,892	3.208%	605,603
City of Santa Cruz General Fund Obligations	13,810,000	100.000%	13,810,000 (3)
Santa Cruz Consolidated Emergency Communication Center	779,526	100.000%	779,526
Monterey Bay Unified Air Pollution Control District Authority	2,740,000	7.036%	192,786
Subtotal Direct and Overlapping General Fund Debt	130,218,191		35,330,684
Less: Live Oak School District QZABs supported by investment fund payments			100,376
Total Direct and Overlapping General Fund Debt	\$ 130,218,191		\$ 35,230,308
Gross Combined Total Debt	\$ 458,458,732		\$ 146,552,588 (4)
Net Combined Total Debt	\$ 458,458,732		\$ 146,452,212

Notes:

- (1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.
- (2) Excludes refunding general obligation bonds to be sold.
- (3) Excludes issues self-supporting from enterprise revenues (\$5,945,000).
- (4) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue, and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2008-2009 Assessed Valuation

Direct Debt (\$5,610,444)	0.08%
Total Direct and Overlapping Tax and Assessment Debt	1.61%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$20,199,970)	0.35%
Combined Total Debt	2.57%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/09: \$0

Source: California Municipal Statistics, Inc.

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

	Fiscal Year Ended June 30				
	2000	2001	2002	2003	2004
Debt limit	\$ 567,345,276	\$ 607,859,617	\$ 668,210,779	\$ 702,225,390	\$ 739,889,642
Total net debt applicable to limit	7,051,080	7,021,718	6,961,998	6,871,575	6,770,208
Legal debt margin	\$ 560,294,196	\$ 600,837,899	\$ 661,248,781	\$ 695,353,815	\$ 733,119,434
Total net debt applicable to the limit as a percentage of debt limit	1.24%	1.16%	1.04%	0.98%	0.92%

Notes:

Section 1418 of the Charter of the City of Santa Cruz limits general obligation bond indebtedness to 15% of the total assessed valuation of all real personal property within the City.

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

TABLE 14

Fiscal Year Ended June 30				
2005	2006	2007	2008	2009
\$ 787,554,741	\$ 851,956,286	\$ 930,951,332	\$ 994,133,261	\$ 1,037,316,372
6,626,104	6,418,298	6,146,290	11,951,626	11,791,622
<u>\$ 780,928,637</u>	<u>\$ 845,537,988</u>	<u>\$ 924,805,042</u>	<u>\$ 982,181,635</u>	<u>\$ 1,025,524,750</u>
0.84%	0.75%	0.66%	1.20%	1.14%

Legal Debt Margin Calculation For Fiscal Year 2008-09:

Total assessed value	\$ 6,915,442,481
Debt limit (15% of total assessed value)	1,037,316,372
Debt applicable to limit:	
General obligation bonds (reported at accreted value)	13,630,031
Less: Amount available in debt service fund for repayment of bonds	<u>1,838,409</u>
Total net debt applicable to limit	<u>11,791,622</u>
Legal debt margin	<u>\$ 1,025,524,750</u>

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

	2000	2001	2002	2003
Wastewater Revenue Bonds:				
Wastewater charges and other	\$ 12,846,315	\$ 11,585,518	\$ 12,146,047	\$ 12,306,445
Less: operating expenses	7,856,133	7,275,278	8,929,861	9,415,409
Net available revenue	4,990,182	4,310,240	3,216,186	2,891,036
Debt service:				
Principal	115,000	120,000	125,000	130,000
Interest	296,608	290,733	284,608	278,233
Total	411,608	410,733	409,608	408,233
Coverage	12.12	10.49	7.85	7.08
Water Revenue Bonds:				
Water charges and other	\$ -	\$ -	\$ -	\$ -
Less: operating expenses	-	-	-	-
Net available revenue	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total	-	-	-	-
Coverage	-	-	-	-
Storm Water Revenue Bonds:				
Storm Water charges and other	\$ -	\$ -	\$ -	\$ -
Less: operating expenses	-	-	-	-
Net available revenue	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total	-	-	-	-
Coverage	-	-	-	-
Certificates of Participation:				
Special assessments and other	\$ -	\$ 11,510,578	\$ 12,080,193	\$ 12,422,235
Less: operating expenses	-	8,519,131	9,747,000	10,447,158
Net available revenue	-	2,991,447	2,333,193	1,975,077
Debt service:				
Principal	-	110,000	100,000	145,000
Interest	-	223,868	537,580	529,300
Total	-	333,868	637,580	674,300
Coverage	-	8.96	3.66	2.93

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

TABLE 15

Fiscal Year Ended June 30						
2004	2005	2006	2007	2008	2009	
\$ 12,230,219	\$ 12,578,070	\$ 12,394,292	\$ 13,194,297	\$ 14,510,460	\$ 15,270,771	
9,855,372	9,964,418	8,591,034	8,652,114	10,162,410	12,375,224	
2,374,847	2,613,652	3,803,258	4,542,183	4,348,050	2,895,547	
135,000	140,000	150,000	205,000	200,000	210,000	
271,608	264,733	256,233	177,386	171,311	165,161	
406,608	404,733	406,233	382,386	371,311	375,161	
5.84	6.46	9.36	11.88	11.71	7.72	
\$ -	\$ -	\$ 18,692,531	\$ 21,116,648	\$ 23,780,039	\$ 26,657,477	
-	-	11,775,892	12,478,247	14,477,076	18,986,496	
-	-	6,916,639	8,638,401	9,302,963	7,670,981	
-	-	-	300,000	220,000	230,000	
-	-	121,517	516,277	539,422	530,622	
-	-	121,517	816,277	759,422	760,622	
-	-	56.92	10.58	12.25	10.09	
\$ -	\$ -	\$ -	\$ 838,920	\$ 876,943	\$ 974,798	
-	-	-	236,769	570,398	593,600	
-	-	-	602,151	306,545	381,198	
-	-	-	160,000	170,000	175,000	
-	-	-	235,985	228,722	221,822	
-	-	-	395,985	398,722	396,822	
-	-	-	1.52	0.77	0.96	
\$ 13,577,644	\$ 13,121,028	\$ 13,218,521	\$ 13,289,170	\$ 14,647,763	\$ 16,272,903	
11,045,892	11,350,148	9,859,552	8,947,378	12,217,661	10,091,524	
2,531,752	1,770,880	3,358,969	4,341,792	2,430,102	6,181,379	
695,000	720,000	755,000	785,000	950,367	850,000	
514,088	487,153	457,327	426,011	466,695	350,430	
1,209,088	1,207,153	1,212,327	1,211,011	1,417,062	1,200,430	
2.09	1.47	2.77	3.59	1.71	5.15	

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

TABLE 16

Fiscal Year Ended June 30	Population ¹	Unemployment Rate ²	Total Personal Income	Per Capita Personal Income ³	Taxable Sales ⁴	Per Capita Taxable Sales
2000	56,046	6.4%	\$ 1,890,712	33,735	\$ 725,287	\$ 12,941
2001	55,028	5.2%	2,154,291	39,149	828,500	15,056
2002	55,085	5.8%	2,096,039	38,051	809,628	14,698
2003	55,633	7.5%	2,085,570	37,488	761,208	13,683
2004	56,289	7.9%	2,109,543	37,477	761,986	13,537
2005	56,451	7.2%	2,247,597	39,815	795,060	14,084
2006	56,925	6.4%	2,365,518	41,555	813,834	14,297
2007	57,553	5.6%	2,638,747	45,849	828,447	14,395
2008	58,125	6.1%	2,785,524	47,923	852,292	14,663
2009	58,982	8.8%	2,851,013	48,337	830,232	14,076

Notes:

Total Personal Income and Taxable Sales amounts are in thousands.

Source: ¹ State Department of Finance

² State Employment Development Department

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

⁴ State Board of Equalization (based on most recent four quarters of data available)

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

TABLE 17

	Fiscal Year Ended June 30					
	2009			2007		
	Number of Employees	Rank	Percentage of Total Employment	Number of Employees	Rank	Percentage of Total Employment
Employer:						
University of California at Santa Cruz	4,679	1	5.004%	4,523	1	4.707%
County of Santa Cruz	2,497	2	2.671%	2,627	2	2.734%
City of Santa Cruz	1,108	3	1.185%	1,083	3	1.127%
Plantronics	518	4	0.554%	494	4	0.514%
Santa Cruz Beach-Boardwalk	347	5	0.371%	347	5	0.361%
Costco	255	6	0.273%	257	6	0.267%
Community Bridges	250	7	0.267%	212	7	0.221%
Crow's Nest	199	8	0.213%	195	8	0.203%
Lightsurf Technology Inc.			0.000%	168	9	0.175%
Santa Cruz Biotechnology Incorporated	190	9	0.203%	158	10	0.164%
United Parcel Service	155	10	0.166%			
Totals	10,198		10.907%	10,064		10.472%
Total employment ¹	93,500			96,100		

This table shows the data for the current fiscal year and two years ago because earlier years' data is not available.

Source: ¹U.S. Department of Labor - Bureau of Labor Statistics
City of Santa Cruz Business License database
City of Santa Cruz Finance Department

Number of City Employees¹ by Department
Last Ten Fiscal Years

	Fiscal Year Ended June 30									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Departments:										
City Clerk	7	7	7	7	7	7	7	7	6	6
City Manager	5	5	5	5	5	5	4	5	5	5
Human Resources	12	13	13	13	12	12	13	14	14	14
Finance	36	38	38	38	36	35	38	27	27	26
Information Technology ²	-	-	-	-	-	-	-	16	16	17
Police	126	134	136	133	126	124	125	132	124	119
Fire	55	59	59	58	55	54	53	55	55	55
Parks and Recreation	118	126	127	125	118	116	111	105	100	91
Library	120	128	130	127	120	118	119	118	121	119
Public Works	219	235	239	232	219	216	216	232	229	225
Planning and Community Development	30	31	32	31	30	29	27	28	27	26
Redevelopment	8	9	9	9	8	8	9	10	13	15
Water	89	94	96	94	89	87	88	91	94	94
Total	825	879	891	872	825	811	810	840	831	812

Notes:

- 1 Personnel authorizations budgeted. Figures rounded to whole numbers.
- 2 Information Technology was part of the Finance Department previously, but it is now a separate department.

Source: City of Santa Cruz Budget Document

City of Santa Cruz
Operating Indicators By Function
Last Six Fiscal Years

TABLE 19

	2004	2005	2006	2007	2008	2009
Function:						
City Clerk						
Hours for creating the agenda						
for posting	305	291	**	300.00	320	300
Advisory body hours	**	600	600	600	600	575
Election hours	280	180	400	100	440	5
Initiative/referendum petitions						
processing hours	-	60	120	-	-	-
Human Resources						
Number of recruitments	**	**	**	87.00	95	52
Number of applications	**	**	**	2,155.00	2,647	1,274
Workers compensation claim payments	\$ 2,129,667	\$ 1,872,387	\$ 1,400,696	\$ 2,850,283	\$ 1,576,602	\$ 1,464,348
Police						
Calls for service	76,069	76,498	70,065	67,932	72,601	78,132
Cases	14,717	14,076	14,212	12,917	16,190	11,999
Fire						
Emergency calls	4,623	4,631	5,006	5,231	6,018	6,857
Inspections	1,853	1,727	1,794	1,223	2,153	2,557
Parks and Recreation						
Number of classes	306	305	294	236	1,038	668 (1)
Facility rentals:						
Parks (Picnic Areas)	892	760	831	762	1,877	788 (2)
Louden Nelson	7,753	7,534	7,348	7,562	6,500	5,720 (3)
Civic Auditorium	146	183	193	190	145	138
Swimming pool	200	167	146	162	178	152
Special events produced	30	20	22	22	18	17
Library (all locations)						
Items checked out	1,856,142	1,899,739	1,975,986	2,051,331	2,159,868	2,336,784
Queries handled	288,821	293,525	313,496	322,971	300,754	299,473
Open hours/week	432	432	438	430	444	444
Public Works						
Overlay (square footage)	524,963	-	251,106.00	351,239	190,000	791,848
Seal coat (square footage)	-	-	320,879.00	342,000	3,793,212	3,951,648
Sewer						
New connections	72	85	106	41	51	50
Average daily flow (MGD)	10	9.92	11.39	9.00	9.95	8.04
Annual total flow (MG)	3,475	3,621	4,157	3,283	3,632	2,924
Water						
Active accounts	23,799	23,924	24,044	24,253	24,302	24,228
Average daily consumption (MGD)	10	10	9	9	9	8
Annual consumption (MG)	3,660	3,448	3,340	3,369	3,358	3,104
Average monthly residential bill	\$ 25	\$ 30	\$ 34	\$ 41	\$ 46	\$ 42

This table shows data for the last five fiscal years. Prior years' data is not available.

(1) Different count beginning in FY 2008 - includes multiples 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

** Unavailable

Source: City of Santa Cruz Departments

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

TABLE 20

Function:	Fiscal Year Ended June 30									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicular patrol units	55	78	78	43	43	61	61	63	63	63
Fire stations	3	3	3	3	3	3	3	3	3	3
Public Parking										
Lots	21	23	22	26	20	21	21	20	20	21
Spaces	4,939	5,094	5,235	5,397	5,124	5,149	5,149	5,132	5,154	5,204
Parking meters	1,945	1,741	1,764	1,695	1,714	1,764	1,764	1,888	1,890	1,930
Parks and Recreation										
Parks	29	29	30	30	30	30	30	30	30	30
Parks acreage	1,450	1,457	1,970	1,970	1,970	1,970	1,970	1,970	1,970	1,970
Playgrounds	11	11	17	17	17	17	17	17	17	17
Swimming pools	1	1	1	1	1	1	1	1	1	1
Tennis courts	7	7	7	7	7	8	8	6	6	6
Golf course	1	1	1	1	1	1	1	1	1	1
Libraries										
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
Branch libraries in county	7	7	7	7	7	7	7	7	7	7
Bookmobile	-	1	1	1	1	1	1	1	1	1
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	2,335	2,800	2,825	2,825	2,893	2,893	2,893	2,893	2,993	3,018
Sewer										
Miles of sanitary sewers	208	62	148	148	151	151	151	151	155	155
Miles of storm drains	35	8	50	50	50	50	50	50	49	49
Water										
Miles of water mains	300	300	300	300	300	290	291	291	293	293
Fire hydrants	1,890	1,904	1,913	1,997	2,019	2,089	2,060	2,060	2,038	2,039

Source: City of Santa Cruz Departments

City of Santa Cruz

Santa Cruz, California

Single Audit Reports

For the year ended June 30, 2009



City of Santa Cruz
Single Audit Reports
For the year ended June 30, 2009

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the basic financial statements of the City of Santa Cruz, California (City), as of and for the year ended June 30, 2009, and have issued our report thereon dated December 18, 2009. We conducted our audit in accordance with generally accepted auditing standards in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the City Council, others within the City, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Capricci & Carson

Irvine, California
December 18, 2009

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the City of Santa Cruz, California (City), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The City's major federal programs are identified in the summary of audit results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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The Honorable Mayor and Members of City Council
of the City of Santa Cruz
Santa Cruz, California
Page Two

A *control deficiency* in a City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the City as of and for the year ended June 30, 2009, and have issued our report thereon dated December 18, 2009. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as whole.

This report is intended solely for the information and use of management, the City Council, others within the City, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Irvine, California
December 18, 2009

City of Santa Cruz
Single Audit Reports
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2009

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
Department of Commerce:			
Direct Programs:			
Economic Development Department:			
- SC Advanced Technology Transfer	11.307	077905768	\$ 76,455
National Oceanic and Atmosphere Administration:			
- Monterey Bay National Marine Sanctuary Visitor Center	11.429	NA060S4290076	88,022
Total Department of Commerce:			<u>164,477</u>
Department of Housing and Urban Development:			
Direct Programs:			
- Community Development Block Grant	14.218	B-08-MC-06-0024	567,351
- Program Income	14.218	-	120,042
- HOME Investment Partnership Program	*14.239	M-08-MC-06-0236	1,349,181
- Program Income	*14.239	-	127,638
- EDI Special Project - River Street Improvements	14.251	B-08-SP-CA-0356	196,000
Total Department of Housing and Urban Development			<u>2,360,212</u>
Department of the Interior:			
Direct Programs:			
Fish and Wildlife Service:			
- Pogonip Habitat	15.631	81440-7-J305	5,000
Total Department of the Interior			<u>5,000</u>
Department of Justice:			
Pass-through County of Santa Cruz,			
- Justice Assistance Grant	16.738	-	16,353
Total Department of Justice			<u>16,353</u>

* Denotes Major Program

See accompanying Notes to Schedule of Expenditures of Federal Awards.

City of Santa Cruz
Single Audit Reports
Schedule of Expenditures of Federal Awards, Continued
For the year ended June 30, 2009

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
Department of Transportation:			
Pass-through State of California,			
- Four Bridges - Seismis Retrofit	20.205	STPLX-5025(048)	\$ 40,714
- San Lorenzo Bike/Pedestrian Overcrossing	20.205	STPLH-5025(023)	1,171,908
- Bay Street Emergency Repairs	20.205	ER-4447(001)	27,915
- Mission Street Alternative Routes	20.205	S0205007	16,944
- Mission St. Landscaping Plan	20.205	STPLER-5025(032)	232,585
Total Department of Transportation			<u>1,490,066</u>
Environmental Protection Agency:			
Pass-through State of California,			
- ARRA - Clean Beaches/Wet Wells II	*66.458	-	51,561
Total Environmental Protection Agency			<u>51,561</u>
Department of Homeland Security:			
Direct Programs:			
- Pre-Disaster Mitigation Program - Climate Action	97.017	087-69112	16,237
Pass-through County of Santa Cruz,			
- 2008 Homeland Security	97.004	702972	27,210
Pass-through State of California,			
- Assistance to Firefighters	97.044	77-0073570	57,083
Total Department of Homeland Security			<u>100,530</u>
Total Federal Awards Expenditures			<u>\$ 4,188,199</u>

* Denotes Major Program

See accompanying Notes to Schedule of Expenditures of Federal Awards.

City of Santa Cruz
Single Audit Reports
Notes to Schedule of Expenditures of Federal Awards
For the year ended June 30, 2009

1. REPORTING ENTITY

The financial reporting entity, as defined by the Governmental Accounting Standard Board (GASB), consists of the primary government, which is the City of Santa Cruz, California (City), organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The City Council acts as the governing body and is able to impose its will on the following organization by establishing financial accountability:

- Santa Cruz Redevelopment Agency

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Funds received under the various grant programs have been recorded within the general, special revenue, capital projects, and enterprise funds of the City. The City utilizes the modified accrual method of accounting for the general, special revenue and capital projects funds. The accrual basis of accounting is used for the enterprise fund. The accompanying Schedule of Expenditures of Federal Awards (Schedule) is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in, the preparation of the City's basic financial statements.

Schedule of Expenditures of Federal Awards

The accompanying Schedule presents the activity of all Federal financial assistance programs of the City. Federal financial assistance received directly from Federal agencies as well as Federal financial assistance passed through the State of California and the County of Santa Cruz is included in the Schedule. The Schedule was prepared from only the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the City.

3. SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Department of Housing and Urban Development:		
Community Development Block Grant	14.218	\$ 109,909
HOME Investment Partnership Program	14.239	1,289,999
Total		\$ 1,399,908

City of Santa Cruz
Single Audit Reports
Schedule of Findings and Questioned Costs
For the year ended June 30, 2009

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the City.
2. No significant deficiencies relating to the audit of the financial statements are reported in the financial statements.
3. No instances of noncompliance material to the financial statements of the City were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the financial statements.
5. The auditors' report on compliance for the major federal award programs for the City expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for the City are reported in Part C below.
7. The programs tested as major programs include:

Major Program	CFDA #	Expenditures
HOME Investment Partnerships Program	14.239	\$ 1,476,819
Clean Beaches/Wet Wells II	66.458	51,561
Total major program expenditures		\$ 1,528,380
Total federal award expenditures		\$ 4,188,199
Percent of total federal award expenditures		36.49%

The auditee meets the criteria for a low-risk auditee. Consequently, the major programs tested were required to be in the aggregate of at least 25% of total federal awards expended.

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City was determined to be a low risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

No financial statement findings were noted.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

No findings or questioned costs were noted on the City's major programs.

D. PRIOR YEAR FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

No findings or questioned costs were noted on the City's major programs.

REDEVELOPMENT AGENCIES FINANCIAL TRANSACTIONS REPORT

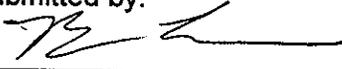
COVER PAGE

Redevelopment Agency Of The City Of Santa Cruz

Fiscal Year: **2009**

ID Number: **13984483700**

Submitted by:



Signature

Executive Director

Title

Bonnie Lipscomb

Name (Please Print)

12/16/09

Date

Per Health and Safety Code section 33080, this report is due within six months after the end of the fiscal year. The report is to include two (2) copies of the agency's component unit audited financial statements, and the report on the Status and Use of the Low and Moderate Income Housing Fund (HCD report). To meet the filing requirements, all portions must be received by the California State Controller's Office.

To file electronically:

1. Complete all forms as necessary.
2. Transmit the completed output file using a File Transfer Protocol (FTP) program or via diskette.
3. Sign this cover page and mail to either address below with 2 audits and the HCD report.

To file a paper report:

1. Complete all forms as necessary.
2. Sign this cover page, and mail complete report to either address below with 2 audits and the HCD report.

Report will not be considered filed until receipt of this signed cover page.

Mailing Address:

State Controller's Office
Division of Accounting and Reporting
Local Government Reporting Section
P. O. Box 942850
Sacramento, CA 94250

Express Mailing Address:

State Controller's Office
Division of Accounting and Reporting
Local Government Reporting Section
3301 C Street, Suite 700
Sacramento, CA 95816

**Redevelopment Agency Of The City Of Santa Cruz
Redevelopment Agencies Financial Transactions Report**

Achievement Information (Unaudited)

Fiscal Year 2009

Indicate Only Those Achievements Completed During the Fiscal Year of this Report as a Direct Result of the Activities of the Redevelopment Agency.

Please provide a description of the agency's activities/accomplishments during the past year.

(Please be specific, as this information will be the basis for possible inclusion in the publication.)

Activity Report

The Agency administers two project areas within the City of Santa Cruz. The Merged Project has as its focus the implementation of programs to assist in the post earthquake reconstruction of downtown Santa Cruz and economic development activities throughout the project area. The Eastside Project is a second project area, which assists in the revitalization of the City's Eastside business area. The Agency also administers a number of affordable housing programs.

	Square Footage Completed	
	New Construction	Rehabilitated
Commercial Buildings	<input type="text"/>	<input type="text"/>
Industrial Buildings	<input type="text"/>	<input type="text"/>
Public Buildings	<input type="text"/>	<input type="text"/>
Other Buildings	63,000	<input type="text"/>
Total Square Footage	63,000	0

Enter the amount of square footage completed this year by building type and segregated by new or rehabilitated construction.

Enter the Number of Jobs Created from the Activities of the Agency

Types Completed

A=Utilities B=Recreation C=Landscaping D=Sewer/ Storm E=Streets/ Roads
F=Bus/Transit

**Redevelopment Agency Of The City Of Santa Cruz
Redevelopment Agencies Financial Transactions Report**

Audit Information

Fiscal Year

2009

Was the Report Prepared from Audited Financial Data, and Did You Submit a Copy of the Audit?

Yes

Indicate Financial Audit Opinion

Unqualified

If Financial Audit is not yet Completed, What is the Expected Completion Date?

[]

If the Audit Opinion was Other than Unqualified, State Briefly the Reason Given

[]

Was a Compliance Audit Performed in Accordance with Health and Safety Code Section 33080.1 and the State Controller's Guidelines for Compliance Audits, and Did You Submit a Copy of the Audit?

Yes

Indicate Compliance Audit Opinion

Unqualified

If Compliance Audit is not yet Completed, What is the Expected Completion Date?

[]

If compliance opinion includes exceptions, state the areas of non-compliance, and describe the agency's efforts to correct.

**Redevelopment Agency Of The City Of Santa Cruz
Redevelopment Agencies Financial Transactions Report**

Project Area Report

Fiscal Year 2009

Project Area Name

Eastside Business Improvement Project

Please Provide a Brief Description of the Activities for this Project Area During the Reporting Year.

Activity Report

During the reporting period the Storefront Improvement Program funded planning for three new projects and one project entered the fabrication stage. Construction of improvements at the Soquel/Water/Morrissey Intersection were also completed. In addition, Agency funds have been budgeted to fund construction of improvements to the Soquel/Hagemann and Soquel/Parkway intersections which are currently in the design and right of way acquisition phases. Agency staff initiated the exploration of streetscape improvements along Soquel Avenue.

Forwarded from Prior Year ?

Yes

Enter Code for Type of Project Area Report

P

P = Standard Project Area Report

A = Administrative Fund

L = Low and Moderate Income Housing Fund

M = Mortgage Revenue Bond Program

O = Other Miscellaneous Funds or Programs

S = Proposed (Survey) Project Area

Does the Plan Include Tax Increment Provisions?

Yes

Date Project Area was Established (MM-DD-YY)

11/22/1990

Most Recent Date Project Area was Amended

3/22/2005

Did this Amendment Add New Territory?

No

Most Recent Date Project Area was Merged

Will this Project Area be Carried Forward to Next Year?

Yes

Established Time Limit :

Repayment of Indebtedness (Year Only)

2033

Effectiveness of Plan (Year Only)

2023

New Indebtedness (Year Only)

2033

Size of Project Area in Acres

90

Percentage of Land Vacant at the Inception of the Project Area

10.0

Health and Safety Code Section 33320.1 (xx.x%)

Percentage of Land Developed at the Inception of the Project Area

90.0

Health and Safety Code Section 33320.1 (xx.x%)

Objectives of the Project Area as Set Forth in the Project Area Plan

RCP

(Enter the Appropriate Code(s) in Sequence as Shown)

R = Residential I = Industrial C = Commercial P = Public O = Other

**Redevelopment Agency Of The City Of Santa Cruz
Redevelopment Agencies Financial Transactions Report**

Project Area Report

Fiscal Year 2009

Project Area Name

**Merged Earthquake Recovery and
Reconstruction Project Areas**

Please Provide a Brief Description of the Activities for this Project Area During the Reporting Year.

Activity Report

The Agency undertook a number of actions to strengthen the economic vitality of downtown Santa Cruz and general economic development activities throughout the project area. These actions included planning for a construction of a new downtown transit center called Pacific Station and streetscape improvements adjacent to the Riffenhouse Building. Construction was completed on the Artists Lofts Project, an affordable live/work project on the property of the former Salz Tannery. On that same property planning continued for the rehabilitation of tannery's five historic buildings. In the beach area of Santa Cruz planning was completed for new visitor center for the Monterey Bay National Marine Sanctuary construction of the project is dependent on Federal funding. The Agency has also taken the lead in planning for the improvements to the Highway 1 & 9 Intersection and replacement of the Highway 1 Bridge of the San Lorenzo River. Construction was initiated on a

Forwarded from Prior Year ?

Yes

Enter Code for Type of Project Area Report

P

P = Standard Project Area Report

A = Administrative Fund

L = Low and Moderate Income Housing Fund

M = Mortgage Revenue Bond Program

O = Other Miscellaneous Funds or Programs

S = Proposed (Survey) Project Area

Does the Plan Include Tax Increment Provisions?

Yes

Date Project Area was Established (MM-DD-YY)

Most Recent Date Project Area was Amended

Did this Amendment Add New Territory?

No

Most Recent Date Project Area was Merged

Will this Project Area be Carried Forward to Next Year?

Yes

Established Time Limit :

Repayment of Indebtedness (Year Only)

Effectiveness of Plan (Year Only)

New Indebtedness (Year Only)

Size of Project Area in Acres

Percentage of Land Vacant at the Inception of the Project Area

Health and Safety Code Section 33320.1 (xx.x%)

Percentage of Land Developed at the Inception of the Project Area

Health and Safety Code Section 33320.1 (xx.x%)

Objectives of the Project Area as Set Forth in the Project Area Plan

(Enter the Appropriate Code(s) in Sequence as Shown)

R = Residential I = Industrial C = Commercial P = Public O = Other

Redevelopment Agency of The City of Santa Cruz

Redevelopment Agencies Financial Transactions Report

Assessed Valuation Data

Fiscal Year 2009

Project Area Name

Eastside Business Improvement Project

Frozen Base Assessed Valuation

72,892,371

Increment Assessed Valuation

93,485,159

Total Assessed Valuation

166,377,530

Redevelopment Agency Of The City Of Santa Cruz

Redevelopment Agencies Financial Transactions Report

Assessed Valuation Data

Fiscal Year **2009**

Project Area Name

Merged Earthquake Recovery and Reconstruction
Project Areas

Frozen Base Assessed Valuation

565,330,266

Increment Assessed Valuation

556,537,830

Total Assessed Valuation

1,121,868,096

Redevelopment Agency Of The City Of Santa Cruz

Redevelopment Agencies Financial Transactions Report

Pass-Through / School District Assistance

Fiscal Year **2009**

Project Area Name **Eastside Business Improvement Project**

Tax Increment Pass Through Detail

Amounts Paid To Taxing Agencies Pursuant To: H & S Code Section 33401 H & S Code Section 33676 H & S Code Section 33607 H & S Code Section 33445 H & S Code Section 33445.5

	H & S Code Section 33401	H & S Code Section 33676	H & S Code Section 33607	Total	H & S Code Section 33445	H & S Code Section 33445.5
County	275,788			\$275,788		
Cities				\$0		
School Districts		116,445		\$116,445		
Community College District				\$0		
Special Districts				\$0		
Total Paid to Taxing Agencies	\$275,788	\$116,445	\$0	\$392,233	\$0	\$0

Net Amount to Agency

	\$582,708
--	-----------

Gross Tax Increment Generated

	974,941
--	---------

Redevelopment Agency Of The City Of Santa Cruz

Redevelopment Agencies Financial Transactions Report

Pass-Through / School District Assistance

Fiscal Year **2009**

Project Area Name **Merged Earthquake Recovery and Reconstruction Project Areas**

Amounts Paid To Taxing Agencies Pursuant To:	Tax Increment Pass Through Detail			Other Payments		
	H & S Code Section 33401	H & S Code Section 33676	H & S Code Section 33607	Total	H & S Code Section 33445	H & S Code Section 33445.5
County	3,733,915			\$3,733,915		
Cities				\$0		
School Districts			129,818	\$129,818		
Community College District				\$0		
Special Districts				\$0		
Total Paid to Taxing Agencies	\$3,733,915	\$0	\$129,818	\$3,863,733	\$0	\$0
Net Amount to Agency				\$7,799,591		
Gross Tax Increment Generated				11,663,324		

**Redevelopment Agency Of The City Of Santa Cruz
Redevelopment Agencies Financial Transactions Report**

Summary of the Statement of Indebtedness - Project Area

Fiscal Year 2009

Project Area Name **Eastside Business Improvement Project**

Tax Allocation Bond Debt	
Revenue Bonds	64,194
Other Long Term Debt	
City/County Debt	967,519
Low and Moderate Income Housing Fund	361,556
Other	1,151,573
Total	\$2,544,842
Available Revenues	650,182
Net Tax Increment Requirements	\$1,894,660

Redevelopment Agency Of The City Of Santa Cruz
Redevelopment Agencies Financial Transactions Report

Summary of the Statement of Indebtedness - Project Area

Fiscal Year 2009

Project Area Name

**Merged Earthquake Recovery and
Reconstruction Project Areas**

Tax Allocation Bond Debt	7,232,955
Revenue Bonds	
Other Long Term Debt	
City/County Debt	1,699,869
Low and Moderate Income Housing Fund	9,393,494
Other	32,885,131
Total	\$51,211,449
Available Revenues	3,456,349
Net Tax Increment Requirements	\$47,755,100

Redevelopment Agency Of The City Of Santa Cruz

Redevelopment Agencies Financial Transactions Report

Agency Long-Term Debt

Fiscal Year

Project Area Name

Forward from Prior Year	
Bond Type	Certificates of Participation
Year of Authorization	1998
Principal Amount Authorized	595,721
Principal Amount Issued	595,721
Purpose of Issue	Develop Parking Lot
Maturity Date Beginning Year	1999
Maturity Date Ending Year	2010
Principal Amount Unmatured Beginning of Fiscal Year	\$120,289
Adjustment Made During Year	
Adjustment Explanation	
Interest Added to Principal	
Principal Amount Issued During Fiscal Year	
Principal Amount Matured During Fiscal Year	58,712
Principal Amount Defeased During Fiscal Year	
Principal Amount Unmatured End of Fiscal Year	\$61,577
Principal Amount in Default	
Interest in Default	

Bond Types Allowed:
 Tax Allocation Bonds; Revenue Bonds; Certificates of Participation; Tax Allocation Notes; Financing Authority Bonds; City/County Debt; US; State; Loans; Lease Obligations; Notes; Deferred Pass-Throughs; Deferred Compensation; Other

Redevelopment Agency Of The City Of Santa Cruz

Redevelopment Agencies Financial Transactions Report

Agency Long-Term Debt

Fiscal Year

Project Area Name

Forward from Prior Year	<input type="text" value="Yes"/>
Bond Type	City/County Debt
Year of Authorization	1984
Principal Amount Authorized	7,356,600
Principal Amount Issued	7,356,600
Purpose of Issue	Project Improvements
Maturity Date Beginning Year	1990
Maturity Date Ending Year	2020
Principal Amount Unmatured Beginning of Fiscal Year	\$941,406
Adjustment Made During Year	
Adjustment Explanation	
Interest Added to Principal	
Principal Amount Issued During Fiscal Year	1,881,238
Principal Amount Matured During Fiscal Year	1,934,168
Principal Amount Defeased During Fiscal Year	
Principal Amount Unmatured End of Fiscal Year	\$888,476
Principal Amount In Default	
Interest In Default	

Bond Types Allowed:

Tax Allocation Bonds; Revenue Bonds; Certificates of Participation; Tax Allocation Notes; Financing Authority Bonds; City/County Debt; US; State; Loans; Lease Obligations; Notes; Deferred Pass-Throughs; Deferred Compensation; Other

Redevelopment Agency Of The City Of Santa Cruz

Redevelopment Agencies Financial Transactions Report

Agency Long-Term Debt

Fiscal Year **Project Area Name**

Forward from Prior Year	<input type="text" value="Yes"/>
Bond Type	<input type="text" value="City/County Debt"/>
Year of Authorization	<input type="text" value="1990"/>
Principal Amount Authorized	<input type="text" value="367,747"/>
Principal Amount Issued	<input type="text" value="367,747"/>
Purpose of Issue	<input type="text" value="Project Improvements"/>
Maturity Date Beginning Year	<input type="text" value="1990"/>
Maturity Date Ending Year	<input type="text" value="2020"/>
Principal Amount Unmatured Beginning of Fiscal Year	<input type="text" value="\$5,165"/>
Adjustment Made During Year	<input type="text" value="-1"/>
Adjustment Explanation	<input type="text" value="rounding adjustment"/>
Interest Added to Principal	<input type="text"/>
Principal Amount Issued During Fiscal Year	<input type="text" value="20,028"/>
Principal Amount Matured During Fiscal Year	<input type="text" value="25,192"/>
Principal Amount Defeased During Fiscal Year	<input type="text"/>
Principal Amount Unmatured End of Fiscal Year	<input type="text" value="\$0"/>
Principal Amount In Default	<input type="text"/>
Interest In Default	<input type="text"/>

Bond Types Allowed:
 Tax Allocation Bonds; Revenue Bonds; Certificates of Participation; Tax Allocation Notes; Financing Authority Bonds; City/County Debt; US; State;
 Loans; Lease Obligations; Notes; Deferred Pass-Throughs; Deferred Compensation; Other

Redevelopment Agency Of The City Of Santa Cruz

Redevelopment Agencies Financial Transactions Report

Agency Long-Term Debt

Fiscal Year

Project Area Name

Forward from Prior Year	
Bond Type	Loans
Year of Authorization	2001
Principal Amount Authorized	1,500,000
Principal Amount Issued	1,500,000
Purpose of Issue	Finance Low Mod Housing Project
Maturity Date Beginning Year	2011
Maturity Date Ending Year	2011
Principal Amount Unmatured Beginning of Fiscal Year	\$536,861
Adjustment Made During Year	-1
Adjustment Explanation	prior year rounding
Interest Added to Principal	
Principal Amount Issued During Fiscal Year	
Principal Amount Matured During Fiscal Year	283,805
Principal Amount Defeased During Fiscal Year	
Principal Amount Unmatured End of Fiscal Year	\$253,055
Principal Amount in Default	
Interest In Default	

Bond Types Allowed:
 Tax Allocation Bonds; Revenue Bonds; Certificates of Participation; Tax Allocation Notes; Financing Authority Bonds; City/County Debt; US; State;
 Loans; Lease Obligations; Notes; Deferred Pass-Throughs; Deferred Compensation; Other

Redevelopment Agency Of The City Of Santa Cruz

Redevelopment Agencies Financial Transactions Report

Agency Long-Term Debt

Fiscal Year

Project Area Name

Forward from Prior Year	<input type="text" value="Yes"/>
Bond Type	<input type="text" value="Loans"/>
Year of Authorization	<input type="text" value="2006"/>
Principal Amount Authorized	<input type="text" value="3,100,000"/>
Principal Amount Issued	<input type="text" value="3,100,000"/>
Purpose of Issue	<input type="text" value="Finance Low Mod Housing Project"/>
Maturity Date Beginning Year	<input type="text" value="2009"/>
Maturity Date Ending Year	<input type="text" value="2009"/>
Principal Amount Unmatured Beginning of Fiscal Year	<input type="text" value="\$872,825"/>
Adjustment Made During Year	<input type="text"/>
Adjustment Explanation	<input type="text"/>
Interest Added to Principal	<input type="text"/>
Principal Amount Issued During Fiscal Year	<input type="text"/>
Principal Amount Matured During Fiscal Year	<input type="text" value="872,825"/>
Principal Amount Defeased During Fiscal Year	<input type="text"/>
Principal Amount Unmatured End of Fiscal Year	<input type="text" value="\$0"/>
Principal Amount In Default	<input type="text"/>
Interest In Default	<input type="text"/>

Bond Types Allowed:
 Tax Allocation Bonds; Revenue Bonds; Certificates of Participation; Tax Allocation Notes; Financing Authority Bonds; City/County Debt; US; State; Loans; Lease Obligations; Notes; Deferred Pass-Throughs; Deferred Compensation; Other

Agency Long-Term Debt

Fiscal Year

2009

Project Area Name

Merged Earthquake Recovery and Reconstruction Project Areas

Forward from Prior Year	Yes
Bond Type	Other
Year of Authorization	2000
Principal Amount Authorized	1,225,848
Principal Amount Issued	1,225,848
Purpose of Issue	Fund Special Assessment Liability OPA
Maturity Date Beginning Year	2003
Maturity Date Ending Year	2012
Principal Amount Unmatured Beginning of Fiscal Year	\$754,069
Adjustment Made During Year	-545,784
Adjustment Explanation	Sale of property triggered OPA cancellation
Interest Added to Principal	
Principal Amount Issued During Fiscal Year	
Principal Amount Matured During Fiscal Year	46,758
Principal Amount Deceased During Fiscal Year	
Principal Amount Unmatured End of Fiscal Year	\$161,527
Principal Amount in Default	
Interest in Default	

Bond Types Allowed:

Tax Allocation Bonds; Revenue Bonds; Certificates of Participation; Tax Allocation Notes; Financing Authority Bonds; City/County Debt; US; State; Loans; Lease Obligations; Notes; Deferred Pass-Throughs; Deferred Compensation; Other

Redevelopment Agency Of The City Of Santa Cruz

Redevelopment Agencies Financial Transactions Report

Agency Long-Term Debt

Fiscal Year

2009

Project Area Name

Merged Earthquake Recovery and Reconstruction Project Areas

Forward from Prior Year	Yes
Bond Type	Tax Allocation Bonds
Year of Authorization	2004
Principal Amount Authorized	5,245,000
Principal Amount Issued	5,245,000
Purpose of Issue	Refund Outstanding 1996 TAB and Additional Project Funding
Maturity Date Beginning Year	2006
Maturity Date Ending Year	2032
Principal Amount Unmatured Beginning of Fiscal Year	\$4,880,000
Adjustment Made During Year	
Adjustment Explanation	
Interest Added to Principal	
Principal Amount Issued During Fiscal Year	
Principal Amount Matured During Fiscal Year	130,000
Principal Amount Defeased During Fiscal Year	
Principal Amount Unmatured End of Fiscal Year	\$4,750,000
Principal Amount in Default	
Interest in Default	

Bond Types Allowed:

Tax Allocation Bonds; Revenue Bonds; Certificates of Participation; Tax Allocation Notes; Financing Authority Bonds; City/County Debt; US; State; Loans; Lease Obligations; Notes; Deferred Pass-Throughs; Deferred Compensation; Other

Redevelopment Agency Of The City Of Santa Cruz

Redevelopment Agencies Financial Transactions Report

Non-Agency Long-Term Debt

Fiscal Year **2009**

Merged Earthquake Recovery and Reconstruction Project Areas

Forward from Prior Year		Yes
Bond Type	Mortgage Revenue Bonds	
Year of Authorization	2002	
Principal Amount Authorized	21,650,000	
Principal Amount Issued	21,650,000	
Purpose of Issue	1010 Pacific Avenue Apartments	
Maturity Date Beginning Year	2002	
Maturity Date Ending Year	2035	
Principal Amount Unmatured Beginning of Fiscal Year	21,650,000	
Adjustment Made During Year		
Adjustment Explanation		
Principal Amount Issued During Fiscal Year		
Principal Amount Matured During Fiscal Year		
Principal Amount Defeased During Fiscal Year		
Principal Amount Unmatured End of Fiscal Year	\$21,650,000	
Principal Amount in Default		
Interest in Default		

Bond Types Allowed:

Mortgage Revenue; Industrial Development; Commercial Revenue Bond; Certificate of Participation

Redevelopment Agency of the City of Santa Cruz

Redevelopment Agencies Financial Transactions Report

Non-Agency Long-Term Debt

Fiscal Year 2009

Project Area Name Merged Earthquake Recovery and Reconstruction Project Areas

Forward from Prior Year	
Bond Type	Mortgage Revenue Bonds
Year of Authorization	2002
Principal Amount Authorized	32,675,000
Principal Amount Issued	32,675,000
Purpose of Issue	Shaffer Road Apartments
Maturity Date Beginning Year	2002
Maturity Date Ending Year	2035
Principal Amount Unmatured Beginning of Fiscal Year	31,375,000
Adjustment Made During Year	
Adjustment Explanation	
Principal Amount Issued During Fiscal Year	
Principal Amount Matured During Fiscal Year	465,000
Principal Amount Defeased During Fiscal Year	
Principal Amount Unmatured End of Fiscal Year	\$30,910,000
Principal Amount in Default	
Interest in Default	

Bond Types Allowed:

Mortgage Revenue; Industrial Development; Commercial Revenue Bond; Certificate of Participation

Redevelopment Agency Of The City Of Santa Cruz

Redevelopment Agencies Financial Transactions Report

Non-Agency Long-Term Debt

Fiscal Year 2009

Project Area Name Merged Earthquake Recovery and Reconstruction Project Areas

Forward from Prior Year	
Bond Type	Mortgage Revenue Bonds
Year of Authorization	2007
Principal Amount Authorized	4,195,000
Principal Amount Issued	4,195,000
Purpose of Issue	Tannery Artists Lofts
Maturity Date Beginning Year	2009
Maturity Date Ending Year	2045
Principal Amount Unmatured Beginning of Fiscal Year	4,195,000
Adjustment Made During Year	
Adjustment Explanation	
Principal Amount Issued During Fiscal Year	
Principal Amount Matured During Fiscal Year	672,819
Principal Amount Defeased During Fiscal Year	
Principal Amount Unmatured End of Fiscal Year	\$3,522,181
Principal Amount in Default	
Interest in Default	

Bond Types Allowed:

Mortgage Revenue; Industrial Development; Commercial Revenue Bond; Certificate of Participation

Redevelopment Agency Of The City Of Santa Cruz

Redevelopment Agencies Financial Transactions Report

Non-Agency Long-Term Debt

Fiscal Year **2009**

Project Area Name **Merged Earthquake Recovery and Reconstruction Project Areas**

Forward from Prior Year		Yes
Bond Type	Mortgage Revenue Bonds	
Year of Authorization	2007	
Principal Amount Authorized	24,010,000	
Principal Amount Issued	24,010,000	
Purpose of Issue	Tannery Artists Lofts A-2	
Maturity Date Beginning Year	2009	
Maturity Date Ending Year	2045	
Principal Amount Unmatured Beginning of Fiscal Year	24,010,000	
Adjustment Made During Year		
Adjustment Explanation		
Principal Amount Issued During Fiscal Year		
Principal Amount Matured During Fiscal Year		
Principal Amount Defeased During Fiscal Year		
Principal Amount Unmatured End of Fiscal Year	\$24,010,000	
Principal Amount in Default		
Interest in Default		

Bond Types Allowed:

Mortgage Revenue; Industrial Development; Commercial Revenue Bond; Certificate of Participation

Redevelopment Agency Of The City Of Santa Cruz

Redevelopment Agencies Financial Transactions Report

Statement of Income and Expenditures - Revenues

Fiscal Year 2009

Project Area Name Eastside Business Improvement Project

	Capital Project Funds	Debt Service Funds	Low/Moderate Income Housing Funds	Special Revenue/Other Funds	Total
Tax Increment Gross <i>(Include All Apportionments)</i>		735,067	239,874		\$974,941
Special Supplemental Subvention					\$0
Property Assessments					\$0
Sales and Use Tax					\$0
Transient Occupancy Tax					\$0
Interest Income	1,601	19,345	24,769		\$45,715
Rental Income					\$0
Lease Income					\$0
Sale of Real Estate					\$0
Gain on Land Held for Resale					\$0
Federal Grants					\$0
Grants from Other Agencies					\$0
Bond Administrative Fees					\$0
Other Revenues					\$0
Total Revenues	\$1,601	\$754,412	\$264,643	\$0	\$1,020,656

Redevelopment Agency Of The City Of Santa Cruz
Redevelopment Agencies Financial Transactions Report
Statement of Income and Expenditures - Revenues

Fiscal Year 2009
Project Area Name Merged Earthquake Recovery and Reconstruction Project Areas

	Capital Project Funds	Debt Service Funds	Low/Moderate Income Housing Funds	Special Revenue/Other Funds	Total
Tax Increment Gross <i>(Include All Apportionments)</i>		8,923,104	2,740,220		\$11,663,324
Special Supplemental Subvention					\$0
Property Assessments					\$0
Sales and Use Tax					\$0
Transient Occupancy Tax					\$0
Interest Income	263,975	104,631	24,609		\$393,215
Rental Income	131,813				\$131,813
Lease Income					\$0
Sale of Real Estate					\$0
Gain on Land Held for Resale					\$0
Federal Grants	196,000				\$196,000
Grants from Other Agencies					\$0
Bond Administrative Fees					\$0
Other Revenues	197,545	1,361	20,796		\$219,702
Total Revenues	\$789,333	\$9,029,096	\$2,785,625	\$0	\$12,604,054

Redevelopment Agency Of The City Of Santa Cruz

Redevelopment Agencies Financial Transactions Report

Statement of Income and Expenditures - Other Financing Sources

Fiscal Year 2009

Project Area Name Eastside Business Improvement Project

	Capital Project Funds	Debt Service Funds	Low/Moderate Income Housing	Special Revenue/Other	Total
Proceeds of Long-Term Debt					\$0
Proceeds of Refunding Bonds					\$0
Payment to Refunded Bond Escrow Agent					\$0
Advances from City/County	20,028				\$20,028
Sale of Fixed Assets					\$0
Miscellaneous Financing Sources (Uses)					\$0
Operating Transfers In	20,557				\$20,557
Tax Increment Transfers In					\$0
Operating Transfers Out		20,557			\$20,557
Tax Increment Transfers Out					\$0
<i>(To the Low and Moderate Income Housing Fund)</i>					
Total Other Financing Sources (Uses)	\$40,585	(\$20,557)	\$0	\$0	\$20,028

Redevelopment Agency Of The City Of Santa Cruz

Redevelopment Agencies Financial Transactions Report

Statement of Income and Expenditures - Other Financing Sources

Fiscal Year 2009

Project Area Name Eastside Business Improvement Project

	Capital Project Funds	Debt Service Funds	Low/Moderate Income Housing	Special Revenue/Other	Total
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(\$9,023)	\$129,145	\$254,968	\$0	\$375,090
Equity, Beginning of Period	\$57,372	\$521,036	\$763,058	\$0	\$1,341,466
Prior Period Adjustments					\$0
Residual Equity Transfers					\$0
Equity, End of Period	\$48,349	\$650,181	\$1,018,026	\$0	\$1,716,556

Redevelopment Agency Of The City Of Santa Cruz

Redevelopment Agencies Financial Transactions Report

Statement of Income and Expenditures - Other Financing Sources

Fiscal Year 2009

Project Area Name Merged Earthquake Recovery and Reconstruction Project Areas

	Capital Project Funds	Debt Service Funds	Low/Moderate Income Housing	Special Revenue/Other	Total
Proceeds of Long-Term Debt					\$0
Proceeds of Refunding Bonds					\$0
Payment to Refunded Bond Escrow Agent					\$0
Advances from City/County	1,881,238				\$1,881,238
Sale of Fixed Assets					\$0
Miscellaneous Financing Sources (Uses)					\$0
Operating Transfers In	1,930,911	36,152	100,000		\$2,067,063
Tax Increment Transfers In					\$0
Operating Transfers Out	10,152	2,030,911	26,000		\$2,067,063
Tax Increment Transfers Out					\$0
<i>(To the Low and Moderate Income Housing Fund)</i>					
Total Other Financing Sources (Uses)	\$3,801,997	(\$1,994,759)	\$74,000	\$0	\$1,881,238

Redevelopment Agency Of The City Of Santa Cruz

Redevelopment Agencies Financial Transactions Report

Statement of Income and Expenditures - Other Financing Sources

Fiscal Year	Project Area Name	Statement of Income and Expenditures - Other Financing Sources				Total
		Capital Project Funds	Debt Service Funds	Low/Moderate Income Housing	Special Revenue/Other	
2009	Merged Earthquake Recovery and Reconstruction Project Areas					
	Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(\$773,028)	\$1,732,856	\$763,946	\$0	\$1,723,774
	Equity, Beginning of Period	\$9,296,840	\$3,042,660	\$6,755,128	\$0	\$19,094,628
	Prior Period Adjustments					\$0
	Residual Equity Transfers					\$0
	Equity, End of Period	\$8,523,812	\$4,775,516	\$7,519,074	\$0	\$20,818,402

Redevelopment Agency Of The City Of Santa Cruz

Redevelopment Agencies Financial Transactions Report

Statement of Income and Expenditures - Expenditures

Fiscal Year 2009
 Project Area Name Eastside Business Improvement Project

	Capital Project Funds	Debt Service Funds	Low/Moderate Income Housing	Special Revenue/Other	Total
Administration Costs			9,675		\$9,675
Professional Services					\$0
Planning, Survey, and Design					\$0
Real Estate Purchases					\$0
Acquisition Expense					\$0
Operation of Acquired Property					\$0
Relocation Costs					\$0
Relocation Payments					\$0
Site Clearance Costs					\$0
Project Improvement / Construction Costs	30,652	130,909			\$161,561
Disposal Costs					\$0
Loss on Disposition of Land Held for Resale					\$0

Redevelopment Agency of The City of Santa Cruz

Redevelopment Agencies Financial Transactions Report

Statement of Income and Expenditures - Expenditures

Fiscal Year 2009 **Project Area Name** Eastside Business Improvement Project

	Capital Project Funds	Debt Service Funds	Low/Moderate Income Housing	Special Revenue/Other	Total
Decline in Value of Land Held for Resale					\$0
Rehabilitation Costs					\$0
Rehabilitation Grants					\$0
Interest Expense	529	5,523			\$6,052
Fixed Asset Acquisitions					\$0
Subsidies to Low and Moderate Income Housing					\$0
Debt Issuance Costs					\$0
Other Expenditures Including Pass-Through Payment(s)		404,402			\$404,402
Debt Principal Payments:					
Tax Allocation Bonds and Notes					\$0
Revenue Bonds, Certificates of Participation, Financing Authority Bonds		58,712			\$58,712
City/County Advances and Loans	20,028		5,164		\$25,192
All Other Long-Term Debt					\$0
Total Expenditures	\$51,209	\$604,710	\$9,675	\$0	\$665,594
Excess (Deficiency) Revenues over (under) Expenditures	(\$49,608)	\$149,702	\$254,968	\$0	\$355,062

Redevelopment Agency Of The City Of Santa Cruz

Redevelopment Agencies Financial Transactions Report

Statement of Income and Expenditures - Expenditures

Fiscal Year 2009

Project Area Name Merged Earthquake Recovery and Reconstruction Project Areas

	Capital Project Funds	Debt Service Funds	Low/Moderate Income Housing	Special Revenue/Other	Total
Administration Costs	1,605,204		183,825		\$1,789,029
Professional Services	496,109				\$496,109
Planning, Survey, and Design	91,868				\$91,868
Real Estate Purchases					\$0
Acquisition Expense					\$0
Operation of Acquired Property	18,603				\$18,603
Relocation Costs					\$0
Relocation Payments					\$0
Site Clearance Costs					\$0
Project Improvement / Construction Costs	1,088,657		410,558		\$1,499,215
Disposal Costs					\$0
Loss on Disposition of Land Held for Resale					\$0

Redevelopment Agency of The City Of Santa Cruz

Redevelopment Agencies Financial Transactions Report

Statement of Income and Expenditures - Expenditures

Fiscal Year 2009

Project Area Name Merged Earthquake Recovery and Reconstruction Project Areas

	Capital Project Funds	Debt Service Funds	Low/Moderate Income Housing	Special Revenue/Other	Total
Decline in Value of Land Held for Resale					\$0
Rehabilitation Costs					\$0
Rehabilitation Grants					\$0
Interest Expense	49,673	259,438	67,110		\$376,221
Fixed Asset Acquisitions			277,556		\$277,556
Subsidies to Low and Moderate Income Housing					\$0
Debt Issuance Costs					\$0
Other Expenditures Including Pass-Through Payment(s)	133,006	4,812,355			\$4,945,361
Debt Principal Payments:					
Tax Allocation Bonds and Notes		130,000			\$130,000
Revenue Bonds, Certificates of Participation, Financing Authority Bonds					\$0
City/County Advances and Loans	1,881,238	52,930			\$1,934,168
All Other Long-Term Debt		46,758	1,156,630		\$1,203,388
Total Expenditures	\$5,364,358	\$5,301,481	\$2,095,679	\$0	\$12,761,518
Excess (Deficiency) Revenues over (under) Expenditures	(\$4,575,025)	\$3,727,615	\$689,946	\$0	(\$157,464)

Redevelopment Agency Of The City Of Santa Cruz
Redevelopment Agencies Financial Transactions Report

Balance Sheet - Assets and Other Debits

Fiscal Year	2009	Capital Projects Funds	Debt Service Funds	Low/Moderate Income Housing Funds	Special Revenue/Other Funds	General Long-Term Debt	General Fixed Assets	Total
Assets and Other Debits								
Cash and Imprest Cash		8,720,274	5,056,903	1,505,425				\$15,282,602
Cash with Fiscal Agent			63,526					\$63,526
Tax Increments Receivable			276,625	92,208				\$368,833
Accounts Receivable								\$0
Accrued Interest Receivable		42,329	31,143	7,037				\$80,509
Loans Receivable				7,028,545				\$7,028,545
Contracts Receivable								\$0
Lease Payments Receivable								\$0
Unearned Finance Charge								\$0
Due from Capital Projects Fund								\$0
Due from Debt Service Fund								\$0
Due from Low/Moderate Income Housing Fund								\$0
Due from Special Revenue/Other Funds								\$0

**Redevelopment Agency Of The City Of Santa Cruz
Redevelopment Agencies Financial Transactions Report**

Balance Sheet - Assets and Other Debits

Fiscal Year 2009	Capital Projects Funds	Debt Service Funds	Low/Moderate Income Housing Funds	Special Revenue/Other Funds	General Long- Term Debt	General Fixed Assets	Total
Investments							\$0
Other Assets							\$0
Investments: Land Held for Resale							\$0
Allowance for Decline In Value of Land Held for Resale							\$0
Fixed Assets: Land, Structures, and Improvements						15,228,634	\$15,228,634
Equipment						22,508	\$22,508
Amount Available In Debt Service Fund					4,993,419		\$4,993,419
Amount to be Provided for Payment of Long-Term Debt					1,121,216		\$1,121,216
Total Assets and Other Debits	\$8,762,603	\$5,428,197	\$8,633,215	\$0	\$6,114,635	\$15,251,142	\$44,189,792

*(Must Equal Total Liabilities,
Other Credits, and Equities)*

Redevelopment Agency Of The City Of Santa Cruz
Redevelopment Agencies Financial Transactions Report

Balance Sheet - Liabilities and Other Credits

Fiscal Year	2009	Capital Projects Funds	Debt Service Funds	Low/Moderate Income Housing Funds	Special Revenue/Other Funds	General Long-Term Debt	General Fixed Assets	Total
Liabilities and Other Credits								
Accounts Payable		186,417	2,500	19,531				\$208,448
Interest Payable								\$0
Tax Anticipation Notes Payable								\$0
Loans Payable								\$0
Other Liabilities		4,025		76,584				\$80,609
Due to Capital Projects Fund								\$0
Due to Debt Service Fund								\$0
Due to Low/Moderate Income Housing Fund								\$0
Due to Special Revenue/Other Funds								\$0
Tax Allocation Bonds Payable						4,750,000		\$4,750,000
Lease Revenue, Certificates of Participation Payable, Financing Authority Bonds						61,577		\$61,577
All Other Long-Term Debt						1,303,058		\$1,303,058
Total Liabilities and Other Credits		\$190,442	\$2,500	\$96,115	\$0	\$6,114,635		\$6,403,692

Redevelopment Agency Of The City Of Santa Cruz

Redevelopment Agencies Financial Transactions Report

Balance Sheet - Liabilities and Other Credits

Fiscal Year	2009	Capital Projects Funds	Debt Service Funds	Low/Moderate Income Housing Funds	Special Revenue/Other Funds	General Long-Term Debt	General Fixed Assets	Total
Equities								
Investment In General Fixed Assets							15,251,142	\$15,251,142
Fund Balance Reserved		270,945	432,278	8,537,100				\$9,240,323
Fund Balance Unreserved-Designated		8,301,216	4,993,419					\$13,294,635
Fund Balance Unreserved-Undesignated								\$0
Total Equities		\$8,572,161	\$5,425,697	\$8,537,100	\$0		\$15,251,142	\$37,786,100
Total Liabilities, Other Credits, and Equities		\$8,762,603	\$5,428,197	\$8,633,215	\$0	\$6,114,635	\$15,251,142	\$44,189,792

Redevelopment Agency Of The City Of Santa Cruz

Redevelopment Agencies Financial Transactions Report

Statement of Income and Expenditures - Summary, Combined Transfers In/Out

Fiscal Year 2009

Operating Transfers In	\$2,087,620
Tax Increment Transfers In	\$0
Operating Transfers Out	\$2,087,620
Tax Increment Transfers Out	\$0

**Redevelopment Agency Of The City Of Santa Cruz
Redevelopment Agencies Financial Transactions Report
Statement of Income and Expenditures**

Revenues - Consolidated

Fiscal Year 2009

	Capital Project Funds	Debt Service Funds	Low/Moderate Income Housing Funds	Special Revenue/Other Funds	Total
Tax Increment Gross	\$0	\$9,658,171	\$2,980,094	\$0	\$12,638,265
Special Supplemental Subvention	\$0	\$0	\$0	\$0	\$0
Property Assessments	\$0	\$0	\$0	\$0	\$0
Sales and Use Tax	\$0	\$0	\$0	\$0	\$0
Transient Occupancy Tax	\$0	\$0	\$0	\$0	\$0
Interest Income	\$265,576	\$123,976	\$49,378	\$0	\$438,930
Rental Income	\$131,813	\$0	\$0	\$0	\$131,813
Lease Income	\$0	\$0	\$0	\$0	\$0
Sale of Real Estate	\$0	\$0	\$0	\$0	\$0
Gain on Land Held for Resale	\$0	\$0	\$0	\$0	\$0
Federal Grants	\$196,000	\$0	\$0	\$0	\$196,000
Grants from Other Agencies	\$0	\$0	\$0	\$0	\$0
Bond Administrative Fees	\$0	\$0	\$0	\$0	\$0
Other Revenues	\$197,545	\$1,361	\$20,796	\$0	\$219,702
Total Revenues	\$790,934	\$9,783,508	\$3,050,268	\$0	\$13,624,710

Revenues - Consolidated

**Redevelopment Agency Of The City Of Santa Cruz
Redevelopment Agencies Financial Transactions Report
Statement of Income and Expenditures**

Expenditures - Consolidated

Fiscal Year 2009

	Capital Projects Funds	Debt Service Funds	Low/Moderate Income Housing Funds	Special Revenue/Other Funds	Total
Administration Costs	\$1,605,204	\$0	\$193,500	\$0	\$1,798,704
Professional Services	\$496,109	\$0	\$0	\$0	\$496,109
Planning, Survey, and Design	\$91,868	\$0	\$0	\$0	\$91,868
Real Estate Purchases	\$0	\$0	\$0	\$0	\$0
Acquisition Expense	\$0	\$0	\$0	\$0	\$0
Operation of Acquired Property	\$18,603	\$0	\$0	\$0	\$18,603
Relocation Costs	\$0	\$0	\$0	\$0	\$0
Relocation Payments	\$0	\$0	\$0	\$0	\$0
Site Clearance Costs	\$0	\$0	\$0	\$0	\$0
Project Improvement / Construction Costs	\$1,119,309	\$130,909	\$410,558	\$0	\$1,660,776
Disposal Costs	\$0	\$0	\$0	\$0	\$0
Loss on Disposition of Land Held for Resale	\$0	\$0	\$0	\$0	\$0

Redevelopment Agency Of The City Of Santa Cruz
Redevelopment Agencies Financial Transactions Report
Statement of Income and Expenditures
Expenditures - Consolidated

Fiscal Year 2009

	Capital Projects Funds	Debt Service Funds	Low/Moderate Income Housing Funds	Special Revenue/Other Funds	Total
	A	B	C	D	E
Decline in Value of Land Held for Resale	\$0	\$0	\$0	\$0	\$0
Rehabilitation Costs	\$0	\$0	\$0	\$0	\$0
Rehabilitation Grants	\$0	\$0	\$0	\$0	\$0
Interest Expense	\$50,202	\$264,961	\$67,110	\$0	\$382,273
Fixed Asset Acquisitions	\$0	\$0	\$277,556	\$0	\$277,556
Subsidies to Low and Moderate Income Housing Fund	\$0	\$0	\$0	\$0	\$0
Debt Issuance Costs	\$0	\$0	\$0	\$0	\$0
Other Expenditures Including Pass Through Payment(s)	\$133,006	\$5,216,757	\$0	\$0	\$5,349,763
Debt Principal Payments:					
Tax Allocation Bonds and Notes	\$0	\$130,000	\$0	\$0	\$130,000
Revenue Bonds and Certificates of Participation	\$0	\$58,712	\$0	\$0	\$58,712
City/County Advances and Loans	\$1,901,266	\$58,094	\$0	\$0	\$1,959,360
U.S., State and Other Long-Term Debt	\$0	\$46,758	\$1,156,630	\$0	\$1,203,388
Total Expenditures	\$5,415,667	\$5,906,191	\$2,105,354	\$0	\$13,427,112
Excess (Deficiency) Revenues Over (Under) Expenditures	(\$4,624,633)	\$3,877,317	\$944,914	\$0	\$197,598

Expenditures - Consolidated

**Redevelopment Agency Of The City Of Santa Cruz
Redevelopment Agencies Financial Transactions Report**

**Statement of Income and Expenditures
Other Financing Sources (Uses) - Consolidated**

Fiscal Year 2009

	Capital Projects Funds	Debt Service Funds	Low/Moderate Income Housing Funds	Special Revenue/Other Funds	Total
Proceeds of Long-Term Debt	\$0	\$0	\$0	\$0	\$0
Proceeds of Refunding Bonds	\$0	\$0	\$0	\$0	\$0
Payment to Refunded Bond Escrow Agent	\$0	\$0	\$0	\$0	\$0
Advances from City/County	\$1,901,266	\$0	\$0	\$0	\$1,901,266
Sale of Fixed Assets	\$0	\$0	\$0	\$0	\$0
Miscellaneous Financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0
Operating Transfers In	\$1,951,468	\$36,152	\$100,000	\$0	\$2,087,620
Tax Increment Transfers In			\$0		\$0
Operating Transfers Out	\$10,152	\$2,051,468	\$26,000	\$0	\$2,087,620
Tax Increment Transfers Out <i>(To the Low and Moderate Income Housing Fund)</i>	\$0	\$0			\$0
Total Other Financing Sources (Uses)	\$3,842,582	(\$2,015,316)	\$74,000	\$0	\$1,901,266

Confirmation of Redevelopment Agency On-Line Filing of Annual HCD Report

**To: State Controller
Division of Accounting and Reporting
Local Government Reporting Section
P.O.Box. 942850
Sacramento, CA 94250**

This notice is automatically generated by HCD's On-Line Reporting System. The purpose is to inform and verify to the SCO that the redevelopment agency electronically filed the annual HCD report and HCD, by this notice, electronically received the annual HCD report.

Below identifies the reporting redevelopment agency, authorized person who filed the report, and the date and time HCD received the agency's annual report:

Redevelopment Agency: SANTA CRUZ CITY

Agency Administrator: Kathryn Mintz

Date: 12/17/2009

Time: 01:39 pm

Note to Redevelopment Agency:

Send this notice and a copy of the agency's independent auditor's report and financial statement to the SCO at the above address. *It is not necessary to submit a paper copy of HCD's reporting schedules to either the SCO or HCD.*



California Department of Housing and Community Development
Redevelopment Agency Reporting System
Schedule Menu



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Page Agency: **SANTA CRUZ CITY** Fiscal Year : **2008/2009** Prepared by: **Kathryn Mintz**

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- User Info
- Status
- Print
- Logout

On the reporting pages that follow, you will be presented navigational pages (like this one) and data entry pages. The navigational pages suggest an order but allow you to select which section of the report you would like to work with or view. The Data Entry pages allow you to add and change information in the report. Once the save button is pressed, the form will perform some simple validations before overwriting any existing information that might have existed (the previous data is not stored, so there is not an "Undo Button").

The following areas need to be completed for SANTA CRUZ CITY's Report to be finalized.

FORM	PAGE (s)	ITEM(s)	SCREEN(click on)
			Agency Information
HCD-COVER			Not Applicable; Only to Paper Forms
Sch A, B & D			Area and Activity
Sch C	1,2,3,4	1-12	Agency Wide Financial Information
Sch C	6	13	Units Benefited from Onsite/Offsite Improvements
Sch C	6	14	Future Development Sites
Sch C	7	17	Deposits to or Withdrawals from the LMIHF
Sch C	6,7	15,16,18,19,20,21,22	Misc Information
Sch C	8	23	Achievements
Sch E			Agency's Increased Inclusionary Obligation
Sch D1-7			Activities
			Printable Reports

Redevelopment Agency Reporting System - Schedule Menu

California Department of Housing and Community Development



Redevelopment Agency Reporting System

Agency Information

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Page Agency: SANTA CRUZ CITY Fiscal Year :2008/2009 Prepared by: Katherine Donovan

- Admin
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Please use this form to provide current information about SANTA CRUZ CITY

Address: 337 Locust Street

City: SANTA CRUZ

County: SANTA CRUZ

State: CA

Zip: 95060

Telephone: (831)420-5150 Extension: 0

Fax: (831)420-5151

E-Mail: kdonovan@ci.santa-cruz.ca.us

Description:



Redevelopment Agency Reporting System

General Project Area Information Sch A, p1

You are Here: [Select Year](#) > [Schedule Menu](#) > [Project Area Selector](#) > [Project Area Activity Menu](#) > [Project Area General Info](#)

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Page Agency: SANTA CRUZ CITY Fiscal Year : 2008/2009 Prepared by: Katherine Donovan

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For Project Area: EASTSIDE BUSINESS PROJECT

1.a Project Area Information

- 1. Year plan for project area was adopted:
- 2. Year that plan was last amended (if applicable):
- 3. Was Plan amended after 2001 to extend time limits per Senate Bill 211 (Chapter 741, Statutes of 2001)?: Yes
- 4. Current expiration of redevelopment plan:

If the redevelopment plan for the subject project area was adopted before 1/1/76, and the agency has elected to apply all or part of Section 33413, identify the resolution date and scope (elected provisions): [Help?](#)

Date: (mm/dd/yyyy)*

* Note: If dd for the date is not available assume 01.

Scope:

5. Project Area Time Limits:

- (a) Expiration date of Redevelopment Plan (mm/dd/yyyy):
- (b) Expiration date to incur debt (mm/dd/yyyy):
- (c) Expiration date to receive property tax revenue (mm/dd/yyyy):
- (d) Expiration date to start Eminent Domain (mm/dd/yyyy):



California Department of Housing and Community Development



Redevelopment Agency Reporting System

Housing Fund Revenues & Other Resources Sch A, p2

You are Here: [Select Year](#) > [Schedule Menu](#) > [Project Area Selector](#) > [Project Area Activity](#) > Housing Fund Revenues

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Page For Project Area:EASTSIDE BUSINESS PROJECT

- Admin
- Select Year
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3. Project Area Housing Fund Revenues and Other Sources Instructions

NOTE:

Expenditures for debt service(HCD-C (Page 2, Line 4c.)) should be reported on Agency-wide Financial Information 4c.

a. Tax Increment

- Print
- Logout

(1) 100% of Gross:

(2) Calculate Only 1 set-aside amount (either (A) or (B) below):

(A) Minimum Deposit required by 33334.2 (Gross x 20%):

(B) Minimum Deposit required by 33333.10(g) (Senate Bill 211, Chapter 741, Statutes of 2001)(Gross x 30%):

(3) Tax Increment Allocated to Housing Fund:

If less than 20% of the Gross Tax Increment (see (2) above) is being set aside in this project area in accordance with Section 33334.3(i); identify the project area(s) contributing the difference in the box below:

Or

Explain below if less than 20% is being set aside for any other reason:

Less:

(4) Amount Exempted* :

(5) Amount Deferred* :

* If Amount Exempted or Amount Deferred is entered, after you SAVE, you need to go to Project Area Activity Menu and select Exemption(s) And/Or Deferral(s) to enter Sch A data.

(6) Total Deposit to the Housing Fund
[Calculated from above, (3) - (4) - (5)]

b. Interest Income:

c. Rental/Lease Income:

d. Sale of Real Estate:

e. Grants:

f. Bond Administrative Fees:

g. Repayment of Prior Year Deferrals:

\$0

h. Loan Repayments:

i. Debt Proceeds:

j. Other Revenue:

(Specify)

k. Total Housing Fund Deposits for this Project Area (3a. through 3j.):

\$264,641

Redevelopment Agency Reporting System - Housing Fund Revenues & Other Resources

California Department of Housing and Community Development



California Department of Housing and Community Development
Redevelopment Agency Reporting System
 New or Substantially Rehabilitated Dwelling Units Developed Within
 This Project Area From Activities of Other Project Area(s) Sch A, p5



You are Here: [Select Year](#) > [Schedule Menu](#) > [Project Area Selector](#) > [Project Area Activity Menu](#) > [Rehabilitated Dwelling](#)

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Page Agency: SANTA CRUZ CITY Fiscal Year :2008/2009 Prepared by: Katherine Donovan

- Admin
- Select Year
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- Status
- Print
- Logout

For Project Area: EASTSIDE BUSINESS PROJECT

8. Pursuant to Section 33413(b)(2)(A)(v), agencies may choose one or more project areas to fulfill another project area's requirement to construct new or substantially rehabilitate dwelling units, provided the agency conducts a public hearing and finds, based on substantial evidence, that the aggregation of dwelling units in one or more project areas will not cause or exacerbate racial, ethnic, or economic segregation. If any dwelling units in this Project Area developed to partially or completely satisfy another project area's requirement to construct new or substantially rehabilitate dwelling units, please provide the following:

When was the initial finding adopted? (mm/dd/yyyy)*

Identify Resolution # _____ Date Resolution and facts sent to HCD (mm/dd/yyyy)*:

Name of Other Project Area(s)**	VL	L	M	AM	Total
Select a Project Area					0
Select a Project Area					0
Select a Project Area					0

* Note - If dd for the date is not available assume 01

** - mandatory field; if missing, new record will not be saved and existing record will be treated as a deletion

Note - Additional rows will be made available for data entry on Save



California Department of Housing and Community Development
Redevelopment Agency Reporting System
Affordable Units to be Constructed Inside the Project Area
Within the Next Two Years Sch A, p6; Sch B, p2



You are Here: [Select Year](#) > [Schedule Menu](#) > [Project Area Selector](#) > [Project Area Activity Menu](#) > Construction of Affordable Units

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Page Agency: SANTA CRUZ CITY Fiscal Year : 2008/2009 Prepared by: Katherine Donovan

- Admin
- Select Year
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- Logout

For Project Area: EASTSIDE BUSINESS PROJECT

10. Affordable Housing Units Anticipated To Be Completed During the Next Two Years

Pursuant to Section 33080.4(a)(10), report the number of very low, low, and moderate income units to be financed by any federal, state, local, or private source and constructed inside the project area, within the **next two years**. Identify any executed contract or agreement and specify the estimated completion date of these future units and the amount of funds, if any, that make up Total Encumbrances reported on HCD Schedule C, Item 8. Also, for any unencumbered funds budgeted and designated on HCD Schedule C, Item 8 for intended project use, complete as much information as applicable.

Name of Contractor/Project**	Execution Date*	Est. Date of Completion*	Sch C Amt. Encumbered	Sch C Amt. Designated	VL	L	M	Total
			\$0	\$0				0
			\$0	\$0				0
			\$0	\$0				0

* Note - Date should be (mm/dd/yyyy) format. If dd for the date is not available assume 01

** - mandatory field; if missing, new record will not be saved and existing record will be treated as a deletion

Note - Additional rows will be made available for data entry on Save



Redevelopment Agency Reporting System

General Project Information Sch D1

You are Here: [Select Year](#) > [Schedule Menu](#) > [Project Area Selector](#) > [Project Area Activity Menu](#) > [Project Selector](#) > [Project Activity Menu](#) > **General Project Information**

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Agency: SANTA CRUZ CITY

Year : 2008/2009

Prepared by: Katherine Donovan

Page

For Project Area: EASTSIDE BUSINESS PROJECT

For Project : Redwood Commons

- Admin
- Select
- Year
- FAQ
- User Info
- Status
- Print
- Logout

Name: Redwood Commons

Address: 1606 Soquel Avenue

City: Santa Cruz

Zip: 95062

Owner Name:

Description: 36 accessible studio apartments

Yes

Was this a federally assisted multi-family rental project identified in Government Code 65863.10(a)(2)?

No



Redevelopment Agency Reporting System

Other Housing Units Provided (Without ANY Agency Assistance) Sch D7

You are Here: [Select Year](#) > [Schedule Menu](#) > [Project Area Selector](#) > [Project Area Activity Menu](#) > [Project Selector](#) > [Project Activity Menu](#) > **Non-Assisted Units**

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• Admin Agency:SANTA CRUZ CITY Fiscal Year :2008/2009 Prepared by: Katherine Donovan

• Select Year For Project Area:EASTSIDE BUSINESS PROJECT For Project :Redwood Commons

• FAQ

• User Info

• Status

Non-Assisted Housing Units Successfully Updated

• Print

• Logout

Type of Unit	VLOW	LOW	MOD	AMOD	TOTAL
New Construction Units:		36			36
Substantial Rehabilitation Units:					
Total Units:		36			36

If agency did not provide any assistance to any part of project, identify:

Building Permit Number

Building Permit Date

B070157

02/12/2007



Redevelopment Agency Reporting System

General Project Area Information Sch A, p1

You are Here: [Select Year](#) > [Schedule Menu](#) > [Project Area Selector](#) > [Project Area Activity Menu](#) > [Project Area General Info](#)

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Page Agency: SANTA CRUZ CITY Fiscal Year : 2008/2009 Prepared by: Katherine Donovan

- Admin
- Select Year
- FAQ
- User Info
- Status
- Print
- Logout

For Project Area: MERGED EARTHQUAKE PROJECT

1.a Project Area Information

- 1. Year plan for project area was adopted: 1990
- 2. Year that plan was last amended (if applicable): 2008
- 3. Was Plan amended after 2001 to extend time limits per Senate Bill 211 (Chapter 741, Statutes of 2001)?: Yes
- 4. Current expiration of redevelopment plan: 2023

If the redevelopment plan for the subject project area was adopted before 1/1/76, and the agency has elected to apply all or part of Section 33413, identify the resolution date and scope (elected provisions): [Help?](#)

Date: (mm/dd/yyyy)*

* Note: If dd for the date is not available assume 01

Scope:

SB 1096

5. Project Area Time Limits:

- (a) Expiration date of Redevelopment Plan (mm/dd/yyyy): 11/12/2023
- (b) Expiration date to incur debt (mm/dd/yyyy):
- (c) Expiration date to receive property tax revenue (mm/dd/yyyy): 11/12/2033
- (d) Expiration date to start Eminent Domain (mm/dd/yyyy): 06/27/2014



California Department of Housing and Community Development



Redevelopment Agency Reporting System

Housing Fund Revenues & Other Resources Sch A, p2

You are Here: [Select Year](#) > [Schedule Menu](#) > [Project Area Selector](#) > [Project Area Activity](#) > [Housing Fund Revenues](#)

<< Previous Agency: SANTA CRUZ CITY Fiscal Year : 2008/2009 Prepared by: Kathryn Mintz

Page For Project Area: MERGED EARTHQUAKE PROJECT

- Admin
- Select Year
- FAQ
- User Info
- Status

3. Project Area Housing Fund Revenues and Other Sources Instructions

NOTE:

Expenditures for debt service(HCD-C (Page 2, Line 4c.)) should be reported on Agency-wide Financial Information 4c.

a. Tax Increment

- Print (1) 100% of Gross:
- Logout (2) Calculate Only 1 set-aside amount (either (A) or (B) below):
 - (A) Minimum Deposit required by 33334.2 (Gross x 20%):
 - (B) Minimum Deposit required by 33333.10(g) (Senate Bill 211, Chapter 741, Statutes of 2001)(Gross x 30%):
- (3) Tax Increment Allocated to Housing Fund:

If less than 20% of the Gross Tax Increment (see (2) above) is being set aside in this project area in accordance with Section 33334.3(i); identify the project area(s) contributing the difference in the box below:

Or

Explain below if less than 20% is being set aside for any other reason:

Less:

(4) Amount Exempted* :

(5) Amount Deferred* :

* If Amount Exempted or Amount Deferred is entered, after you SAVE, you need to go to Project Area Activity Menu and select Exemption(s) And/Or Deferral(s) to enter Sch A data.

(6) Total Deposit to the Housing Fund
[Calculated from above, (3) - (4) - (5)]

b. Interest Income:

c. Rental/Lease Income:

d. Sale of Real Estate:

e. Grants:

f. Bond Administrative Fees:

g. Repayment of Prior Year Deferrals:

\$0

h. Loan Repayments:

i. Debt Proceeds:

j. Other Revenue:

\$120,796

(Specify)

Additional deposit from general agency tax increment
\$100,000; Misc \$20,796.

k. Total Housing Fund Deposits for this Project Area (3a. through 3j.):

\$2,885,625

Redevelopment Agency Reporting System - Housing Fund Revenues & Other Resources

California Department of Housing and Community Development



California Department of Housing and Community Development
Redevelopment Agency Reporting System
New or Substantially Rehabilitated Dwelling Units Developed Within
This Project Area From Activities of Other Project Area(s) Sch A, p5



You are Here: [Select Year](#) > [Schedule Menu](#) > [Project Area Selector](#) > [Project Area Activity Menu](#) > [Rehabilitated Dwelling](#)

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- Select Year
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For Project Area: MERGED EARTHQUAKE PROJECT

8. Pursuant to Section 33413(b)(2)(A)(v), agencies may choose one or more project areas to fulfill another project area's requirement to construct new or substantially rehabilitate dwelling units, provided the agency conducts a public hearing and finds, based on substantial evidence, that the aggregation of dwelling units in one or more project areas will not cause or exacerbate racial, ethnic, or economic segregation. If any dwelling units in this Project Area developed to partially or completely satisfy another project area's requirement to construct new or substantially rehabilitate dwelling units, please provide the following:

When was the initial finding adopted? (mm/dd/yyyy)*

Identify Resolution # . Date Resolution and facts sent to HCD (mm/dd/yyyy)

Name of Other Project Area(s)**	VL	L	M	AM	Total
Select a Project Area					0
Select a Project Area					0
Select a Project Area					0

* Note - If dd for the date is not available assume 01

** - mandatory field; if missing, new record will not be saved and existing record will be treated as a deletion

Note - Additional rows will be made available for data entry on Save



Redevelopment Agency Reporting System

General Project Information Sch D1

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Agency: SANTA CRUZ CITY

Year :2008/2009

Prepared by: Katherine Donovan

Page

For Project Area: MERGED EARTHQUAKE PROJECT

For Project :2030 N. Pacific

- Admin
- Select
- Year
- FAQ
- User Info
- Status
- Print
- Logout

Name: 2030 N. Pacific

Address: 2030 N. Pacific Avenue

City: Santa Cruz

Zip: 95060

Owner Name: Santa Cruz River St. LLC

Description: 4-story mixed use project with 70 residential units

Yes

No

Was this a federally assisted multi-family rental project identified in Government Code 65863.10(a)(2)?



California Department of Housing and Community Development
Redevelopment Agency Reporting System
Use Restriction Dates Sch D1



You are Here: [Select Year](#) > [Schedule Menu](#) > [Project Area Selector](#) > [Project Area Activity Menu](#) > [Project Selector](#) > [Project Activity Menu](#) > **Use Restriction Dates**

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Page Agency: SANTA CRUZ CITY Fiscal Year : 2008/2009 Prepared by: Katherine Donovan

- Admin

For Project Area: MERGED EARTHQUAKE PROJECT

For Project : 2030 N. Pacific

- Select Year

- FAQ

Enter appropriate dates: (mm/dd/yyyy)

- User Info

H & S C 33413 (c) Not less than 55 years for rental units and 45 years for homeownership units

- Status

- Print

Category

Inception

Termination

Perpetuity

- Logout

Replacement Housing Restriction Dates:

Inclusionary Housing Restriction Dates:

07/15/2008

Other Housing Restriction Dates (with LMIHF):

Other Housing Restriction Dates (without LMIHF):



Redevelopment Agency Reporting System

Other Housing Units Provided (Without ANY Agency Assistance) Sch D7

You are Here: [Select Year](#) > [Schedule Menu](#) > [Project Area Selector](#) > [Project Area Activity Menu](#) > [Project Selector](#) > [Project Activity Menu](#) > **Non-Assisted Units**

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● Admin Agency: SANTA CRUZ CITY Fiscal Year :2008/2009 Prepared by: Katherine Donovan

● Select Year For Project Area: MERGED EARTHQUAKE PROJECT For Project :2030 N. Pacific

● FAQ

● User Info

● Status

● Print

● Logout

Type of Unit	VLOW	LOW	MOD	AMOD	TOTAL
New Construction Units:			4	66	70
Substantial Rehabilitation Units:					
Total Units:			4	66	70

If agency did not provide any assistance to any part of project, identify:

Building Permit Number

Building Permit Date

B060871

06/26/2007

Save



Redevelopment Agency Reporting System

General Project Information Sch D1

You are Here: [Select Year](#) > [Schedule Menu](#) > [Project Area Selector](#) > [Project Area Activity Menu](#) > [Project Selector](#) > [Project Activity Menu](#) > **General Project Information**

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Agency: SANTA CRUZ CITY

Year :2008/2009

Prepared by: Katherine Donovan

Page

For Project Area: MERGED EARTHQUAKE PROJECT

For Project :Tannery Artists Lofts

- Admin
- Select
- Year
- FAQ
- User Info
- Status
- Print
- Logout

Name: Tannery Artists Lofts

Address: 1010-1030 River Street

City: Santa Cruz

Zip: 95060

Owner Name: City of Santa Cruz Redevelopment Agency

Description: 100 units of affordable live/work housing for artists

Yes Was this a federally assisted multi-family rental project identified in Government Code 65863.10(a)(2)?

No



Redevelopment Agency Reporting System

Use Restriction Dates Sch D1

You are Here: [Select Year](#) > [Schedule Menu](#) > [Project Area Selector](#) > [Project Area Activity Menu](#) > [Project Selector](#) > [Project Activity Menu](#) > **Use Restriction Dates**

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Page Agency:SANTA CRUZ CITY Fiscal Year :2008/2009 Prepared by: Katherine Donovan

- Admin
- Select Year
- FAQ
- User Info
- Status

For Project Area:MERGED EARTHQUAKE PROJECT

For Project :Tannery Artists Lofts

Enter appropriate dates:(mm/dd/yyyy)
H & S C 33413 (c) Not less than 55 years for rental units and 45 years for homeownership units

- Print
- Logout

Category	Inception	Termination	Perpetuity
Replacement Housing Restriction Dates:			<input type="checkbox"/>
Inclusionary Housing Restriction Dates:			<input type="checkbox"/>
Other Housing Restriction Dates (with LMIHF):	02/23/2009	02/22/2109	
Other Housing Restriction Dates (without LMIHF):			



**California Department of Housing and Community Development
 Redevelopment Agency Reporting System
 Project Funding Source Sch D1**



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 > **Funding Source**

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Page Agency: SANTA CRUZ CITY Fiscal Year :2008/2009 Prepared by: Katherine Donovan

• Admin

For Project Area: MERGED EARTHQUAKE PROJECT

For Project : Tannery Artists Lofts

• Select
Year

• FAQ

Redevelopment Funds: \$3,130,374

• User Info

Federal Funds:

• Status

State Funds: \$8,181,201

• Print

Other Local Funds: \$683,574

• Logout

Private Funds: \$5,695,000

Owner's Funds: \$1,121,426

TCAC/Federal Award: \$16,172,099

TCAC/State Award:

Total Development/Purchase Cost: \$34,983,674

Type of Unit	VLOW	LOW	MOD	TOTAL	INELG
Elderly Units:					
Non Elderly Units:					
Total Elderly & Non Elderly Units:					

Mobilehome Park Owner, Resident

Type of Unit	VLOW	LOW	MOD	TOTAL	INELG
Elderly Units:					
Non Elderly Units:					
Total Elderly & Non Elderly Units:					

Preservation (H&S 33334.2(e)(11), Public Assisted/Subsidized Rentals At Risk Of Market-Rate Conversion)

Type of Unit	VLOW	LOW	MOD	TOTAL	INELG
Elderly Units:					
Non Elderly Units:					
Total Elderly & Non Elderly Units:					

Subsidy (other than specified options here)

Type of Unit	VLOW	LOW	MOD	TOTAL	INELG
Elderly Units:					
Non Elderly Units:					
Total Elderly & Non Elderly Units:					

Other Assistance

Type of Unit	VLOW	LOW	MOD	TOTAL	INELG
Elderly Units:					
Non Elderly Units:					
Total Elderly & Non Elderly Units:					

Redevelopment Agency Reporting System - Edit/View Agency Information

California Department of Housing and Community Development



California Department of Housing and Community Development



Redevelopment Agency Reporting System

Agency-wide Financial Information- Sch C, p1-4

You are Here: [Select Year](#) > [Schedule Menu](#) > Agency Wide Financials

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Low & Moderate Income Housing Funds

Report on the "status and use of the agency's Low and Moderate Income Housing Fund." Most information reported here should be based on that reported to the State Controller.

1. Beginning Balance:

\$2,166,550

a. Describe and Provide Dollar Amount (Positive / Negative) Making Up Total Adjustments:

\$2

Rounding error from prior years

b. Adjusted Beginning Balance:

\$2,166,552

2. Project Area Receipts and Housing Fund Resources

a. Project Area(s) Receipts (Total of all Schedule As):

\$3,150,266

b. Housing Fund Resources not reported on Schedule A(s)

\$0

Describe and Provide Dollar Amounts (Positive / Negative) Making Up Total Housing Fund Resources:

3. TOTAL RESOURCES : [Line 1b + 2a + 2b]

\$5,316,818

4. Expenditures Subtotal: Sch C, p1-3 #4

\$3,808,263

5. NET RESOURCES AVAILABLE:

\$1,508,555

6. Encumbrances and Unencumbered Balance

a. Encumbrances (End of Year): [Help?](#)

\$0

b. Unencumbered Balance (End of Year):

\$1,508,555

7. Designated/Undesignated Amount of Available Funds:

a. Unencumbered Designated:

\$0

b. Unencumbered Undesignated:

\$1,508,555

8. Total Other Housing Fund Assets: Sch C, p3 #6

\$7,028,545

9. TOTAL FUND EQUITY:

\$8,537,100

10. Reporting Year End Unencumbered and Adjusted Balance Instructions

a. Unencumbered Balance (End of Year):[Page 3, Line 6,b]

\$1,508,555

b. If you are eligible to adjust the Unencumbered Balance (End of Year), identify the type and amount of the adjustment.

(1) Debt Proceeds:

\$0

(2) Land Sales:

\$0

c. Adjusted Unencumbered Balance:

\$1,508,555

11. Excess Surplus Tax Increment Deposit Calculation:

2005/2006 - Tax Increment:	\$2,481,328
2006/2007 - Tax Increment:	\$2,673,114
2007/2008 - Tax Increment:	\$2,837,018
FY 08-09 Reporting Year Tax Increment:	\$2,980,094
Sum of 3 Prior Years' and Reporting Year Tax Increment:	\$10,971,554

12. Excess surplus to track during fiscal year 2009-2010 is:

\$0

Your current excess surplus, calculated last fiscal year, is

\$0

Redevelopment Agency Reporting System - Agency-wide Financial Information

California Department of Housing and Community Development



California Department of Housing and Community Development

Redevelopment Agency Reporting System

Agency-wide Expenditures Sch C



You are Here: [Select Year](#) > [Schedule Menu](#) > [Agency Wide Financials](#) > [Agency Wide Expenditure](#)

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The line items below over specific line items from the State Controller's Annual Report of Financial Transactions of Community Redevelopment Agencies to facilitate preparation of the report.

Dollar amounts for most items below from what reported on the State Controller's Annual Report of Financial Transactions of Community Redevelopment Agencies, Consolidated Income Statement, except for reclassifying of Transfers-Out to Internal Funds and the reporting of Other Uses as discussed below.

4. Expenditures and Other Uses

a. Property Acquisition

(1) Land Assets (portion of Inc Stmt):	
(2) Housing Assets (portion of Inc Stmt):	
(3) Acquisition Expense:	
(4) Operation of Acquired Property:	
(5) Relocation Costs:	
(6) Relocation Payments:	
(7) Site Clearance Costs:	
(8) Disposal Costs:	
(9) Other:	\$410,558

Specify other:

Project Improvement/construction costs

(10) Property Acquisition Subtotal:	\$410,558
-------------------------------------	-----------

b. Subsidies from the LMIHF

(1) 1st Time Homebuyer Down Payment Assistance:	
(2) Rental Subsidies:	\$277,556
(3) Purchase of Affordability Cov. (33413(b)2(B):	
(4) Other:	\$1,676,909

Specify other:

\$1,624,374 Loan to build LM Income Housing; \$52,535 Deferred interest on loan.

(5) Subsidies from the LMIHF Subtotal: **\$1,954,465**

c. Debt Service (33334.2(e)(9))

(1) Debt Principal Payments:

(a) Tax Allocation, Bonds & Notes:

(b) Revenue Bonds & Certificates of Participation: **\$16,627**

(c) City/County Advances & Loans:

(d) U. S. State & Other Long -Term Debt: **\$1,156,630**

(2) Interest Expense: **\$67,110**

(3) Debt Issuance Costs:

(4) Other: **\$9,373**

Specify other:

Interest Expense

(5) Debt Service Subtotal: **\$1,249,740**

d. Planning and Administration Costs (33334.3(e)(1))

(1) Administration Costs: **\$193,500**

(2) Professional Services (not project based):

(3) Planning, Survey/Design (not project based):

(4) Indirect Nonprofit Costs (33334.3(e)(1)(B)):

(5) Other:

Specify other:

(6) Planning and Administration Costs Subtotal: **\$193,500**

e. On/Off-Site Improvements (33334.2(e)(2)):

f. Housing Construction (33334.2(e)(5)):

g. Housing Rehabilitation (33334.2(e)(7)):

h. Maintenance of Mobilehome Parks (33334.2(e)(10)):

i. Preservation of At-Risk Units (33334.2(e)(11)):

j. Transfers Out of Agency

(1) For Use Outside Community:

(2) For Transit Village Development Plan (33334.19):

(3) Excess Surplus (33334.12(a)(1)(A)):

(4) Other:

Specify other:

<input type="text"/>	<input type="text"/>
----------------------	----------------------

(5) Transfers Out of Agency Subtotal:

k. Other

Specify other:

<input type="text"/>	<input type="text"/>
----------------------	----------------------

Total Expenditure:

Redevelopment Agency Reporting System - Agency Wide Expenditures
California Department of Housing and Community Development



California Department of Housing and Community Development

Redevelopment Agency Reporting System

Other Housing Fund Assets - Sch C, p3 #6



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Page Agency: SANTA CRUZ CITY Fiscal Year : 2008/2009 Prepared by: Kathryn Mintz

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8. Other Housing Fund Assets (non recurrent receivables) not included as part of line 5

(a) Indebtedness for Set-asides Deferred (Sec.33334.6): [Help?](#) [Sch A(s)] \$0
Line 5d(2)]

(b) Value of Land Purchased with Housing Funds and Held for Development of Affordable Housing:

(c) Loans Receivable for Housing Activities:

(d) Residual Receipt Loans

(e) ERAF Loans Receivable (all years) (Sec. 33681):

(f) Other Assets:

Specify other:

(g) Other housing fund assets Subtotal:

Redevelopment Agency Reporting System - Other Housing Fund Assets
California Department of Housing and Community Development



CITY COUNCIL AGENDA REPORT

DATE: 01/04/2010

AGENDA OF: 1/12/2010

DEPARTMENT: Human Resources

SUBJECT: Liability Claims Filed Against City of Santa Cruz. (HR)

RECOMMENDATION: Motion to reject liability claims a) Carol E. Meilicke and b) Patricia Kathleen Miller, based upon staff investigation.

BACKGROUND:

- a. Claimant: Carol E. Meilicke
Date of occurrence: Week of 9/17/09
Date of claim: 11/27/09
Amount of claim: \$1,881.00

Claimant alleges a City contractor repaving Morrissey Blvd. and adjoining sidewalks left her walkway steep and dangerous.

Represented by herself.

- b. Claimant: Patricia Kathleen Miller
Date of occurrence: 05/29/09
Date of claim: 11/24/09
Amount of claim: \$4,800.00

Claimant seeks reimbursement for medical bills incurred after she and a City driver backed into each other at the Municipal Wharf.

Represented by herself.

DISCUSSION: None

FISCAL IMPACT: None

Prepared by:
Kristine Kamandulis
Risk and Safety Manager

Submitted by:
Lisa Martinez Sullivan
Human Resources Director

Approved by:
Richard C. Wilson
City Manager

ATTACHMENTS: None



CITY COUNCIL AGENDA REPORT

DATE: 01/04/2010

AGENDA OF: 1/12/2010

DEPARTMENT: Parks and Recreation

SUBJECT: Naming of Field 1 "Rich Young Field" and Installation of a Memorial
Plaque at Harvey West Park. (PK)

RECOMMENDATION: Motion to authorize the naming of Field 1 "Rich Young Field" and authorize the placement of a memorial plaque in honor of Mr. Young at the "Little League Field" at Harvey West Park.

BACKGROUND: Santa Cruz Little League representatives; Steve Plant and Jim Andranico, along with club president Edward Chun, requested that the Parks and Recreation Commission consider the placement of a memorial plaque honoring Rich Young for his years of service to the youth of our community. They further requested that Field 1 at Harvey West Park be named Rich Young Field. Rich volunteered for Santa Cruz Little League for 39 years prior to his death in 2008. He was a team manager, served on the board of Directors and was the District Administrator of Little League International. The Parks and Recreation Commission unanimously approved the request and asked staff to forward its recommendation to City Council for consideration. Staff also supports the installation of a memorial plaque and naming Field 1 the "Rich Young Field."

DISCUSSION: The attached letter from Edward Chun, President of Santa Cruz Little League, describes Mr. Young's contributions. The youth of our community benefited greatly from Mr. Young's generous donation of time and energy.

Criteria in City Council Policy 24.1 NAMING OF CITY PARKS, FACILITIES, AND FACILITY AMENITIES supports the naming of the field after Mr. Young;

1) The person or organization has a longstanding affiliation with the City.

5) If named in memorial, the individual must be deceased at least one (1) year, have been a resident of Santa Cruz, and/or have made a significant contribution to the community in terms of improvement of quality life.

Little League Representatives will be in attendance at the January 12, 2010 City Council meeting, should you have questions or require additional information.

Also attached for your information is Council Policy 7.3 MEMORIALS ON CITY PROPERTY. The request from Little League to Honor Richard Young meets criteria outlined in Council Policy 7.3.

(1) Persons or groups that have a longstanding association with the facility or community.

If Council supports staffs recommendation, department staff will work with Little League Volunteers to determine the appropriate placement of the memorial plaque.

FISCAL IMPACT: None. Little League will absorb any and all costs associated with the memorial plaque.

Submitted by:	Approved by:
Dannettee Shoemaker	Richard C. Wilson
Director of Parks and Recreation	City Manager

ATTACHMENTS:

Letter from Edward Chung dated October 2, 2009

City Council Policy 7.3

City Council Policy 24.1

Field 1 Site Plan

Graphic showing proposed layout

Santa Cruz Little League
PO Box 1723
Santa Cruz, CA 95060



October 2, 2009

Department of Parks and Recreation
City of Santa Cruz
323 Church St
Santa Cruz, CA 95060

Dear Commission:

I am writing this letter to request that the Department of Parks and Recreation of the City of Santa Cruz approve the placement of a memorial plaque in honor of Richard Young at Harvey West Park.

Richard Young was a longtime Little League volunteer. For 39 years, Mr. Young generously gave his time to the youth of Santa Cruz through the Santa Cruz Little League. In the past 33 years and until his death, he was a manager in the Santa Cruz Little League program. In this capacity, Mr. Young was a mentor to scores of other little league coaches and of hundreds of little league players. Mr. Young was also on the board of directors of the Santa Cruz Little League for almost three decades and was District Administrator for District 39 of Little League International since 2001. Through his dedicated efforts, thousands of children of the City of Santa Cruz were able to enjoy the pleasure of playing baseball. In a ceremony at Harvey West Park after Mr. Young's death, hundreds of people showed up, many of them former players on Mr. Young's teams, now adults in our community, came to remember Mr. Young's gift to the people of the City of Santa Cruz. Richard Young was a true community leader.

Thank you for review and consideration of this request.

Sincerely,

A handwritten signature in cursive script, appearing to read "Edward L. Chun".

Edward L. Chun
President
Santa Cruz Little League

POLICY TITLE: MEMORIALS ON CITY PROPERTY

POLICY STATEMENT:

The purpose of this article is to establish guidelines and procedures to be used when statues, monuments, plaques, or other memorials are erected or installed on City property in remembrance of a person or persons or historical event.

- A. Permanent statues, monuments, plaques, or other memorials may be erected, placed or installed on City property to honor:
 - (1) Persons or groups that have a long standing association with the facility or community;
 - (2) Persons or groups for which a facility has been named;
 - (3) A historical event of significance to the facility or community;
 - (4) A person, family, or organization which has contributed significantly to the facility or community;
 - (5) A person or group which has achieved significant recognition historically on the city, state, national or international level; or
 - (6) A person or group which has made a significant contribution to the City by:
 - a. Enhancing the quality of life and well-being of the City
 - b. Contributing to the historical or cultural preservation of the City
 - c. Contributing toward the acquisition, development or conveyance of land or building
 - d. Making exemplary or meritorious contributions to the City

- B. Any person for whom a memorial is erected or installed must have been deceased at least one (1) year, and have been a resident of the City Santa Cruz.

PROCEDURE:

Each application will be considered on a case-by-case basis. Applicant(s) shall submit a written request to the corresponding Department Director, with justification to aid in considering the proposal. The proposal shall be placed on the appropriate Advisory Body agenda (if required), allowing appropriate time for review by the Advisory Body, and to publicize and receive input from the public at the Advisory Body meeting. The Advisory Body's recommendation will be forwarded to the City Council for final determination.

AUTHORIZATION:

Motion: October 28, 2008

POLICY TITLE NAMING OF CITY PARKS, FACILITIES AND FACILITY AMENITIES

POLICY STATEMENT:

This policy intends to address the following naming situations:

1. The opening or reopening of parks, facilities, and facility amenities
2. Providing recognition of financial contributions
3. Honoring individuals or organizations in recognition of their significant contributions to the community.

The criteria for naming rights will include the following:

1. The person or organization has a longstanding affiliation with the City
2. The name provides a sense of place, reflecting the geographic location, community, neighborhood or street where the park, facility or amenity is located
3. The name recognizes the historical significance of the area or reflects unique characteristics of the site
4. The names of persons, organizations, corporations, foundations or families will be considered when they have made a significant contribution to the City by:
 - a. Enhancing the quality of life and well-being of the City
 - b. Contributing to the historical or cultural preservation of the City
 - c. Contributing toward the acquisition, development or conveyance of land or building
 - d. Making exemplary or meritorious contributions to the City
5. If named in memorial, the individual must be deceased at least one (1) year, have been a resident of Santa Cruz, and/or have made a significant contribution to the community in terms of improvement of quality of life.

Names will not be chosen that:

1. Cause confusion due to duplication or names sounding similar to existing locations within the City of Santa Cruz
2. Are the name of companies whose business is substantially derived from the sale of alcohol, tobacco, firearms and/or pornography
3. Are discriminatory or derogatory considering race, gender, creed, religious or political affiliation, or other similar factors.

Where the name of an individual is recommended, consent shall be obtained from the individual or their next of kin prior to the City Council's public consideration.

Where the naming opportunity is the result of a financial contribution, the following factors must be considered:

1. The significance of the contribution made, relative to the construction and/or operating costs of the parks, facilities, and amenities within those facilities
2. The cost of establishing the naming option (costs to be determined by the responsible Department on an individual basis).

The duration of naming rights of parks, facilities, and amenities within those facilities shall be decided or negotiated on a case-by-case basis. Naming rights of parks, facilities, and amenities may be renewed by mutual agreement between the parties.

Existing names will not be changed without consideration of the historical significance of the existing name, the impact on the individual or organization previously named, the cost and impact of changing existing signs, rebuilding community recognition and updating records (i.e. letterhead, databases, and promotional materials).

Each application will be considered on a case-by-case basis. Applicant(s) shall submit a written request for naming rights to the corresponding Department Director, with justification to aid in considering the proposal. The proposed name shall be placed on the appropriate Commission agenda (if required), allowing appropriate time for review by the Commission, and to publicize and receive input from the public at the Commission meeting. The Commission's recommendation will be forwarded to the City Council for determination of the official name.

AUTHORIZATION: Council Policy Manual Update of November 17, 1998
Revised by motion May 23, 2006

M:\AGENDA\VIEW\POLICY\REVISED\24-01.DOC

Pacific Island Design

CONTEMPORARY MATERIALS

CAL. LIC. NO. 421841

180 DELAVEAGA PARK, SANTA CRUZ, CA 95065

TEL: 831-426-0128

FAX: 831-426-0135

A) CASE mounted to wall.

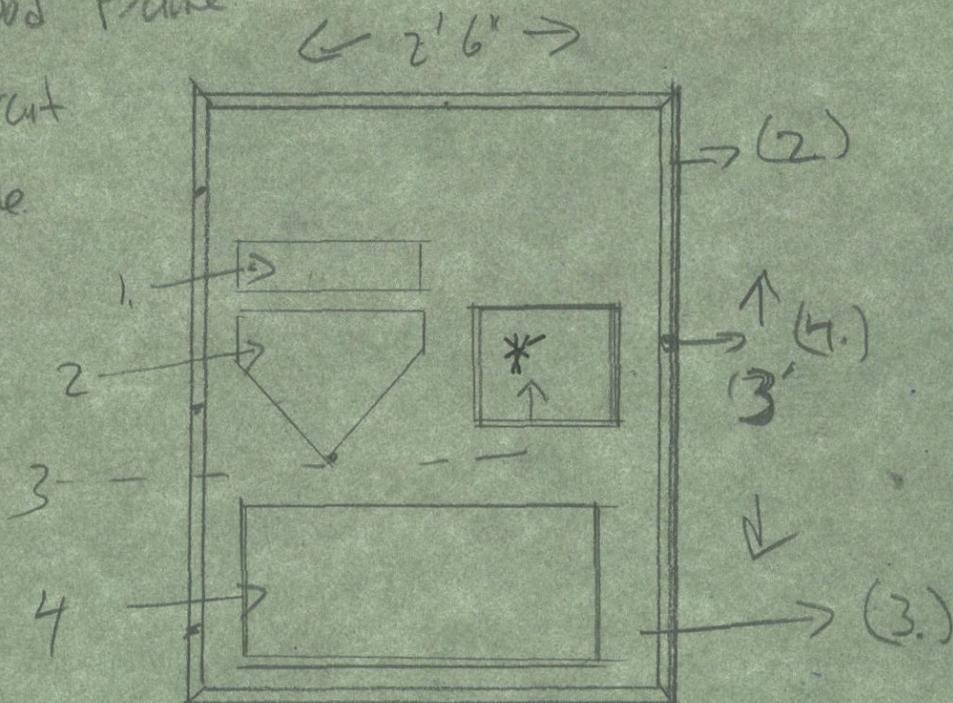
1) 2'6" x 3'

2) Hardwood Frame

3) Ply front

4) lockable

5) hinged



B) CASE contents

1) Rubber

2) plate

3) metal rememberence

4) Announcenent board for events

* Rich Young
Remember the Kids
Santa Cruz Little League



CITY COUNCIL AGENDA REPORT

DATE: January 6, 2010

AGENDA OF: January 12, 2010

DEPARTMENT: City Council

SUBJECT: Approving and Appointing Representatives to Other Agencies and Groups
and Council Committees and Task Forces. (CN)

RECOMMENDATION: Motion to appoint or nominate representatives to other agencies and groups and Council committees and task forces as presented.

BACKGROUND: Each year, the Mayor appoints, or nominates for appointment, Councilmembers to serve on other agencies, groups, Council Committees and task forces.

DISCUSSION: I am requesting that Council approve the appointments and nominations as presented.

FISCAL IMPACT: Approval of the above recommendation has no fiscal impact.

Submitted by:
Mike Rotkin
Mayor

ATTACHMENTS: Appointments and Nominations list

Council Membership in City Groups and Outside Agencies

Councilmembers will have the opportunity to present oral updates to Council and the public. Councilmembers may provide direction, request additional information or that a topic raised be agendized for future Council action. The Presiding Officer may request oral updates from Council ad hoc Committees.

The Presiding Officer will ask representatives of each entity if there is any oral update.

Name of Agency/Organization	Currently Serving
Association of Monterey Bay Area Governments (AMBAG)	L. Robinson, T. Madrigal (alternate)
City of Santa Cruz/Soquel Creek Water District (SqCWD) Desalination Project	R. Coonerty, M. Rotkin, D. Lane (Alternate)
City Schools Committee (Ad Hoc) Three Councilmembers to attend one meeting with the Schools to determine whether, and in what form, a long term Committee should exist.	C. Mathews, T. Madrigal, R. Coonerty
Community Action Board <i>Note: Why do we have a seat on the Community Action Board (CAB)? Because the Community Action Board is a federally funded community service agency. CAB receives an annual federal Community Service Block Grant of \$250,000, which represents 10% of its budget. One of the eligibility requirements to receive this grant is that 1/3 of the CAB board be representatives of publicly elected officials. Watsonville, Capitola and the County also appoint representatives to the CAB board.</i>	T. Madrigal, David Sweet (alternate)
Conference and Visitors' Council	C. Mathews, L. Robinson
Cultural Council Board City Representative <i>Note: The appropriate title for this is City representative to the Cultural Council Board. This is not an actual seat on the board with voting privileges and responsibilities. The basic responsibilities are to meet with CC staff at least once a year and serve as liaison between the City and the Cultural Council. The representative will receive board announcements and is entirely welcome to attend, but this is not expected. This is a somewhat recent change in governance structure.</i>	K. Beiers
Downtown Management Corporation (Mayor/Vice Mayor)	C. Mathews, M. Rotkin, L. Robinson
Economic Development Council (Mayor/Vice Mayor)	R. Coonerty, D. Lane, C. Mathews
Library Joint Powers Authority Board	K. Beiers, M. Rotkin, C. Mathews (alternate)
Library Financing Authority	M. Rotkin
Local Agency Formation Commission (LAFCO)	D. Lane

Name of Agency/Organization (continued)	Currently Serving
Monterey Bay Unified Air Pollution Control District	2008 —City of Capitola 2010 City of Watsonville
Public Safety Committee	D. Lane, M. Rotkin, L. Robinson
Sanctuary Inter-Agency Task Force	K. Beiers, C. Mathews
Santa Cruz County Children's Network	D. Shoemaker, C. Scurich (alt.)
Santa Cruz Community Farmers Market, Inc.	L. Robinson
SC County Integrated Waste Management Local Task Force	M. Rotkin, Alan Schlenger (alternate) Bob Nelson, Mary Arman (alternate)
Santa Cruz Metropolitan Transit District Board <i>Note: The City has two seats on the Transit District board. These are four-year positions. The city submits nominations for its representatives, who are then confirmed by the Transit board and sworn in for four-year terms. Therefore, these seats are not made as annual Mayor's appointments like most of the other council assignments. Once the City's representatives are sworn in, the only way a change would occur would be (1) if the representative were to resign and the Mayor made another nomination, confirmed by the Transit board, or (2) the representative were no longer serving on the City Council, in which case the Mayor would nominate a current council member to serve out the remaining part of the term. This process is established by state law.</i>	M. Rotkin, L. Robinson
SC County Regional Transportation Commission (SCCRTC)	D. Lane, L. Robinson (alternate)
Social Services Program Committee	R. Coonerty, M. Rotkin , C. Mathews , L. Robinson

Public comment on the reports given will be heard at a time to be determined by the Presiding Officer.



CITY COUNCIL AGENDA REPORT

DATE: 01/06/2010

AGENDA OF: 1/12/2010

DEPARTMENT: Parks and Recreation

SUBJECT: Statewide Park Development and Community Revitalization Act of 2008
(Proposition 84) Property Selection. (PK)

RECOMMENDATION: Resolution approving the application for Statewide Park Program Grant Funds.

Motion to select the preferred property for acquisition and development of a neighborhood park to be submitted for the Statewide Park Development and Community Revitalization Act of 2008 (Statewide Park Program) Prop 84:

- 1) Beach Flats neighborhood; or
 - 2) Lower Ocean Neighborhood.
-

BACKGROUND: On November 7, 2006, California voters passed Proposition 84. The \$5.4 billion "Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006" (Proposition 84). Funding for the Statewide Park Program, a \$368 million dollar grant program was made available through the Sustainable Communities and Climate Change Reduction Chapter in Proposition 84. On December 8, 2009, City Council authorized and directed the City Manager to execute all documents necessary to apply for the grant.

DISCUSSION: The Parks and Recreation Department will apply for grant funding to acquire land and develop a neighborhood park in an area that is critically lacking park space. Lower Ocean and Beach Flats neighborhoods meet the eligibility requirements for the grant.

After an extensive search, two properties were identified that matched the selection criteria. One property is located in the Beach Flats neighborhood, and one located in the Lower Ocean neighborhood. Each property is approximately 1/2 acre. The Beach Flats property currently houses the temporary Beach Flats Community Garden. It is adjacent to Poet's Park and a block away from Beach Flats Park and Beach Flats Community Center. This property is not currently listed with a realtor but the owner is willing to work with the City if their property is selected as the preferred site for the grant application (Attachment A).

The property in the Lower Ocean neighborhood is between San Lorenzo Blvd. and Riverside Ave. It was used briefly as a Community Garden in the early 90's. The property is currently listed at \$1,250,000 (Attachment B).

The grant selection criteria are very competitive and specific:

1. Critical lack of Park Space;
2. Significant Poverty;
3. Type of Project;
4. Community Based Planning; and
5. Community Challenges and Project Benefits

After reviewing the grant project selection criteria and using the Community Fact Finder reports, staff determined the property in the Lower Ocean neighborhood ranks higher than the one in the Beach Flats neighborhood and therefore feels the Lower Ocean neighborhood property is positioned better to be selected for the grant. The web based Community Fact Finder tool combines mapping and demographic data to calculate the total population, median household income, number of families below poverty, and ratio of park acres per 1000 residents within a half-mile radius of any project location throughout California. Prop 84 Legislation does not divide the state. It is a competitive statewide grant program to fund the most critically under served communities throughout California. Since the Beach Flats property is adjacent to an existing park (Poet's Park) that project would actually be considered a park expansion rather than a new park and would rate lower than the Lower Ocean property which would be considered a new park. Prop 84 legislation prioritizes the creation of new parks where none currently exist. While both properties meet the grant criteria, it appears the Lower Ocean property will rank higher throughout the grant selection process. Parks and Recreation Commission voted six to zero at its January 4th meeting to recommend City Council select the Lower Ocean Neighborhood site as the preferred property for acquisition.

Once City Council selects the preferred site, staff will meet with neighbors to begin conceptual planning. Eligible projects could include a community garden and playground. The competitive grants are due March 1, 2010. Selection and notification of successful applicants will happen fall 2010. If and when staff is notified of the grant award, staff will return to City Council with a purchase agreement. The grant will cover the full cost of purchase and development. Successful applicants have nine years to fully develop the property. The property must remain park land in perpetuity.

The City can not commit to purchasing the property until we receive the grant, so, there is a chance the property may sell before grants are awarded. If that happens, the City will be obligated to return the grant. It can not be used to purchase another property.

FISCAL IMPACT: Any costs associated with preparing the grant application will be funded through the existing Parks and Recreation operating budget.

Prepared by:
Steve Hammack
Park Superintendent

Submitted by:
Dannettee Shoemaker
Director of Parks and
Recreation

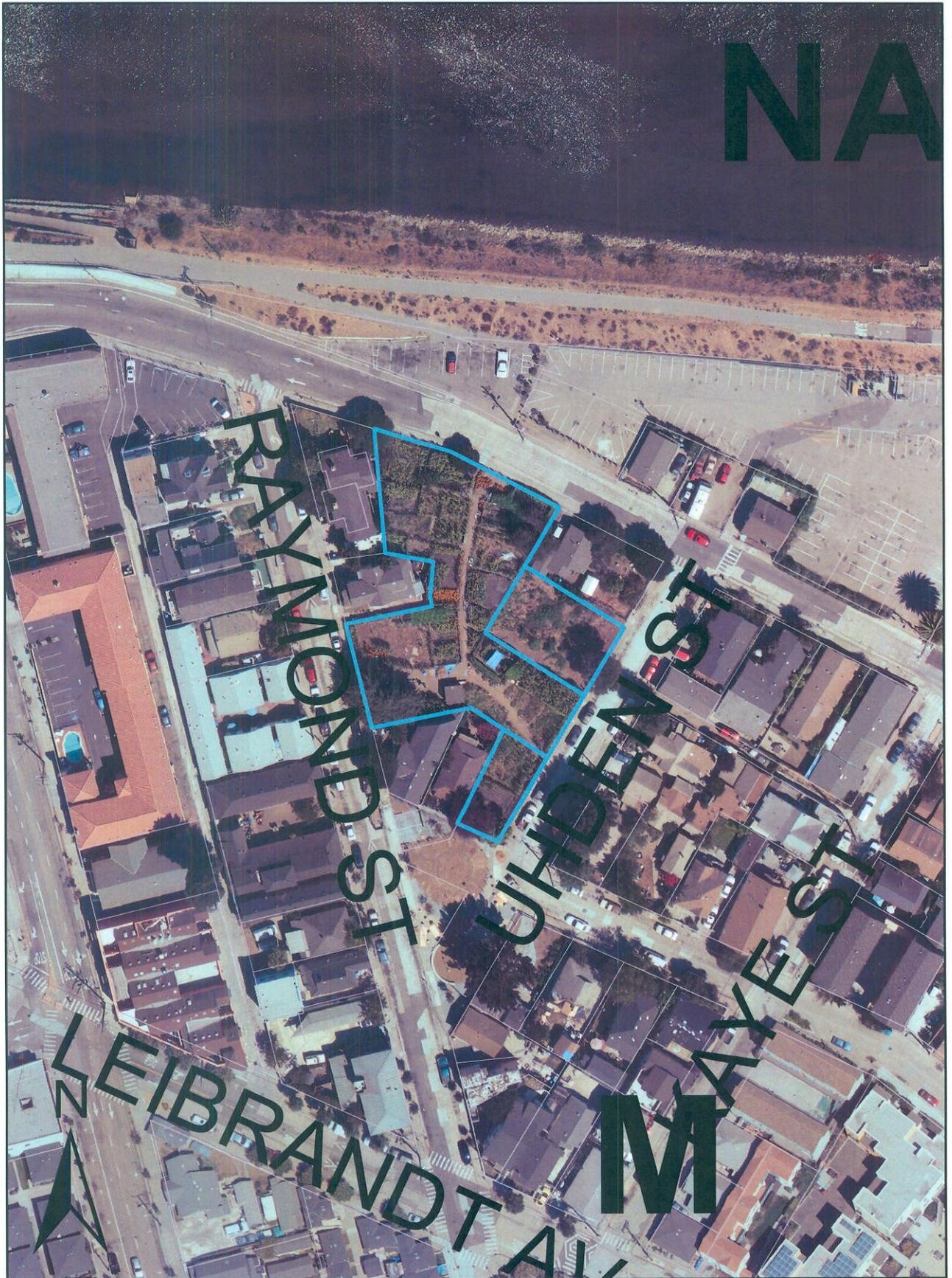
Approved by:
Richard C. Wilson
City Manager

ATTACHMENTS:

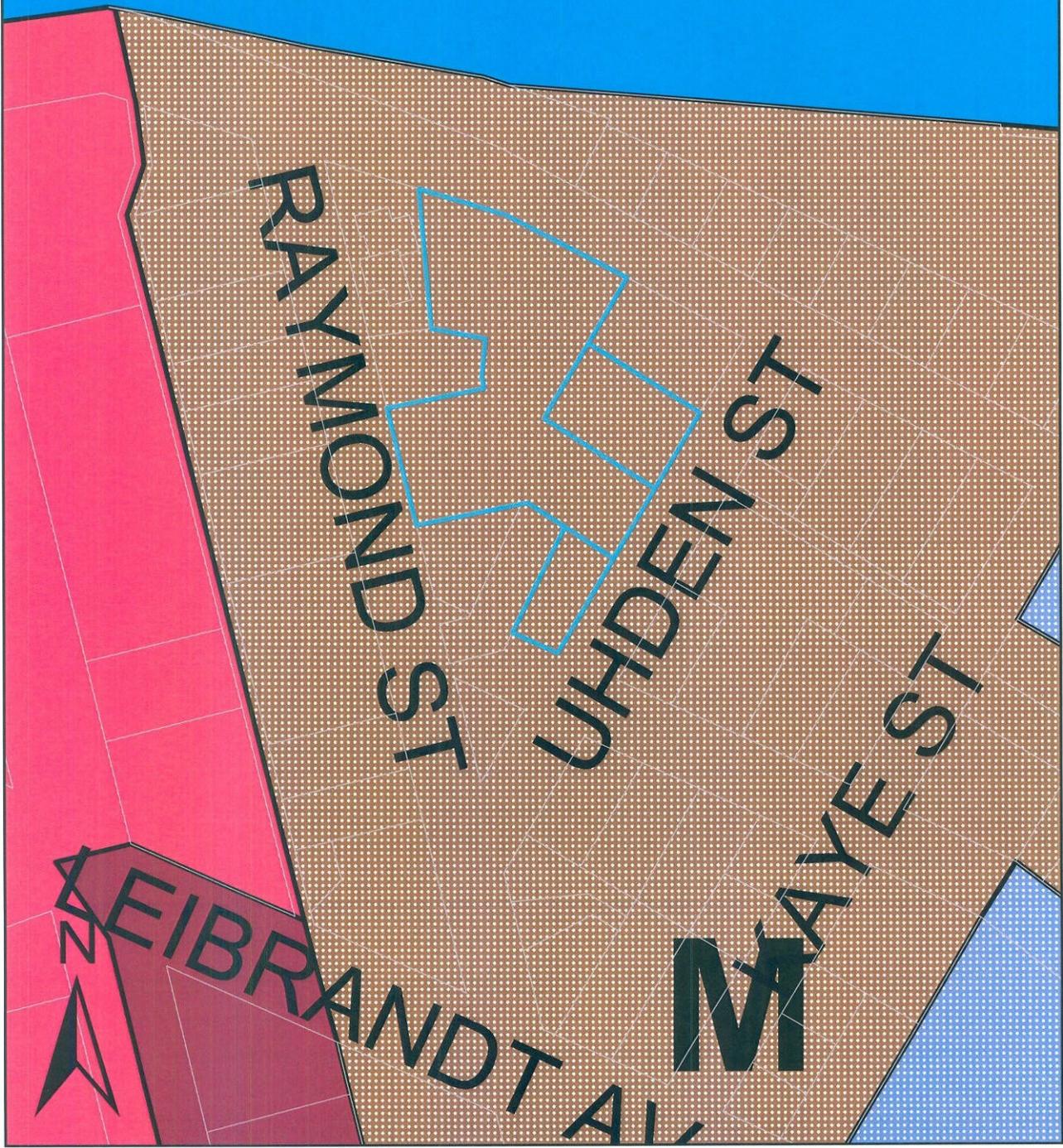
Attachment A

Attachment B

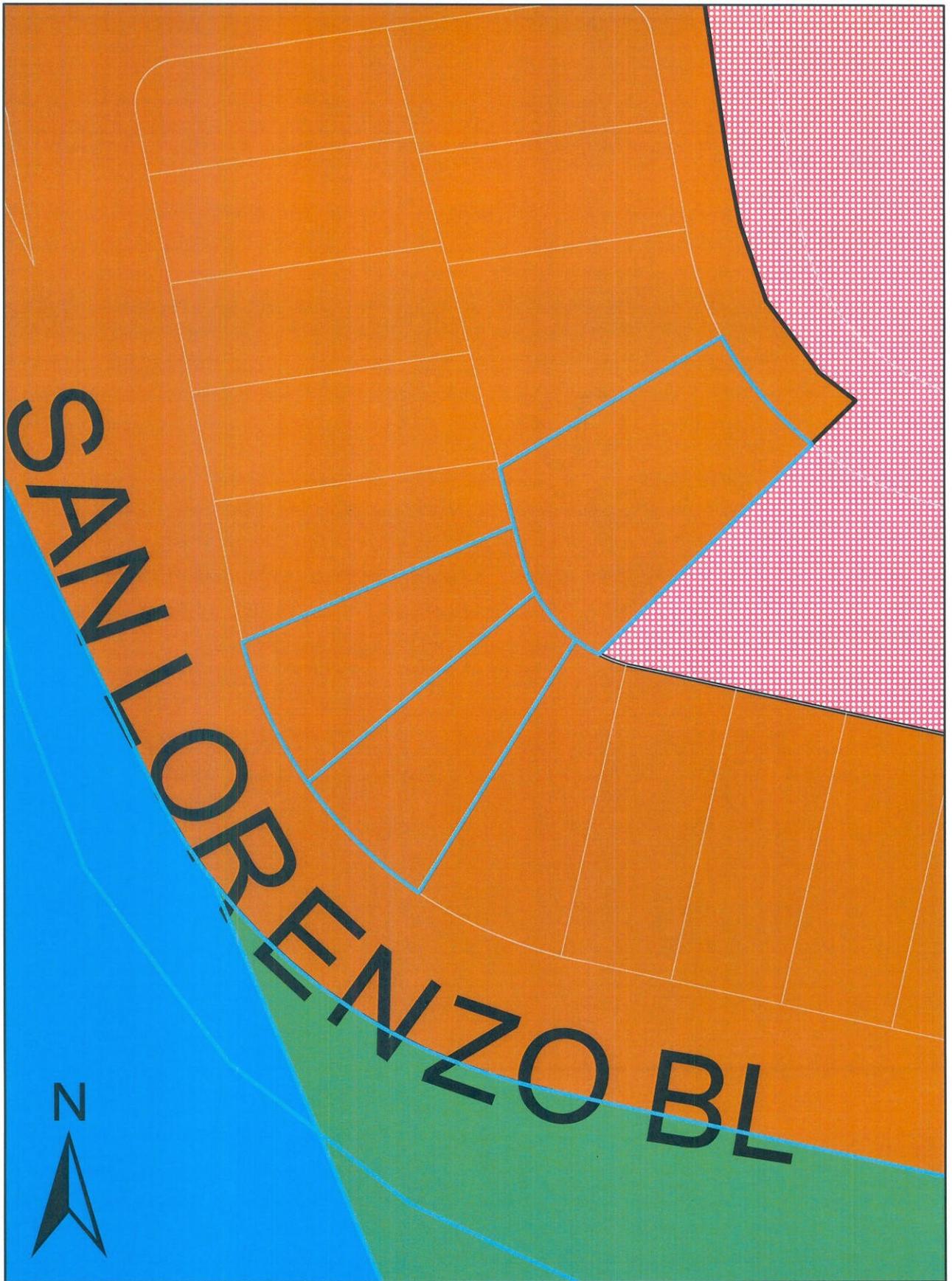
Resolution



NA



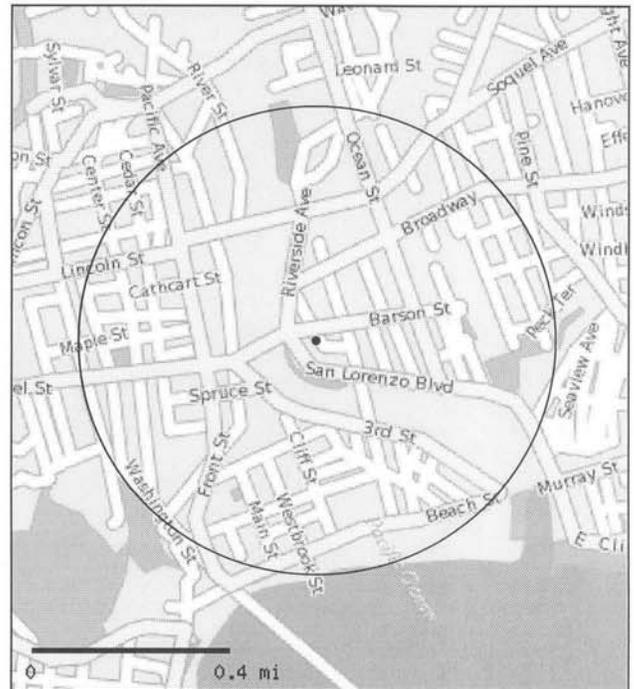




California State Parks Community FactFinder Report

This is your Community FactFinder report for the project you have defined. Please refer to your Project ID in any future communications about this project.

Project ID: **4487**
 Date created: **December 15, 2009**
 County: **Santa Cruz**
 City: **Santa Cruz**
 Coordinates: **36.969832, -122.020758**
 Total Population: **8,070**
 Median Household Income: **\$37,448**
 Number of people below poverty line: **2,084**
 Park acreage: **19.14**
 Park acres per 1,000 population: **2.37**



Project Site

All numbers above have been calculated based on a 1/2 mile radius from the point location of your project. Demographics are figured by averaging population numbers over selected census block groups and using the percent of the block group within the project circle to determine the actual counts.

Parks and park acres are based on best available source information but may not always contain exact boundaries or all parks in specific locations. Parks acreage does not include major lakes or ocean. Users can send update information to: parkupdates@parks.ca.gov

Data Sources:

Demographics - Claritas Pop-Facts, block group level (Apr. 2008)
 Parks - Calif. Protected Areas Database v. 1.3 (Aug. 2009)



Community FactFinder is a service of the California Department of Parks and Recreation
www.parks.ca.gov

Community FactFinder created by GreenInfo Network
www.greeninfo.org

California State Parks Community FactFinder Report

This is your Community FactFinder report for the project you have defined. Please refer to your Project ID in any future communications about this project.

Project ID: **4481**

Date created: **December 15, 2009**

County: **Santa Cruz**

City: **Santa Cruz**

Coordinates: **36.967047, -122.017068**

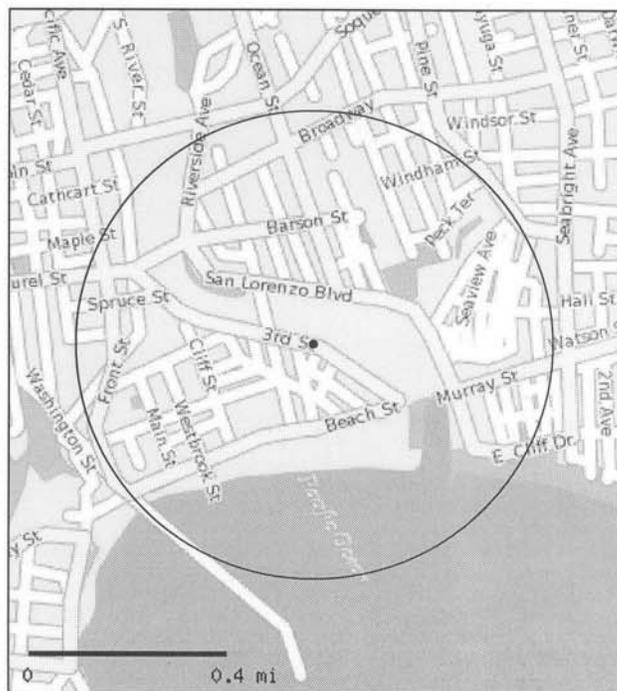
Total Population: **7,133**

Median Household Income: **\$42,753**

Number of people below poverty line: **1,822**

Park acreage: **18.34**

Park acres per 1,000 population: **2.57**



Project Site

All numbers above have been calculated based on a 1/2 mile radius from the point location of your project. Demographics are figured by averaging population numbers over selected census block groups and using the percent of the block group within the project circle to determine the actual counts.

Parks and park acres are based on best available source information but may not always contain exact boundaries or all parks in specific locations. Parks acreage does not include major lakes or ocean. Users can send update information to: parkupdates@parks.ca.gov

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Community FactFinder is a service of the California Department of Parks and Recreation
www.parks.ca.gov

Community FactFinder created by GreenInfo Network
www.greeninfo.org





CITY COUNCIL AGENDA REPORT

DATE: 01/04/2010

AGENDA OF: 1/12/2010

DEPARTMENT: Water

SUBJECT: Loch Lomond Recreation Area – Changes for 2010 Season. (WT)

RECOMMENDATION: Introduce an ordinance for publication amending the Santa Cruz Municipal Code Chapter 16. 05, changing the name from Recreational Use of the Loch Lomond Reservoir to Loch Lomond Recreation Area; and 16.05.030 Places and Times to change the schedule and hours of operation; and 16.05.100 General Regulations concerning (c) pets; and (e) trees, shrubs and other plants.

Resolution amending the Loch Lomond Recreation Area Fee Schedule to increase the Boat Storage Fee to \$200 per season, and rescinding Resolution No. NS-28,075 in its entirety.

BACKGROUND: Two major events occurred at the Loch Lomond Recreation Area last season that had an impact on attendance. The first was that the California Department of Fish and Game discontinued stocking trout as a result of a successful legal challenge that fish stocking by DFG was a project subject to CEQA as it presented the possibility of environmental impact to other species. The loss of trout fishing has a negative impact on attendance along with a substantial loss of revenue generated from the sale of fishing licenses. The second was that the City opted to prohibit outside boats from launching in the reservoir because of concerns over the possible introduction of aquatic invasive species.

The declining attendance prompted us to pilot two changes in the standard operation of the recreation area. The first, allowing limited kayak/canoe storage inside the recreation area was approved by Council in July. The second, extending the season into the middle of October on weekends instead of closing in mid-September was done as a pilot project with the consent of the City Manager to gauge interest.

DISCUSSION: Both the boat storage and the weekend opening into October were very popular. Staff is proposing a revision to the City Municipal Code changing the schedule and hours of operations to allow for weekend opening of the recreation area into October. Along with that change, staff is also recommending a couple of minor revisions that: require owners to clean up after their pets; one that prohibits the destruction of trees and shrubs in the recreation area; and miscellaneous “clean up” items such as the reference to the recreational area.

Staff is also recommending an expansion of the very popular boat storage program by converting a seldom-used parking area to store small, non-trailerred boats. Based upon an analysis of the

cost for this program, and survey of other parks that allow such storage, we are proposing the fee for this be \$200 for the entire season and that the fee resolution be amended to reflect that.

Following is a more detailed explanation of the proposed changes to the Municipal Code and fee resolution.

Municipal Code Revision – Changing Park Schedule and Hours

According to the rules of operation that are included in the Municipal Code, the Loch Lomond Recreation Area “shall be open every day from March 1st through September 15th of each year.” Experience has shown that as the season wears on, weekday attendance begins to wane with some weekdays where virtually no visitors enter the park. Informal polling of visitors suggested that attendance on weekends would justify being open and would allow use of the recreation area at a time when the weather is very conducive to a pleasant recreation experience.

Acting within his authority, the City Manager approved staff’s request to conduct a pilot program temporarily changing the hours of operation at the Loch Lomond Recreation Area this past season as follows:

- The park will close to the public this season on weekdays on Sept. 8 instead of Sept. 15.
- The park will be open on weekends through the weekend of Oct. 12.
- Hours of operation on weekends will be from 8:00 am until 4:00 pm.

The Pilot Program was deemed successful based upon attendance and revenues. Staff is recommending that the Municipal Code be amended to change the recreation area schedule to be open every day from March 1st through Labor Day and be open on Saturdays and Sundays after Labor Day through the second full weekend in October each year.

Municipal Code Revision – General Regulations

In addition to the changes to the schedule and hours of the recreation area, staff has identified several needed additions to the General Regulations concerning pets and trees, shrubs and other plants.

Additionally, staff has reviewed, and is proposing edits to, the entire chapter for consistent use of language, i.e. fishing period to open period, and correct titles, i.e. Loch Lomond Recreation Area not Loch Lomond Reservoir or Loch Lomond Recreational Area.

Boat Storage Program

The trial boat storage program that was implemented July 2009 consisted of six trailers upon which multiple kayaks could be stored. The rate was set at \$75 per year to recover the cost of the trailers over a period of several years.

In light of the large amount of interest received from the public regarding the trial kayak storage program, staff determined that the program should be expanded to provide space for approximately one hundred kayaks or canoes or any other boat that would fit on the racks. Infrastructure costs for the expanded program are anticipated to be up to \$4,000 to build additional storage racks, upgrade pathways, and provide perimeter gating and fencing. Staffing

costs are estimated to be \$20,000 for the additional temporary personnel to maintain control of the sealing and unsealing of boats.

To help defray the additional infrastructure costs, staff recommends that the Loch Lomond Recreation Area Fee Schedule – Boat Storage Fee be set at a rate of \$200 per year to recover the annual cost of the additional personnel associated with the inspection of boats and equipment for damaging non-native aquatic species or the conditions that harbor damaging non-native aquatic species.

FISCAL IMPACT: The proposed changes in the park schedule do not have any direct fiscal impact on the Water Fund. Total estimated yearly cost of the expansion of the boat storage program is \$24,000 that is expected to be fully recovered from the fees associated with this program.

Submitted by:
Bill Kocher
Water Director

Approved by:
Richard C. Wilson
City Manager

ATTACHMENTS:
Ordinance
Resolution

ORDINANCE NO.

AN ORDINANCE OF THE CITY OF SANTA CRUZ
AMENDING PORTIONS OF CHAPTER 16.05 OF THE SANTA CRUZ MUNICIPAL CODE
TO CHANGE THE CHAPTER TITLE TO LOCH LOMOND RECREATION AREA AND
THE SCHEDULE AND HOURS OPERATIONS.

The City Council of the City of Santa Cruz ordains as follows:

Section 1. Chapter 16.05 of the Municipal Code of the City of Santa Cruz shall be amended to read as follows:

Chapter 16.05
LOCH LOMOND RECREATION AREA

SECTIONS:

- 16.05.010 General recreational use.
- 16.05.020 Additional rules and regulations.
- 16.05.030 Places and times.
- 16.05.040 Permits – Contents – Fees.
- 16.05.050 Boating standards and regulations.
- 16.05.060 Fishing regulations.
- 16.05.070 Picnicking regulations.
- 16.05.080 Hiking regulations.
- 16.05.090 Sanitation regulations.
- 16.05.100 General regulations.
- 16.05.110 Fire rules and regulations.
- 16.05.120 Posting of notices – Authority to enforce regulations.
- 16.05.130 Penalty for violation.

16.05.010 GENERAL RECREATIONAL USE.

- (1) No person shall publicly appear nude or disrobe while in any area of the Loch Lomond Recreation Area. All persons visiting Loch Lomond Recreation Area shall be clothed sufficiently to conform to common standards.
- (2) No person shall possess, discharge, set off, or cause to be discharged, in or into any portion of the Loch Lomond Recreation Area any firecrackers, torpedoes, rockets, fireworks, oil, explosives or any substance harmful to the life or safety of persons or wildlife.
- (3) No person shall operate or ride a bicycle, scooter, skateboard or other operator-propelled vehicle or device in the Loch Lomond Recreation Area when the chief ranger finds that the conditions are unsafe for the operation of such vehicles.

16.05.020 ADDITIONAL RULES AND REGULATIONS.

The city manager is authorized and empowered to adopt such additional rules and regulations, or modifications thereof, as he or she may deem necessary to regulate and control entry, use, fishing

ORDINANCE NO.

privileges, fees, and sanitation upon Loch Lomond Recreation Area to ensure the safety of persons using said facility, and to aid in the proper administration thereof.

16.05.030 PLACES AND TIMES.

- (a) The designated recreation area shall be open for recreation, picnicking, boating, hiking and fishing only as authorized by the director of the water department.
- (b) The recreation area shall be open every day from March 1st through Labor Day of each year. The Recreation Area shall also be open on Saturdays and Sundays after Labor Day through the second full weekend in October each year. The director of the water department shall have the authority to close the facility or to restrict public use during this period when, in the judgment of the director, continued public use under the circumstances would endanger the users or endanger or compromise the integrity of natural resources within the recreational area.
- (c) The open period shall be as follows:

March	7:00 a.m. to 7:00 p.m.
April	7:00 a.m. to 7:30 p.m.
May	7:00 a.m. to 8:00 p.m.
June	7:00 a.m. to 8:30 p.m.
July	7:00 a.m. to 8:30 p.m.
August	7:00 a.m. to 8:00 p.m.
September 1 st through Labor Day	7:00 a.m. to 8:00 p.m.
Saturdays and Sundays after Labor Day through 2 nd full weekend in October	7:00 a.m. to 6:00 p.m.

All boats shall be off the lake at least one hour before the end of the open period. All persons shall depart from the recreation area at the end of the open period.

16.05.40 Permits – Contents – Fees.

- (a) No person shall enter or use Loch Lomond Recreation Area without having in his possession a valid permit issued by the city of Santa Cruz. All holders of such permits shall present the same to the water department personnel upon demand for inspection.
- (b) Permits for use shall be obtained at the entrance to the recreation area. Any violation of rules and regulations contained in this chapter invalidates such permit and subjects the holder thereof to the penalties contained in Section 16.05.130.
- (c) The number of permits issued for any particular day shall be limited by the number of available vehicle parking spaces to insure the safety of persons using said facility.

ORDINANCE NO.

- (d) All permits shall be issued in the form prescribed by the city, which will show the amount paid for the permit, and the purpose, date and period of time for which the permit was granted.
- (e) Fees for permits shall be established by the city of Santa Cruz, including but not limited to fees for day use, seasonal use, pedestrian or bicycle entry, pets, boat rental, and for launching a privately owned boat.

16.05.050 Boating standards and regulations.

- (a) The launching of city-operated boats and private boats shall be prohibited except from the designated boat launch ramp or boat rental dock area.
- (b) It shall be unlawful for any person to launch any boat upon the reservoir unless said boat complies with the following required boat standards:
 - (1) Each boat shall have stable flotation characteristics and shall have not less than eight inches freeboard when fully loaded.
 - (2) The ratio of maximum beam to length shall be one to two-and-one-half (1:2-1/2) or more.
 - (3) The minimum length of any boat authorized for public use shall be not less than eight feet.
 - (4) Each boat shall be of good construction and in good repair.
 - (5) Each boat shall be equipped with one Coast Guard-approved life jacket per passenger, a minimum of one oar or paddle (except peddle boats), and one bailing device.
- (c) Canvas boats, vessels constructed of flexible fabric (canvas, vinyl, or animal hide) stretched over a frame, styrofoam boats, sailboats, boats with less than two-person capacity, and boats with freakish lines shall be prohibited. Kayaks must be at least 6 feet in length, 28.75 inches at the beam, and must be of solid construction. Ocean kayaks shall have any through drain holes plugged with approved plugs.
- (d) Metal or fiberglass boats of conventional design shall be permitted when equipped with approved flotation material of sufficient capacity to hold up the boat plus three hundred pounds of dry weight or approximately 2.6 cubic feet of flotation capacity. Air tanks in metal boats that form an integral part of the hull shall be prohibited.
- (e) A fiberglass boat constructed of honeycomb frame, fiberglass inside and out, shall be permitted without flotation tanks if otherwise meeting the requirements of this section.
- (f) The maximum length of any boat authorized for public use shall not exceed eighteen feet.

ORDINANCE NO.

- (g) Canoes less than thirteen feet in length and thirty-two inches in width shall be prohibited unless such canoes meet American Canoe Association racing requirements.
- (h) All boats that do not demonstrate suitable buoyancy and stability to insure floatability in case of capsizing and overturning shall be prohibited.
- (i) All boats, kayaks, and canoes that do not comply with all applicable Coast Guard, state and federal registration, safety and safe boating requirements and regulations shall be prohibited.
- (j) Plastic or canvas inflatables shall be prohibited from entering upon the reservoir. All other inflatables shall be prohibited unless said inflatables are constructed with at least three flotation chambers of reinforced synthetic rubber fabric or the equivalent of at least eight millimeters thickness, are not less than six feet in length overall, and are equipped with floorboards.
- (k) The boarding and exchange of boat passengers shall be prohibited except at boat docks so provided. Disembarking on the west bank is also prohibited.
- (l) Boats with internal combustion engines shall be prohibited.
- (m) The foregoing boat standards shall not apply to canoes or motorboats operated by the city.
- (n) All boats shall be subject to inspection by the chief ranger or his assigns prior to being launched, and any boats that do not meet the standards set forth in this chapter shall be prohibited from being launched. The opinion of the chief ranger is final. In addition, the chief ranger may revoke the permission for any boat to be upon the reservoir for the failure to comply with this chapter or any other applicable ordinance, statute or regulation.
- (o) All persons shall be prohibited from occupying or using a canoe or kayak upon the reservoir unless all occupants wear a United States Coast Guard-approved personal flotation device at all times while canoeing.
- (p) Persons under sixteen years of age shall be prohibited from using or occupying boats on the reservoir unless accompanied by an adult. Persons under sixteen years of age using a single passenger kayak must be directly supervised (in direct line of sight, and within thirty feet distance) by an adult in another vessel.
- (q) The chief ranger may limit the maximum number of canoes, kayaks, and inflatables on the reservoir at any particular time in order to adequately protect the water quality of the reservoir and avoid interference with public uses of said reservoir.

16.05.060 Fishing regulations.

ORDINANCE NO.

- (a) Fishing shall be prohibited except from city-rented boats, from private boats and from bank areas so posted by the director of the water department, provided said fishing is at least one hundred feet from any boat dock and work dock structures.
- (b) It is unlawful for persons to exceed the creel limits on fish established by the California Department of Fish and Game and United States Fish and Wildlife Service, which limits shall be posted at the recreational area.
- (c) Possession of a use fee receipt shall not constitute a State Fish and Game License and shall not release an individual from the necessity of having such license in accordance with applicable state laws.
- (d) The use of live minnow bait while fishing shall be prohibited.

16.05.070 Picnicking regulations.

- (a) Picnicking shall be prohibited except at established picnic areas and at such other places as determined and posted by the director of the water department.
- (b) Cooking fires shall be prohibited except at the picnic area limits so designated, and only in fireplaces provided for that purpose or in portable barbecues.
- (c) The gathering or taking of firewood from any part of the Loch Lomond Recreation Area shall be prohibited.
- (d) The use of charcoal in fireplaces shall be permitted.

16.05.080 Hiking regulations.

Hiking shall be restricted to trails so designated by the director of the water department.

16.05.090 Sanitation regulations.

- (a) It shall be unlawful for any person to deposit human wastes in the waters of the reservoir, the adjacent tributary system on reservoir property, or on city watershed land. Persons in boats shall avail themselves of portable sanitary facilities established by the water department along the east bank of the reservoir.
- (b) No person shall bathe, swim, wade with float tubes or waders, wash or otherwise enter the water of the reservoir. The foregoing shall not apply to water department personnel when performing their assigned duties.
- (c) No person shall deposit or cause to be deposited food scraps, fish remains, paper, bottles, cans or any other waste material, organic or inorganic, into the water of the reservoir, the tributary system, or the adjacent watershed land. Persons using the picnic areas, the concession area, and the bank fishing areas shall use the waste-disposal containers there provided.

ORDINANCE NO.

16.05.100 General regulations.

- (a) All persons permitted to use the facilities and engage in recreational activities at Loch Lomond Recreation Area do so entirely at their own risk.
- (b) It shall be unlawful for any person or automobile to enter restricted or closed areas. Automobiles so parked in restricted or closed areas shall be towed from the recreation area at the owner's expense.
- (c) Pets shall be kept on a leash not to exceed six feet in length and shall be prohibited from entering the water. Any person owning, having an interest in, harboring or having charge of the care, custody, control or possession of any dog which defecates upon the property of the recreation area must immediately remove and properly dispose of the feces. Pets creating a nuisance of any kind as determined by the chief ranger shall be removed from the recreation area.
- (d) It shall be unlawful for any person using the facilities at Loch Lomond Recreation Area to have alcohol in his/her possession anywhere in the recreation area or to be under the influence of alcohol, or otherwise disturb the peace, and such persons may be ejected by the chief ranger.
- (e) Trees, shrubs or other plants shall not be cut or otherwise mutilated. Persons shall not abuse or disturb the wildlife or trees and vegetation or any other natural features or manmade features of the watershed property, nor shall they allow their dogs to chase deer or other wildlife. The provisions of this section dealing with plants and wildlife shall not apply to water department personnel when performing their assigned duties.
- (f) It shall be unlawful for any unauthorized person to use or possess any kind of firearms in the Loch Lomond Recreation Area.
- (g) It shall be unlawful for any person to willfully mark, deface, disfigure, injure, displace or remove any building, structure, bench, monument, planter, paving or building material, sign, notice or other public property or appurtenances at Loch Lomond Recreation Area and watershed property whatsoever.

16.05.110 Fire rules and regulations.

- (a) Smoking shall be prohibited except in areas so designated.
- (b) All open fires shall be prohibited in the area of Loch Lomond Recreation Area or on the watershed land owned by the city.
- (c) Fires shall be permitted only in fireplaces provided in the picnic areas.
- (d) The use of standard portable barbecues shall be permitted only in the picnic areas.

ORDINANCE NO.

- (e) It shall be unlawful to dispose of charcoal in any area except in the picnic area fireplaces provided.
- (f) All smoking and fires shall be prohibited when, in the opinion of the chief ranger, weather conditions are unsafe for such activities.

16.05.120 Posting of notices – Authority to enforce regulations.

- (a) Loch Lomond Recreation Area shall be posted with notices against trespassing, bathing, shooting, hunting, camping, unauthorized fishing, and warning all persons against violation of any of the regulations of the city of Santa Cruz of the laws of the State of California, or any rules or regulations adopted pursuant thereto, which provide for the protection of Loch Lomond Recreation Area and all city-owned watershed lands.
- (b) All designated officials and employees of the water department of the city of Santa Cruz are hereby vested with authority to enforce all laws, orders, rulings and regulations enacted for the protection of Loch Lomond Recreation Area and all city-owned watershed lands.

16.05.130 Penalty for violation.

- (a) Any person availing himself of the recreational privileges, and while upon the properties of the city of Santa Cruz, shall be subject to such local rules and regulations as are in effect, or as may be hereafter enacted, and for the violation of the same the party violating may be ejected from the property.
- (b) Any person while upon the property of Loch Lomond Recreational Area, or upon property controlled by the city in the operation and management of its water system, shall be subject to such local rules and regulations, including sanitary regulations, for the protection of the water supply, as are in effect or may be hereafter enacted, and for the violation of the same the party may be ejected from the properties and be subject to such other penalties as are provided for by law.
- (c) Any person violating any of the rules or regulations enacted under this chapter shall be deemed a trespasser and is subject to the fines and imprisonment provided for trespass in accordance with Section [37359](#) of the Government Code of the state of California, and the trespass provisions for the Penal Code of the state of California.
- (d) Any person violating any section of this chapter is guilty of an infraction. Any person convicted of any infraction under this chapter is punishable by a fine as prescribed in Chapter 1.08 of the code.

ORDINANCE NO.

PASSED FOR PUBLICATION this 12th day of January, 2010, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

APPROVED: _____
Mayor

ATTEST: _____
City Clerk

PASSED FOR FINAL ADOPTION this day of , 2010, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

APPROVED: _____
Mayor

ATTEST: _____
City Clerk

This is to certify that the above and foregoing document is the original of Ordinance No. 2010- and that it has been published or posted in accordance with the Charter of the City of Santa Cruz.

City Clerk

RESOLUTION NO. NS-

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SANTA CRUZ
AMENDING THE LOCH LOMOND RECREATION AREA FEE SCHEDULE TO
INCREASE THE BOAT STORAGE FEE TO \$200 PER SEASON AND RESCINDING
RESOLUTION NO. NS-28,075 IN ITS ENTIRETY.

WHEREAS, Title 16 of the Santa Cruz Municipal Code provides the rules and requirements governing the administration and operation of the City's Water System, including identification of the various sources of authority to establish and amend Loch Lomond Recreation Area fees; and

WHEREAS, Amendment No. 5 to Recreation Grant Contract No. D-GGR6 (commonly referred to as the Davis-Grunsky Contract) allows the City to raise entrance fees to the level allowed by the California Department of Fish and Game; and

WHEREAS, no changes are being made to the Loch Lomond Recreation Area entrance fees except for the Boat Storage Fee.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Santa Cruz that Loch Lomond Recreation Area fees will be charged as follows:

- | | |
|--|---------|
| 1. Loch Lomond Day Use Fee:
Walk-in or Bicycle-in | \$ 1.00 |
| 2. Loch Lomond Day Use Fee:
Vehicle | \$ 4.00 |
| 3. Loch Lomond Day Use Fee:
Dog on a Leash | \$ 1.00 |
| 4. Launch Private Boat:
From Trailer | \$ 5.00 |
| 5. Launch Private Boat:
No Trailer | \$ 2.00 |
| 6. Season Pass:
Vehicle | \$40.00 |
| 7. Aquatic Invasive Species Inspection/Decontamination | \$25.00 |
| 8. Season Pass:
Vehicle with Cartop | \$60.00 |
| 9. Season Pass:
Vehicle with Trailer | \$80.00 |

RESOLUTION NO. NS-

- | | |
|--|--|
| 10. Fishing Boat Rental:
No Motor | \$10.00 - 2 Hours
\$20.00 - 4 Hours
\$35.00 - All Day |
| 11. Fishing Boat Rental:
With Motor | \$ 20.00 – 2 Hours
\$ 40.00 – 4 Hours
\$ 65.00 – All Day |
| 12. Paddle Boat Rental: | \$10.00 - 2 Hours
\$20.00 - 4 Hours
\$35.00 - All Day |
| 13. Barge with Motor Rental: | No Longer Available. |
| 14. Boat Storage Space | \$200.00 – Length of stay in park or entire season, whichever is shortest. |

PASSED AND ADOPTED this 12th day of January, 2010, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

APPROVED: _____
Mayor

ATTEST: _____
City Clerk



CITY COUNCIL AGENDA REPORT

DATE: 01/04/2010

AGENDA OF: 1/12/2010

DEPARTMENT: Economic Development

SUBJECT: Resolution Establishing the Interest Rate for Residential Rental Property Security Deposits. (ED)

RECOMMENDATION: Resolution establishing the interest rate for residential security deposits at 0.10% and rescinding Resolution No. NS-27,997.

BACKGROUND: Santa Cruz Municipal Code (SCMC) Section 21.02.040 requires landlords of residential rental property in the City of Santa Cruz to pay annual interest on a tenant's security deposit. SCMC Section 21.02.010 defines tenant's interest as the "amount of simple interest per year on all security deposits in excess of \$50.00 paid by a residential tenant to a landlord." The minimum interest rate is established each year by resolution of the City Council based on the recommendation made by the Santa Cruz County Treasurer-Tax Collector. The City's 2009 interest rate of 0.23% was established on January 27, 2009 by Resolution No. NS-27,997.

DISCUSSION: In November 2009, the Santa Cruz County Treasurer-Tax Collector conducted a survey of five major banking and savings and loan institutions to establish the recommended interest rate to be paid on security deposits in 2010. The average interest rate was determined to be 0.10%. The County Board of Supervisors subsequently adopted Resolution No. 312-2009 on December 8, 2009, setting the interest rate at that level effective January 1, 2010.

In accordance with past practice, it is recommended that the 2010 interest rate for residential security deposits within the City of Santa Cruz be adjusted retroactive to January 1, 2010 to 0.10%.

FISCAL IMPACT: None.

Prepared by:
Norman Daly
Housing Programs Coordinator

Submitted by:
Bonnie Lipscomb
Director of Economic Development

Approved by:
Richard C. Wilson
City Manager

ATTACHMENTS:
Resolution
County Resolution 312-2009

RESOLUTION NO. NS-

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SANTA CRUZ ESTABLISHING
THE INTEREST RATE FOR RESIDENTIAL SECURITY DEPOSITS AT 0.10%
AND RESCINDING RESOLUTION NO. NS-27,997

WHEREAS, the City of Santa Cruz adopted Ordinance 97-10 on December 9, 1997 amending Chapter 21.02 of the Santa Cruz Municipal Code in order to facilitate uniform regulations throughout the County of Santa Cruz for the payment of interest on residential security deposits; and

WHEREAS, Section 21.02.010 requires that the interest rate payable by landlords to tenants on residential security deposits be established from time to time by resolution based on the recommendation of the Santa Cruz County Treasurer-Tax Collector; and

WHEREAS, the current rate of interest is 0.23%; and

WHEREAS, in November 2009 the County Treasurer-Tax Collector determined that the average interest rate to be charged in 2010 would be 0.10%;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Santa Cruz that it hereby rescinds Resolution No. NS-27,997 and establishes the interest rate for residential security deposits at 0.10% retroactive to January 1, 2010.

PASSED AND ADOPTED this 12th day of January, 2010, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

APPROVED: _____
Mayor

ATTEST: _____
City Clerk

BEFORE THE BOARD OF SUPERVISORS
OF THE COUNTY OF SANTA CRUZ, STATE OF CALIFORNIA

Resolution No. 312-2009

On the motion of Supervisor Leopold
duly Seconded by Supervisor Pirie
the following resolution is adopted:

RESOLUTION SETTING INTEREST RATE FOR TENANT'S SECURITY DEPOSITS

WHEREAS, Santa Cruz County Code Section 8.42 requires the Board of Supervisors to establish the rate of simple interest payable by landlords to tenants on residential rental security deposits; and,

WHEREAS, the current rate of interest for residential rental security deposits is 0.23%; and,

WHEREAS, the County's Treasurer has conducted a survey in November 2009 of annual simple interest rates paid on savings passbook accounts, and the survey recorded a range of 0.05% to 0.25%, with an average of 0.10%.

NOW, THEREFORE BE IT RESOLVED that the rate of simple interest payable annually on residential rental security deposits by landlords shall be 0.10% effective January 1, 2010.

PASSED AND ADOPTED by the Board of Supervisors of the County of Santa Cruz, State of California, this 8th day of December 2009, by the following vote:

AYES:	SUPERVISORS	Leopold, Pirie, Campos, Stone & Coonerty
NOES:	SUPERVISORS	None
ABSENT:	SUPERVISORS	None
ABSTAIN:	SUPERVISORS	None

NEAL COONERTY

ATTEST:

TESS FITZGERALD

Clerk of the Board

APPROVED AS TO FORM

[Signature]
Office of the County Counsel

Chairperson, Board of Supervisors
 COUNTY OF SANTA CRUZ)
 I, SUSAN A. MAURIELLO, County Administrative Officer and ex-officio Clerk of the Board of Supervisors of the County of Santa Cruz, State of California do hereby certify that the foregoing is a true and correct copy of the resolution passed and adopted by and entered in the minutes of the said board, by witness whereof I have hereunto set my hand and placed the seal of the said Board on _____ 2009
 SUSAN A. MAURIELLO, County Administrative Officer
 Deputy

Distribution: Auditor-Controller, District Attorney Consumer Affairs, Clerk of the Board, Each City Clerk, Watsonville and Santa Cruz Boards of Realtors



CITY COUNCIL AGENDA REPORT

DATE: December 18, 2009

AGENDA OF: January 12, 2010

DEPARTMENT: Planning and Community Development

SUBJECT: Authorization to Participate in a Renewable Energy Assessment District Program (PL)

RECOMMENDATION: Resolution authorizing the City of Santa Cruz to join the CaliforniaFIRST Program.

Resolution authorizing Sacramento County to serve as the Lead Collaborative Entity to apply for California Energy Commission SEP grant funds.

BACKGROUND: In May 2009, City Council directed staff to further investigate opportunities to create a Renewable Energy Assessment District that would enable residents and businesses to finance Solar Photovoltaic systems and make repayments through property taxes. In August, staff returned to Council with several optional frameworks to establish a district, the estimated costs of establishing a district and potential revenue streams to offset those costs. Council directed staff to continue to work with other municipalities, California Communities, Renewable Funding and Ecology Action to create a model that best supports public investment in solar while minimizing costs and risks to the city budget.

Since August, the Climate Action Program staff has worked with regional and state partners to create a Solar Finance District (termed the CaliforniaFIRST program), to be established and managed by California Communities, which covers 14 counties and 146 cities within its boundaries (Attachment 1). As currently proposed, this district will include all four of the incorporated cities and the county of Santa Cruz as well as most of the jurisdictions within Monterey County. To support the initial development costs of the program, the CaliforniaFIRST partners (Sacramento County will be primary applicant) are submitting a California Energy Commission State Energy Program grant application due in January (Attachment 2). To move forward as a member of CaliforniaFIRST, Council must adopt the attached resolution, authorizing the California Statewide Communities Development Authority to accept applications from property owners, conduct contractual assessment proceedings and levy contractual assessments within the City of Santa Cruz jurisdictional boundaries (Attachment 3). To directly receive California Energy Commission SEP grant funds, council must adopt the attached resolution authorizing Sacramento County to serve as lead applicant (Attachment 4).

This agenda report provides a response to Council on a recommended structure for a municipal solar finance district and enables Council to hold a duly noticed public hearing on the CaliforniaFIRST Program to consider adoption of a Resolution of Intent to join the CaliforniaFIRST program.

DISCUSSION: California Communities is a joint powers authority sponsored by the League of California Cities and the California State Association of Counties. The member agencies of California Communities include all 58 counties and more than 400 other local agencies throughout California, including the City of Santa Cruz.

The CaliforniaFIRST Program is being instituted by California Communities to allow owners of property in participating cities and counties to finance renewable energy, energy efficiency and water efficiency improvements on their property. If a property owner chooses to participate, the improvements will be financed by the issuance of bonds by California Communities. California Communities will levy “contractual assessments” on the owner’s property to repay the portion of the bonds issued to finance the improvements on that property. California Communities has selected Renewable Funding LLC and RBC Capital Markets to provide administration and financing for the program (Attachment 1)

The “contractual assessment” proceedings will be undertaken by California Communities pursuant to Chapter 29 of Division 7 of the Streets & Highways Code, which was amended in 2008 by Assembly Bill 811 and further amended in 2009 by Assembly Bill 474, to allow the financing of renewable energy, energy efficiency and water efficiency improvements on private property. Pursuant to Chapter 29, assessments may be levied to finance renewable energy, energy efficiency and water efficiency improvements only with the free and willing consent of the owner of each lot or parcel on which an assessment is levied at the time the assessment is levied, and property owners evidence their consent to the assessments by executing a contract with California Communities.

Under the CaliforniaFIRST Program, a contractual assessment lien is placed on each participating property in an amount necessary to (i) finance the installation of authorized renewable energy, energy efficiency and water efficiency improvements over a 10-20 year period of time, depending upon the useful life of the financed improvements and (ii) pay the costs of administering the CaliforniaFIRST Program. The contractual assessments are paid on the County property tax bill. If the owner sells the property, the repayment obligation remains an obligation of the property. California Communities will issue bonds payable from the contractual assessments.

The CaliforniaFIRST Program is completely voluntary and property taxes for properties in the County that do not choose to participate are completely unaffected by the Program.

The benefits to the property owner include:

- Only property owners who choose to participate in the program will have assessments imposed on their property.
- In today’s economic environment, there may not be attractive private enterprise alternatives for property owners to finance renewable energy/energy efficiency/water efficiency improvements.

- Even if there were private enterprise alternatives, most private loans are due on sale of the benefited property, which makes it difficult for property owners to match the life of the repayment obligation with the useful life of the financed improvements. Under the CaliforniaFIRST Program, the assessment obligation will transfer with the property upon sale.
- The property owner can choose to pay off the assessments at any time, subject to applicable prepayment penalties.
- By virtue of regional aggregation provided by the CaliforniaFIRST Program, small projects, both residential and commercial, can have access to the municipal bond market, which may produce a lower borrowing cost.

The benefits to the City of Santa Cruz include:

- As in conventional assessment financing, the City of Santa Cruz is not obligated to repay the bonds issued by California Communities or to pay the assessments levied on the participating properties.
- California Communities handles all assessment administration, bond issuance and bond administration and unavoidable foreclosure functions. A participating city can provide financing of renewable energy, energy efficiency and water efficiency improvements to property owners through the CaliforniaFIRST Program—thereby meeting its political and environmental goals—while committing very little staff time to administer the program.

Energy Efficiency Program Requirements: Based on guidelines established by the California Energy Commission as part of its SEP grant program, authorized energy efficiency measures from an approved list or recommended by an energy audit must be installed in addition to renewable energy improvements to be eligible for financing under the CaliforniaFIRST Program. Energy efficiency measures can be implemented based on site specific evaluations of the building or from a basic package of standard energy efficiency measures. This “prescriptive path” would include measures such as air sealing, attic and water heater insulation.

California Energy Commission State Energy Program (SEP) Grant: Under the lead applicant, Sacramento County, the 14 counties eligible to participate in the pilot stage of the CaliforniaFIRST Program are collaborating on a proposal to the California Energy Commission State Energy Program for a grant of up to \$16.5 million. The City of Santa Cruz would participate through the County of Santa Cruz as the local lead. The grant funds will be used to offset initial fees associated with bond issuance, start-up costs for the 14 counties and all incorporated cities, an interest rate buy-down, local marketing/ education/ training/ outreach, local coordination, and grant administration to support the launch of the CaliforniaFIRST municipal financing program (Attachment 2). The Grant proposal includes local program development support of \$575,000 to cover local program development costs and will be allocated to local partners based on direction of Santa Cruz County and the four city partners.

For the SEP grant project, Sacramento County has agreed to serve as the lead agency for the purpose of applying for CEC funding in support of the entire 14 county program. If SEP funds are not awarded to the CaliforniaFIRST Program, CaliforniaFIRST has reassured staff that the County and Cities are under no obligation to proceed with the CaliforniaFIRST program and City Council will have an opportunity to either withdraw or identify alternative funding sources to address local costs. As a result, adoption of the resolution does not place local funds at risk.

As Program Administrator of the California Communities CaliforniaFIRST Program, Renewable Funding will coordinate and provide program administration, financing, and legal services to support a robust statewide municipal financing program. Specific financing costs are concentrated at the start of the program and result in increased fees to a program participant (property owner), and therefore a higher effective interest rate. In order to lower the interest rate, the SEP funds will be used to cover bond disclosure counsel, bond rating fees, and a bond fiscal agent. In addition, a direct interest rate buy-down will be employed to achieve a bond rate that is equivalent to an A-rated bond, which is likely to be the bond rating later in the program.

In recognition of the additional coordination time required to get new programs off the ground, individual counties may elect to include a modest amount of staff time for agency representatives to participate in the program steering committee and other activities to drive marketing program design, educational/marketing material development, form and protocol development, etc. By investing this time at the onset, the City is better able to develop a self-sustaining program for the long term. County agencies (that is, auditor/tax collector/controller) will receive a small percentage, incorporated into each loan, to cover regular ongoing program administration costs associated with maintaining the tax roll and collecting annual assessments in years beyond the grant term. Regional partnership may also elect to use a portion of the resources from this program element toward informal or formalized staff/personnel training and program implementation within their jurisdictions.

NEXT STEPS: The proposed resolution authorizes California Communities to accept applications from owners of property within our jurisdiction for municipal financing of renewable energy, energy efficiency and water efficiency improvements through the CaliforniaFIRST Program. It also authorizes California Communities to conduct assessment proceedings and levy assessments against the property of participating owners within our boundaries. It further authorizes miscellaneous related actions and makes certain findings and determinations required by law. California Communities will undertake a judicial validation proceeding as part of its initiation of the CaliforniaFIRST Program. The resolution also authorizes payment of a set-up fee to cover legal, procedural, and technology costs associated with the CaliforniaFIRST Program. Those fees would be paid through SEP Grant Funds. Any jurisdiction can withdraw from the CaliforniaFIRST Program at any time by passing a resolution rescinding the authorization.

Attachment 5 is a “Form of Resolution of Intention to be Adopted by California Communities”. This is for informational purposes and does not require action by this City Council.

FISCAL IMPACT: Participation in the CaliforniaFIRST program will not impact the City general fund. A SEP grant application has been submitted by Sacramento County to provide the necessary set-up fees for each of the 146 cities and 14 counties. The \$12,500 cost for initial legal work and validation proceedings will be covered by this grant request. The City can be reimbursed through the grant for minimal staff oversight of the program and has the option to commit additional staff resources to guide implementation of the grant to benefit city and regional Climate Action Program development. If the SEP request is not successful, staff will come back to City Council for direction, but the City will not be obligated to participate in the program.

Prepared by:

Ross Clark

Climate Action Coordinator

Submitted by:

Martin Bernal

Assistant City Manager

Approved by:

Richard C. Wilson

City Manager

ATTACHMENTS:

Attachment 1 – California First Program Report

Attachment 2 – Grant application

Attachment 3 – Santa Cruz resolution

Attachment 4 – Sacramento resolution

Attachment 5 – Informational Counties resolution



Founding Co-Sponsors:



CaliforniaFIRST Program Report

County of _____
(as of November 24, 2009)

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I. Introduction

This CaliforniaFIRST Program Report (this “Program Report”) outlines the basic design and financing structure of a property assessed municipal financing program called CaliforniaFIRST (the “CaliforniaFIRST Program”) for the County of _____ (the “County”).

A. California Communities

The California Statewide Communities Development Authority (“California Communities”) is a statewide joint powers authority sponsored by the California State Association of Counties and the League of California Cities. California Communities’ mission is to provide local governments access to low-cost financing for projects that provide a tangible public benefit, contribute to social and economic growth, and improve the overall quality of life in local communities.

B. Purpose of the CaliforniaFIRST Program

California Communities is offering the CaliforniaFIRST program on a statewide basis, and the County is offering the CaliforniaFIRST Program in the County, to encourage utilization, by the existing building stock, of distributed generation renewable energy sources, energy efficiency and water efficiency improvements. California Communities will facilitate a statewide bond pool, which will allow property owners to access competitive interest rates offered by the public bond markets.

With the passage of AB 32, California set ambitious goals for reducing carbon emissions and building alternative energy use. The California Public Utilities Commission has set a goal of retrofitting over 13 million residences in the State to be at least 30% more energy efficient. Many California cities and counties have also set their own greenhouse gas reduction targets. Similarly, water conservation efforts, including the promotion of water-related improvements to residential, commercial, industrial, or other real property, are necessary to address the issue of chronic water shortages in California.

Property owners can help to achieve greenhouse gas reductions and reduce water use and, at the same time, save money by investing in distributed generation renewable energy sources, energy efficiency, and/or water efficiency improvements. Yet most people still resist making these improvements. The number one barrier is the large upfront cost.

Utilities sell power and water to their customers as a simple pay-as-you-go service. Homes and businesses can be converted to clean energy and reduce water use quickly, but many believe that it can happen only if paying for distributed generation renewable energy sources, energy efficiency improvements and water efficiency improvements is more like paying a utility bill. The CaliforniaFIRST Program can make this happen.

C. Assessment Financing; Contractual Assessments

The CaliforniaFIRST Program uses a tool that is widely used by local agencies in California to finance public benefit projects: land-secured financing. California law has long provided cities and counties with the power to issue bonds and levy assessments on the County property tax bill to finance public projects such as sewers, parks, and the undergrounding of utilities.

Chapter 29 of the Improvement Act of 1911, commencing with Section 5898.10 of the Streets & Highways Code of the State of California (“Chapter 29”), authorizes the levy of “contractual assessments” to finance the installation of distributed generation renewable energy sources, energy efficiency and water efficiency improvements to be permanently affixed to residential, commercial, industrial, agricultural, or other real property.

A “contractual assessment” is an assessment that is levied by contract pursuant to Chapter 29. For the CaliforniaFIRST Program, the assessment contract will be an “Agreement to Pay Assessment and Finance Improvements” in the form attached to this Program Report as Exhibit A (the “Assessment Contract”). The Assessment Contract will be executed by each participating property owner and California Communities.

Under the CaliforniaFIRST Program, a contractual assessment lien is placed on each participating property in an amount necessary to (i) finance the installation of authorized renewable energy, energy efficiency and water efficiency improvements over a 10-20 year period of time, depending upon the useful life of the financed improvements and (ii) pay the costs of administering the CaliforniaFIRST Program. The contractual assessments are paid on the County property tax bill. If the owner sells the property, the repayment obligation remains an obligation of the property. California Communities will issue bonds payable from the contractual assessments.

The CaliforniaFIRST Program is completely voluntary and property taxes for properties in the County that do not choose to participate are completely unaffected by the Program.

D. Purpose of this Program Report

This Program Report constitutes the report required pursuant to Section 5898.22 of Chapter 29 for the County's CaliforniaFIRST Program. The CaliforniaFIRST Program will be offered throughout the entire County as shown on the boundary map attached as Exhibit B. If a property is located in a city's incorporated territory within the County, a property may participate in the CaliforniaFIRST Program only after the city has adopted a resolution asking California Communities to offer the CaliforniaFIRST Program within its boundaries.

E. Program Administration

California Communities will be responsible for implementing the CaliforniaFIRST Program in the County, including providing assessment administration and issuing the bonds. California Communities has selected Renewable Funding to administer the CaliforniaFIRST Program. Renewable Funding will review applications and provide marketing and customer service through its custom websites, email, and toll-free phone number. California Communities has selected Royal Bank of Canada Capital Markets to serve as the bond underwriter for the CaliforniaFIRST Program.

The California Center for Sustainable Energy (CCSE) and EcoMotion are program partners. They are participating in program design and will be involved in providing services to some communities. Other program partners or affiliates may be added. The program's legal counsel includes Jones Hall (bond counsel to California Communities) and Orrick, Herrington & Sutcliffe LLP (issuer's counsel and disclosure counsel to California Communities).

II. Duration

The CaliforniaFIRST Program will continue as long as there is sufficient demand.

III. Program Requirements

This Program Report identifies the CaliforniaFIRST Program requirements relating to the types of improvements that can be financed under the CaliforniaFIRST Program (including the required "loading order"), eligible properties and financing parameters. Additional requirements are set forth in the CaliforniaFIRST Program Terms, which are attached as Exhibit C.

A. Authorized Improvements

The CaliforniaFIRST Program offers financing of the installation of those distributed generation renewable energy sources, energy efficiency and water efficiency improvements listed on Exhibit D (the "Authorized Improvements"). In the pilot stage of the CaliforniaFIRST Program, water efficiency measures are ineligible for financing.

Property owners are responsible for the Authorized Improvements installed on their property. Property owners must address performance and other system-related issues directly with the installer according to the terms of the contract with the installer. The CaliforniaFIRST Program is a financing program only. Neither California Communities nor the administrator is responsible for the system or its performance.

B. Loading Order Process

Based on guidelines established by the California Energy Commission (the “CEC”) as part of its competitive grant program, authorized energy efficiency measures from an approved list or recommended by an energy audit must be installed before or contemporaneously with renewable energy improvements to be eligible for financing under the CaliforniaFIRST Program. The CaliforniaFIRST Program will comply with all state and federal requirements for loading order.

Due to the need for additional market development to meet demand, there are two pathways to meet the loading order requirement. First, a property owner can obtain a whole house energy audit by a Building Performance Institute¹ (“BPI”), Home Performance with Energy Star² (“HPwES”) or Home Energy Rating System³ (“HERS”) II rater. Energy efficiency measures can be implemented based on the outcome of the audit. Second, a property owner may install a basic package of standard energy efficiency measures. This “prescriptive path” would include measures such as air sealing, attic and water heater insulation. This second pathway is currently under development by the CEC and California Public Utilities Commission (the “CPUC”) and is scheduled to be completed by the CaliforniaFIRST program launch.

C. Quality Assurance

Renewable Energy; Energy Efficiency. The CaliforniaFIRST Program will use the quality assurance protocols of existing renewable energy programs and pending energy efficiency programs as the basic platform for its quality assurance and quality control, and adjust requirements as necessary to remain compliant with state and federal requirements. The CaliforniaFIRST Program will not provide quality assurance beyond the third party services described below.

Until otherwise indicated by the standards of a CPUC statewide rebate program, energy efficiency projects will be subject to one of two levels of review depending on whether the project falls under an existing certification program or if the project is completed without contractor certification.

- 5% of projects reviewed by BPI, HPwES and HERS II raters will be subject to field inspection and review as part of existing programs and carried out by the California Building Performance Contractors Association (CBPCA).
- 15% of projects undertaken by licensed contractors that do not have BPI, HPwES or HERSII certification, and are installing the prescriptive package, will be subject to field inspection and review by CBPCA, and the contractors will be required to become BPI certified by 01/01/11. These projects are subject to an additional administrative fee to cover the cost of the quality assurance inspection. This cost is explained in the Administrative Fees section of this Program Report.

¹ BPI is a global organization that supports the building performance industry through individual and organizational credentialing and a rigorous quality assurance program. More information on BPI is available here: <http://www.bpi.org/>

² HPwES is a national program from the U.S. Environmental Protection Agency and U.S. Department of Energy, which offers a comprehensive, whole-house approach to improving energy efficiency and comfort at home. More information on HPwES is available at the following link, http://www.energystar.gov/index.cfm?c=home_improvement.hm_improvement_hpwes

³ A HERS II rater is part of the Home Energy Rating System Program, developed by the CEC. The CEC developed the program “to provide reliable information to differentiate the energy efficiency levels among California homes and to guide investment in cost-effective home energy efficiency measures”. More information on HERS is available at <http://www.energy.ca.gov/HERS/>.

Approximately 14% of solar photovoltaic ("PV") and solar water heating ("SWH") projects will be subject to field inspection and review within the California Solar Initiative ("CSI") program.

Water Efficiency. A quality assurance procedure for water efficiency installations is currently under development.

Subject to Change. All quality assurance and quality control procedures are subject to review and adjustment based on applicable state and federal standards.

D. Property Eligibility Criteria

In order to receive financing from the CaliforniaFIRST Program, a property must meet the following requirements:

- a. The property to be improved with the Authorized Improvements (the "subject property") must be located in the boundaries of the CaliforniaFIRST Program. If a property is located in the unincorporated territory of the County, then it is eligible to participate. If a property is located in a city's incorporated territory within the County, a property may participate in the CaliforniaFIRST Program only after the city has adopted a resolution asking California Communities to offer the CaliforniaFIRST Program within its boundaries.
- b. The subject property may be used for residential, commercial or industrial purposes. If the subject property is used for residential purposes, the property owner(s) do not have to occupy the subject property as their primary residence.
- c. The contractual assessments levied pursuant to an Assessment Contract will constitute a senior lien on the related property, which means pre-existing private liens, such as purchase money mortgages, will be subordinate to the contractual assessment lien. Owners of residential properties (including owners of individual condominiums and townhouses) must, at a minimum, notify their pre-existing private lenders in writing of the proposed contractual assessment lien, unless otherwise provided by applicable law. Owners of residential properties will be required to obtain the consent of their lenders if their mortgage documents required consent. Owners of properties that are not residential properties (which may include owners of multi-unit residential properties) must receive written consent from their pre-existing private lenders. Property owners are responsible for complying with consent if it is required by the mortgage documents. California Communities will provide property owners with lender notification and consent forms.
- d. All owners of the fee simple title to the subject property must sign the Program Documents, as described in the CaliforniaFIRST Program Terms. Therefore, before submitting an initial application, applicants must ensure that all owners of the fee simple title to the subject property wish to participate in the Program on the terms set forth in the CaliforniaFIRST Program Terms.
- e. All participating properties will be required to meet local, state and federal program requirements and guidelines, including those described in "Loading Order Process" above.
- f. California Communities reserves the right to waive the energy efficiency audit requirement for buildings seeking water efficiency improvements only. However, such projects may be required to provide similar audit or project technical analysis documentation in order to verify the expected benefits of the project.
- g. Property owners will be required to participate in appropriate state incentive programs. For example, property owners planning to finance the installation of a solar PV system will be required to participate in the CSI program with respect to the subject property. Property owners will also be required to participate in similar incentive programs for solar thermal (hot water) systems and home energy efficiency retrofits.
- h. The property owners(s) must agree to participate in surveys and CaliforniaFIRST Program evaluations directed by California Communities. In addition, property owners will be

required to sign a waiver allowing the CaliforniaFIRST Program to collect utility usage data as appropriate to comply with state and federal reporting standards.

- i. The property owner is highly encouraged to participate in a workshop about or on-line review of the CaliforniaFIRST Program before deciding whether to participate. All property owners will be required to read and acknowledge their agreement to the CaliforniaFIRST Program Terms before applying.
- k. California Communities will review all applications to ensure that the proposed Authorized Improvements, the subject property, the property owners and the contractors meet CaliforniaFIRST eligibility requirements. At the completion of installation of the Authorized Improvements, property owners will be required to submit a set of project verification documents. Verification forms may include but are not limited to a customer sign-off form, final invoices from contractor(s), building permit(s), and rebate documents before financing is available. Details on the verification documents can be found in the CaliforniaFIRST Program Terms.
- l. The property owner(s) must not have declared bankruptcy in the past 7 years.
- j. The property owners must be current in the payment of all obligations secured by the subject property, including property taxes, assessments and tax liens, within the past 3 years (or since ownership commenced, if it has been less than 3 years). California Communities may review public records, including the County real property records, to verify compliance with this requirement. Certain allowances may be made for property tax payment delays that do not reflect financial distress. Commercial properties that are currently appealing a property tax assessment will be reviewed and eligibility will be determined on a case-by-case basis.
- k. There must be no notices of default or foreclosure filed against the subject property within the last 5 years (or since ownership commenced, if less than 5 years). California Communities reserves the right to deny a reservation and a request for funding to a property owner if any other property it owns has been subject to foreclosure in the past 5 years. However, a property with a notice of default or foreclosure may be allowed to participate in the CaliforniaFIRST Program if it receives consent from the property's current lender(s).
- l. The property owners must not have involuntary liens other than a tax or assessment lien with respect to which the property owner is current in payment, defaults or judgments applicable to the subject property in excess of \$500. California Communities may review public records, including the county real property records and court documents, to verify compliance with this requirement. A property owner with an involuntary lien of greater than \$500 may be allowed to participate in the CaliforniaFIRST Program if it can demonstrate an acceptable reason for the lien, default or judgment and a path for resolution. A commercial property with an involuntary tenant's lien will be reviewed and eligibility will be determined on a case-by-case basis.
- m. The "private loan to value ratio" must be 80% or less based on (i) private property debt including mortgages and (ii) the assessed value of the property and/or the average market value of comparable properties. If the private loan to value ratio is only met with respect to the assessed value or the average market value of comparable properties, but not both, California Communities may request additional information before ruling on the application. If the title search does not provide adequate information to calculate the private loan to value ratio, the property owner will also be asked to provide a current mortgage statement reflecting the outstanding balance and any payment delinquencies. Lender consent to participation can allow for waiver of the private loan to value ratio requirement. This ratio may be adjusted in order to comply with state and federal requirements.
- n. The "public loan to value ratio" must be 10% or less based on (i) the CaliforniaFIRST assessment and overlapping special assessments and special tax debt and (ii) the assessed value of the property and average market value of comparable properties. If the public loan to value ratio is only met with respect to the assessed value or the average

market value of comparable properties, but not both, California Communities may request additional information before ruling on the application.

- o. Because the CaliforniaFIRST Program involves issuance of bonds by California Communities, California Communities is concerned that property owners who participate in the program will pay their assessments in full on a timely basis. Therefore, California Communities reserves the right to request additional information.

E. Eligible Costs

The CaliforniaFIRST program may finance the costs of installing Authorized Improvements, audit costs and application fees. All local and state rebates must be deducted from the financed amount prior to approval. The federal Income Tax Credit value may be included in the financed amount.

F. Eligible Contractors

Contractor eligibility is being standardized throughout the country, and the CaliforniaFIRST Program will comply with applicable state and federal laws.

Renewable Energy; Energy Efficiency. The CaliforniaFIRST Program requires contractors installing energy efficiency measures to meet the eligibility requirements of the pending CPUC statewide energy efficiency rebate program. The current draft requirements include BPI certification, HPwES certification, and/or a HERS II rating.

Contractors installing solar PV and/or SWH must meet the eligibility requirements of the CSI. Other renewable energy technologies must be installed by licensed contractors who qualify for other state rebate programs such as the Self Generation Incentive Program and/or Emerging Renewables Program.

Water Efficiency. The CaliforniaFIRST Program is currently developing the eligibility criteria for contractors installing water conservation measures. At a minimum, contractors must be properly licensed and abide by the codes and standards of the local building department.

IV. Financing of the CaliforniaFIRST Program

A. Minimum and Maximum Financing Amounts

Maximum Financing Amount for the CaliforniaFIRST Program. The maximum aggregate dollar amount of the principal component of contractual assessments to be levied under the CaliforniaFIRST Program for the County is \$1 billion.

Minimum Financing Amount for each Property. The minimum installation cost that can be financed is \$5,000.

Residential Properties. Residential properties are eligible for financing up to the lesser of (i) \$75,000 or (ii) 10% of the assessed and/or market value of the property. For this purpose, residential properties include detached single-family homes, duplexes, triplexes, quadplexes, townhouses, twin homes, and multi-family and tenancy in common properties with up to four units.

Non-residential Properties. Non-residential properties are eligible for financing up to 10% of the assessed and/or market value of the property. For this purpose, non-residential properties consist of commercial, industrial, large multi-family, community facilities, and non-profit-owned properties. Large multi-family properties are defined as those that contain five or more units.

B. Financing Structure

California Communities will finance the installation of Authorized Improvements using three different financing structures at the County level, as described below. In order to provide the lowest possible interest rates through credit diversification, California Communities will purchase bonds issued for each county's CaliforniaFIRST program and issue bonds to the public bond market on a statewide basis.

The CaliforniaFIRST Program may utilize three different bond structures to finance the installation of Authorized Improvements in the County. In all three cases, bonds will be issued to finance the installation of Authorized Improvements for a specific list of properties in the County and debt service on the bonds will be secured by and payable from contractual assessments paid by participating properties in the County. The interest rate on bonds issued for the CaliforniaFIRST Program will be reflected in the amount of the contractual assessments paid by property owners.

- Microbonds: "Micro-bonds" are bonds issued to finance the installation of Authorized Improvements for one or a limited number of properties. These bonds will be purchased by Renewable Funding and will be remarketed by RBC Capital Markets to the public bond market when a significant number of micro-bonds have been issued. The interest rate on micro-bonds will be set daily or weekly. The interest rate on bonds issued for the CaliforniaFIRST Program will be reflected in the amount of the contractual assessments paid by property owners, and, with micro-bonds, the contractual assessments will be fixed for the duration of the repayment period in the Assessment Contract. Property owners may drop out of the program up to the time the lien is placed on the home without penalty beyond the cost of the application fee.
- Pooled bond: "Pooled bonds" are bonds issued to finance the installation of Authorized Improvements for a large group of properties. Pooled bonds will be sold to the market on a quarterly or more frequent basis depending upon the demand for financing by property owners in the County. In order to facilitate pooled bond financings, Assessment Contracts will be signed by property owners prior to issuance of the pooled bonds. The contractual assessments will reflect a not-to-exceed interest rate on the pooled bonds. No bonds will be issued if the not to exceed interest rate would be exceeded. If a property owner withdraws from the CaliforniaFIRST program after the Assessment Contract has been signed and/or pooled bonds have been issued, the property owner must pay the costs associated with removing the lien, including the administrative, financing, and pre-payment costs.
- Stand-Alone: Large commercial projects may be eligible for a stand-alone bond issuance dependent on the size and type of project. Banks and other financing partners may be utilized to provide funding for these projects. Under this approach, California Communities will issue a bond and the bank or other financing partner will purchase the bond.

In the pilot stage of the CaliforniaFIRST program, it is anticipated that both residential and non-residential properties will utilize the pooled bond approach.

C. Financing Process

The process for property owners to receive financing through the CaliforniaFIRST Program is designed to be straightforward.

- **Education.** Property owners visit the dedicated website to: learn about the program, the financing terms and other details; read the terms and conditions; and find approved contractors and improvements. Property owners must determine that they will meet the eligibility requirements.
- **Application.** Property owners apply on-line for a funding reservation from the CaliforniaFIRST Program and pay a non-refundable application fee. Applications will include a proposed project and contractor bid. Property owners must electronically agree to the CaliforniaFIRST Program Terms as part of the application.
- **Review and Approval.** California Communities performs title work to confirm ownership, screens for unpaid taxes or other delinquent property-based debt, applies loan-to-value metrics, and

evaluates the proposed project. California Communities will approve an application only after confirming that the property meets the underwriting criteria, loading order process, and other CaliforniaFIRST Program requirements.

- **Reservation.** If their application is approved, property owners then receive a reservation for funding. In a micro-bond approach, the property owner then proceeds with installation of the Authorized Improvements and requests funding when the property has met all the applicable requirements for funding. The property owner will sign the Assessment Contract and the lien of the contractual assessment will be placed on the property at this time. In a pooled bond approach, property owners sign the Assessment Contract and the lien of the contractual assessment will be placed on the property when the funding reservation is approved. However, property owners must wait to receive a Notice to Proceed before beginning the work on their property in order to make certain bond issuance is successful. Property owners have at least six months after receiving the Notice to Proceed to install their renewable energy, energy efficiency or water efficiency improvements and return to the website to request payment. Residential properties are eligible for reservation extensions. The fee for reservation extension will be defined in the CaliforniaFIRST Program Terms.
- **Installation.** A qualified installer must complete the installation of Authorized Improvements on the property. See “Eligible Contractors” above.
- **Evidence of Compliance; Funding.** After the property owner has provided all required documentation and met all applicable CaliforniaFIRST Program requirements, California Communities will release funds to the property owner. The property owner must make a funding request and submit all required documents within a minimum of 180 days of application approval for residential projects and within the determined reservation period set at application approval for non-residential projects.
- **Repayment.** The property owner will be expected to pay the contractual assessment installments in the amounts and at the times specified in the Assessment Contract.

Applications from property owners for financing will be considered based on a first-come–first-served basis. If a request from a property owner for financing would cause the CaliforniaFIRST Program to exceed the authorized amount, then the last property that caused the authorization amount to be exceeded will be ineligible for financing. All applications receive a time stamp in order to allow for first-come–first-served priority.

D. Interest Rate

Market conditions will determine the interest rate on bonds issued to finance the CaliforniaFIRST Program.

E. Administrative Costs

The costs of administering the CaliforniaFIRST Program will be financed through city/county set-up fees, participant application fees, and an administrative component of the contractual assessment installments.

Application fees for property owners will not exceed \$300. On-going administrative fees will not result in an increase to the aggregate interest rate reflected in the contractual assessment installments of more than 1%.

Energy efficiency improvements installed by a contractor without BPI or HPwES certification and without a HERS II evaluation will be subject to an additional fee to cover increased quality assurance requirements. The anticipated fee for an energy efficiency improvement installed without BPI, HPwES or HERS II will not exceed \$100.

The fee charged by the County for the collection of the contractual assessment installments on the County property tax bill and the cost of recording the various notices in the real property records will be included in each property’s contractual assessment. California Communities has consulted with the County and

determined that the fee charged by the County for the collection of the contractual assessment installments on the County property tax bill will not exceed 3% of each annual installment.

F. Other Financed Amounts

The costs of issuing bonds will be financed through the contractual assessments. California Communities estimates that the costs of issuance will not exceed 5% of the cost of installing the Authorized Improvements.

The contractual assessments may also finance a debt service reserve fund to pay debt service on the bonds in the event of contractual assessment installment delinquencies. Debt service reserve funds will typically be equal to approximately 10% of the principal component of the contractual assessment.

In addition, because there is a July 1 deadline for placing the contractual assessments on the County property tax bill, contractual assessments may also finance the first year's installments if the deadline cannot be met.

G. Prepayment

The assessment may be prepaid, in whole or in part, at any time upon the payment of the unpaid principal component of the assessment, the accrued but unpaid interest component of the assessment through the prepayment date and a prepayment premium in the amount set forth in the Assessment Contract. The premium may vary based upon the timing of the prepayment.

V. Public Agency Official

California Communities will, from time to time, authorize certain representatives to execute Assessment Contracts on its behalf; the current authorized representative is:

Name:	Daniel B. Harrison
Title:	Administrative Director
Phone:	(916) 658-8267
Email:	dharrison@cacities.org
Address:	1400 K Street, Suite 400 Sacramento, CA 95814

VI. Changes to the Report

California Communities may make changes to this Report and the CaliforniaFIRST Program documents from time to time in its absolute discretion. No such changes will affect the amounts payable by a property owner under an existing Assessment Contract.

VII. Appendices and Exhibits

Exhibit A: Assessment Contract – Agreement to Pay Assessment and Finance Improvements

Exhibit B: Boundary Map – Territory of contractual assessments (not included)

Exhibit C: Draft CaliforniaFIRST Program Terms (not included)

Exhibit D: Draft CaliforniaFIRST Program Authorized Improvements

Attachment 2
California Energy Commission State Energy Program
CaliforniaFIRST Collaborative Proposal
Summary of Proposal Scope & Budget Framework

Description of Program Proposal

Under the lead applicant, Sacramento County, the 14 counties eligible to participate in the pilot stage of the CaliforniaFIRST Program are collaborating on a proposal to the California Energy Commission State Energy Program for a grant of up to \$16.5 million. The grant funds will be used to offset initial fees associated with bond issuance, start-up costs for the 14 counties and all incorporated cities, an interest rate buy-down, local marketing/education/training/outreach, local coordination, and grant administration to support the launch of the CaliforniaFIRST municipal financing program.

CaliforniaFIRST Program County Participants and Proposal Collaborators

- | | | | |
|------------|-------------------|---------------|-----------|
| ✓ Alameda | ✓ Sacramento | ✓ San Mateo | ✓ Ventura |
| ✓ Fresno | ✓ San Benito | ✓ Santa Clara | ✓ Yolo |
| ✓ Kern | ✓ San Diego | ✓ Santa Cruz | |
| ✓ Monterey | ✓ San Luis Obispo | ✓ Solano | |

Budget Basics

1. CaliforniaFIRST financing costs and fees (~\$6M)

Guided by California Communities and the CaliforniaFIRST Program Administrator Renewable Funding, this program element will:

- buy-down the interest rate on the initial round(s) of projects financed by the CaliforniaFIRST Program,
- cover fixed costs associated with initial bond counsel, bond disclosure, fiscal agent and bond rating,
- cover legal and validation costs, and
- cover the deployment of technology (web portal) to support local programs.

2. Grant/Contract Administration & Steering Committee Liaison: (~\$1.5M)

On behalf of the applicant agency, grant/contractor administration duties include gathering relevant reporting information from all partner jurisdictions and CaliforniaFIRST, financial oversight and invoicing, contract administration, tracking, monitoring, and oversight of deliverables. In addition, the grant administrator will serve as the partner liaison between all participating steering committees to maintain coordination and consistency on the local marketing efforts between parties as well as provide marketing and contract technical assistance, training, and advice to participating agencies. The Grant Administrator will also coordinate local efforts with those programs funded under the California Comprehensive Residential Building Retrofit Program.

3. Regional Program Coordination & Marketing: (~\$8.5M)

In line with the overall project goals, funding has been budgeted on a regional basis to each of the four primary program regions in the following amounts, based on total number of Counties:

- Capitol Region (Sacramento/Yolo): \$1,800,000
- Central Valley Region (Fresno/Kern): \$1,150,000
- Bay Area Region: (Alameda/San Mateo/Santa Clara/Solano): \$2,300,000
- Central Coast Region: (Monterey/Santa Cruz/San Benito/San Luis Obispo): \$2,300,000
- Mid Coast Region: (Ventura): \$575,000
- Southern California Region: (San Diego): \$575,000

This final program element serves to provide each region with the resources necessary to help facilitate the rapid adoption of energy efficiency and renewable energy generation system installations throughout the target area by connecting property owners to any and all available on-the-ground or proposed resources, and services, providing a streamlined framework for easy navigation, reduced out-of-pocket expenses, and overall increased cost effectiveness for both participants and the program overall. The focus of the program will be to create region-wide (or county-wide, where appropriate) cooperative project design, implementation, marketing, and coordination to maximize economies of scale, take advantage of overlapping markets, and ultimately allow each dollar to go further to benefit all parties.

Financing Costs and Fees

A. Financing Costs

As Program Administrator of the California Communities CaliforniaFIRST Program, Renewable Funding will coordinate and provide program administration, financing, and legal services to support a robust statewide municipal financing program. Specific financing costs are concentrated at the start of the program and result in increased fees to a program participant, and therefore a higher effective interest rate. In order to lower the interest rate, the SEP funds will be used to cover bond disclosure counsel, bond rating fees, and a bond fiscal agent. In addition, a direct interest rate buy-down will be employed to achieve a bond rate that is equivalent to an A-rated bond, which is likely to be the bond rating later in the program.

B. Set-up Fees

A funding request equivalent to the city and county set-up fees will be included in the proposal. The costs for initial legal work and validation proceedings will be covered by this request. Additionally, the costs of establishing county web portals, importing local assessor's data, and maintaining the website will be part of this funding request.

Suggested Major Marketing Program Coordination & Marketing Program Elements

A. Agency Coordination / Steering Committee Participation

In recognition of the additional coordination time required to get new programs off the ground, individual counties may elect to include a modest amount of staff time for agency representatives to participate in the program steering committee and other activities to drive marketing program design, educational/marketing material development, form and protocol development, etc. By investing this time at the onset, we are able to develop a self-sustaining program for the long term. County agencies (that is, auditor/tax collector/controller) will receive a small percentage, incorporated into each loan, to cover regular ongoing program administration costs associated with maintaining the tax roll and collecting annual assessments in years beyond the grant term. Some jurisdictions may instead wish to contribute this time as project leveraged funds/resources to increase overall program cost effectiveness based on their individual needs and resources. Regional partnership may also elect to use a portion of the resources from this program element toward informal or formalized staff/personnel training within their jurisdictions.

B. Education / Outreach/ Marketing

Successful program adoption requires thoughtful design, convenient procedures, and a robust program education component to encourage and energize program participation. Achieving this goal, the project team will create clear, consistent, and thematic program branding imagery, educational and recruitment tools such as program brochures. The program will be supported by the CaliforniaFIRST web portal and links to new and existing partner and complementary websites, frequently asked questions, applications, and/or other program materials. In addition, the project will engage a wide-stretching network of partners to promote, recruit, and disseminate program information utilizing existing mechanisms of door-to-door outreach, community event tabling, workshops and presentations, or other appropriate energy efficiency and complementary program participation activities. Major elements might include:

- ✓ Outreach Promotional Materials: Brochures, Door-hangers, Postcard Mailers, Bill Inserts, etc.
- ✓ Program Marketing Advertisements: Print Ads, Radio/TV Ads, PSA Production

- ✓ Promotional Outreach Events, Trade Shows or Community Workshops
- ✓ Homeowner/Business/Contractor/Staff Training Seminars
- ✓ Sustainability Site Signage
- ✓ Green Building and/or LEED Certification Technical Assistance

C. Community Coordinator / Partner Liaison / Supplies

The community coordinator is envisioned to serve as the single point regional program coordinator to unify, inform, collaborate, and engage all program parties in relation to local coordination and marketing efforts; respond to public inquiries; facilitate the education, outreach, marketing, recruitment; and promote program adoption by the target community. In addition the coordinator is responsible for coordinating with the grant administrator, tracking/reporting necessary progress and metrics, meeting/exceeding grant milestones and targets, incorporating required complementary program components, and working with CaliforniaFIRST to assure QA/QC measures are applied to all participating properties. Specific tasks will be driven by the overall project goals as well as the specific needs of each region and may include:

- ✓ **Coordination** with Grant Administrator/Steering Committee Liaison
- ✓ **Marketing Coordination** with CaliforniaFIRST Municipal Finance District
- ✓ **Facilitation** of local Regional Steering Committee Members and Partners
- ✓ **Assist** with Implementation Strategy, Documents, Procedures & Protocols Development
- ✓ **Guide** Promotion, Marketing, Education, Recruitment & Program Information Dissemination
- ✓ **Link** Program Participants to Regional Energy Efficiency & Complementary Programs
- ✓ **Connect** to Concurrent Complementary Workforce Development Training/Graduates
- ✓ **Administer** Regional Program Budget, Competitive Bidding, Other Program Transparency Reqs
- ✓ **Track** and/or compile, Monitor & Evaluate Program Progress, Energy Savings, GHG Reductions Achieved, Partner Leveraged Funds and Ancillary Environmental Benefits

Sample County Budget

A sample budget based on the above framework is provided below. Please note that these amounts are subject to change based on the actual needs of each participating jurisdiction as well as feedback obtained regarding funder and partner thresholds for competitiveness.

<i>Component</i>	<i>% Overall</i>	<i>Gross Benefit Per County</i>	<i>Net Benefit Per County</i>
1. CaliforniaFIRST Costs & Fees	39%	\$ 428,571.43	-
2. Grant Administration & Technical Assistance	10%	\$ 107,142.86	-
3A. Steering Advisory Committee	10%	\$ 115,000.00	\$ 115,000.00
3B. Education, Outreach, Incentives, Marketing	23%	\$ 258,750.00	\$ 258,750.00
3C. Community Coordination	18%	\$ 201,250.00	\$ 201,250.00
Total	100%	\$ 1,110,714.29	\$ 575,000.00

Grant Development Team:

- **County of Sacramento**—Lead Agency (Applicant), will oversee grant writing, provide final edits and required signatures, and submit finalized proposal on behalf of entire collaborative team based on the approved proposed program scope and budget framework
- **Ecology Action**—Partner Grant Writer (Lead on Marketing), will develop narrative based on proposed program scope and budget framework, especially as it pertains to local coordination and marketing project administration, marketing/contract technical assistance, regional coordination, and marketing, to meet all grant requirements and maximize proposal competitiveness.
- **Renewable Funding**—Partner Grant Writer (Lead on Finance), will develop narrative based on proposed program scope and budget framework, especially for CaliforniaFIRST Program finance-related program elements, to meet all grant requirements and maximize proposal competitiveness.

RESOLUTION NO. NS-

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SANTA CRUZ
AUTHORIZING THE CITY OF SANTA CRUZ TO JOIN THE CALIFORNIAFIRST
PROGRAM; AUTHORIZING THE CALIFORNIA STATEWIDE COMMUNITIES
DEVELOPMENT AUTHORITY TO ACCEPT APPLICATIONS FROM PROPERTY
OWNERS, CONDUCT CONTRACTUAL ASSESSMENT PROCEEDINGS AND LEVY
CONTRACTUAL ASSESSMENTS WITHIN THE TERRITORY OF THE CITY;
AND AUTHORIZING RELATED ACTIONS

WHEREAS, the California Statewide Communities Development Authority (“California Communities”) is a joint exercise of powers authority the members of which include numerous cities and counties in the State of California, including the City of Santa Cruz ([the “City;”) and

WHEREAS, California Communities has established the CaliforniaFIRST program (the “CaliforniaFIRST Program”) to allow the financing of certain renewable energy, energy efficiency and water efficiency improvements (the “Improvements”) through the levy of contractual assessments pursuant to Chapter 29 of Division 7 of the Streets & Highways Code (“Chapter 29”) and the issuance of improvement bonds (the “Bonds”) under the Improvement Bond Act of 1915 (Streets and Highways Code Sections 8500 and following) (the “1915 Act”) upon the security of the unpaid contractual assessments; and

WHEREAS, Chapter 29 provides that assessments may be levied under its provisions only with the free and willing consent of the owner of each lot or parcel on which an assessment is levied at the time the assessment is levied; and

WHEREAS, the City desires to allow the owners of property within its jurisdiction (“Participating Property Owners”) to participate in the CaliforniaFIRST Program and to allow California Communities to conduct assessment proceedings under Chapter 29 and to issue Bonds under the 1915 Act to finance the Improvements; and

WHEREAS, California Communities will conduct assessment proceedings under Chapter 29 and issue Bonds under the 1915 Act to finance Improvements;

WHEREAS, there has been presented to this meeting a proposed form of Resolution of Intention to be adopted by California Communities in connection with such assessment proceedings (the “ROI”), and the territory within which assessments may be levied for the CaliforniaFIRST Program shall include all of the territory within the City’s official boundaries of record (the “Proposed Boundaries”); and

WHEREAS, the City will not be responsible for the conduct of any assessment proceedings; the levy or collection of assessments or any required remedial action in the case of delinquencies in such assessment payments; or the issuance, sale or administration of the Bonds or any other bonds issued in connection with the CaliforniaFIRST Program; and

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WHEREAS, pursuant to Government Code Section 6586.5, a notice of public hearing has been published once at least five days prior to the date hereof in a newspaper of general circulation in the City and a public hearing has been duly conducted by this City Council concerning the significant public benefits of the CaliforniaFIRST Program and the financing of the Improvements;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the [City of Santa Cruz as follows:

Section 1. On the date hereof, the City Council held a public hearing and the City Council hereby finds and declares that the issuance of bonds by California Communities in connection with the CaliforniaFIRST Program will provide significant public benefits, including without limitation, savings in effective interest rate, bond preparation, bond underwriting and bond issuance costs and reductions in effective user charges levied by water and electricity providers within the boundaries of the City.

Section 2. In connection with the CaliforniaFIRST Program, the City hereby consents to the conduct of special assessment proceedings by California Communities pursuant to Chapter 29 on any property within the Proposed Boundaries and the issuance of Bonds under the 1915 Act; provided, that

(1) Such proceedings are conducted pursuant to one or more Resolutions of Intention in substantially the form of the ROI;

(2) The Participating Property Owners, who shall be the legal owners of such property, execute a contract pursuant to Chapter 29 and comply with other applicable provisions of California law in order to accomplish the valid levy of assessments; and

(3) The City will not be responsible for the conduct of any assessment proceedings; the levy or collection of assessments or any required remedial action in the case of delinquencies in such assessment payments; or the issuance, sale or administration of the Bonds or any other bonds issued in connection with the CaliforniaFIRST Program; and

(4) The issuance of Bonds will occur following receipt of a final judgment in a validation action filed by California Communities pursuant to Code of Civil Procedure Section 860 that the Bonds are legal obligations of California Communities.

Section 3. Pursuant to the requirements of Chapter 29, California Communities has prepared and will update from time to time the “Program Report” for the CaliforniaFIRST Program (the “Program Report”), and California Communities will undertake assessment proceedings and the financing of Improvements as set forth in the Program Report.

Section 4. The appropriate officials and staff of the City are hereby authorized and directed to make applications for the CaliforniaFIRST program available to all property owners who wish to finance Improvements; provided, that California Communities shall be responsible

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for providing such applications and related materials at its own expense. The following staff persons, together with any other staff persons chosen by the City Manager from time to time, are hereby designated as the contact persons for California Communities in connection with the CaliforniaFIRST Program: Juliana Rebagliati, Planning Director, and Ross Clark, Climate Action Coordinator.

Section 5. The appropriate officials and staff of the City are hereby authorized and directed to execute and deliver such closing certificates, requisitions, agreements and related documents as are reasonably required by California Communities in accordance with the Program Report to implement the CaliforniaFIRST Program for Participating Property Owners.

Section 6. The appropriate officials and staff of the City are hereby authorized and directed to pay California Communities a fee in an amount not to exceed \$12,500, which California Communities will use to pay for the costs of implementing the CaliforniaFIRST Program in the City, including the payment of legal costs incurred in connection with judicial validation of the CaliforniaFIRST Program.

Section 7. The City Council/ hereby finds that adoption of this Resolution is not a “project” under the California Environmental Quality Act, because the Resolution does not involve any commitment to a specific project which may result in a potentially significant physical impact on the environment, as contemplated by Title 14, California Code of Regulations, Section 15378(b)(4).

Section 8. This Resolution shall take effect immediately upon its adoption. The City Clerk is hereby authorized and directed to transmit a certified copy of this resolution to the Secretary of California Communities.

PASSED AND ADOPTED this 12th day of January, 2010, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

APPROVED: _____
Mayor

ATTEST: _____
City Clerk

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RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SANTA CRUZ
AUTHORIZING SACRAMENTO COUNTY TO SERVE AS THE LEAD COLLABORATIVE
ENTITY TO APPLY FOR CALIFORNIA ENERGY COMMISSION SEP GRANT FUNDS

WHEREAS, the Santa Cruz City Council recognizes that it is in the interest of the regional, state, and national economy to stimulate the economy; create and retain jobs; reduce fossil fuel emissions; and reduce total energy usage and improve energy efficiency within our jurisdiction; and

WHEREAS, State Energy Program (SEP) funds are available through the California Energy Commission's SEP for grants to eligible local governments for energy efficiency, energy conservation, renewable energy, and other energy related projects and activities authorized by the American Recovery and Reinvestment Act of 2009 ("ARRA"); and

WHEREAS, SEP allows for cities, counties, or groups of cities and counties in California to apply for SEP funds on behalf of eligible local governments; and

WHEREAS, the City of Santa Cruz is eligible for SEP funding under the California Energy Commission's SEP; and

WHEREAS, the City of Santa Cruz is proposing to collaborate with Sacramento County to implement a program for financing the energy efficiency, energy conservation, renewable energy, and other energy related projects and activities authorized by ARRA, which program is described in Exhibit A for the purpose of qualifying for SEP funds from the California Energy Commission; and

WHEREAS, the City of Santa Cruz has considered the application of the California Environmental Quality Act (CEQA) to the approval of the program for financing energy efficiency, energy conservation, renewable energy, and other energy related projects and activities authorized by ARRA described in Exhibit A; and

NOW, THEREFORE, BE IT RESOLVED, that in compliance with the CEQA, City of Santa Cruz finds that the approval of the program for financing energy efficiency, energy conservation, renewable energy, and other energy related projects and activities authorized by ARRA described in Exhibit A is not a "project" under CEQA, because the program does not involve any commitment to a specific project which may result in a potentially significant physical impact on the environment, as contemplated by Title 14, California Code of Regulations, Section 15378(b)(4)).

BE IT FURTHER RESOLVED, that the Santa Cruz City Council authorizes Sacramento County to submit a collaborative application on its behalf to the California Energy Commission for up to \$ 150,000 in SEP funds for the program for financing energy efficiency, energy conservation, renewable energy, and other energy related projects and activities authorized by ARRA described in Exhibit A.

BE IT FURTHER RESOLVED, if recommended for funding by the California Energy Commission, the City of Santa Cruz authorizes Sacramento County to accept a grant award on its

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behalf and to enter into all necessary contracts and agreements, and amendments thereto, on its behalf to implement and carry out the program for financing the project/s described in Exhibit A.

BE IT FURTHER RESOLVED, that the City of Santa Cruz City Manager (or authorized designee) be empowered to execute this agreement and all future documents related to this award.

PASSED AND ADOPTED this 12th day of January, 2010, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

APPROVED: _____
Mayor

ATTEST: _____
City Clerk

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EXHIBIT A

CALIFORNIA ENERGY COMMISSION STATE ENERGY PROGRAM
CALIFORNIAFIRST COLLABORATIVE PROPOSAL
SUMMARY OF PROPOSAL SCOPE & BUDGET FRAMEWORK

Description of Program Proposal

Under the lead applicant, Sacramento County, the 14 counties eligible to participate in the pilot stage of the CaliforniaFIRST Program are collaborating on a proposal to the California Energy Commission State Energy Program for a grant of up to \$16.5 million. The grant funds will be used to offset initial fees associated with bond issuance, start-up costs for the 14 counties and all incorporated cities, an interest rate buy-down, local marketing/education/training/outreach, local coordination, and grant administration to support the launch of the CaliforniaFIRST municipal financing program.

CaliforniaFIRST Program County Participants and Proposal Collaborators

- | | | | |
|------------|-------------------|---------------|-----------|
| ✓ Alameda | ✓ Sacramento | ✓ San Mateo | ✓ Ventura |
| ✓ Fresno | ✓ San Benito | ✓ Santa Clara | ✓ Yolo |
| ✓ Kern | ✓ San Diego | ✓ Santa Cruz | |
| ✓ Monterey | ✓ San Luis Obispo | ✓ Solano | |

Budget Basics

1. CaliforniaFIRST financing costs and fees (~\$6M)

Guided by California Communities and the CaliforniaFIRST Program Administrator Renewable Funding, this program element will:

- buy-down the interest rate on the initial round(s) of projects financed by the CaliforniaFIRST Program,
- cover fixed costs associated with initial bond counsel, bond disclosure, fiscal agent and bond rating,
- cover legal and validation costs, and
- cover the deployment of technology (web portal) to support local programs.

2. Grant/Contract Administration & Steering Committee Liaison: (~\$2.0M)

On behalf of the applicant agency, grant/contractor administration duties include gathering relevant reporting information from all partner jurisdictions and CaliforniaFIRST, financial oversight and invoicing, contract administration, tracking, monitoring, and oversight of deliverables. In addition, the grant administrator will serve as the partner liaison between all participating steering committees to maintain coordination and consistency on the local marketing efforts between parties as well as provide marketing and contract technical assistance, training, and advice to participating agencies. The Grant Administrator will also coordinate local efforts with those programs funded under the California Comprehensive Residential Building Retrofit Program.

3. Regional Program Coordination & Marketing: (~\$8.5M)

In line with the overall project goals, funding has been budgeted on a regional basis to each of the six primary program regions in the following amounts, based on total number of Counties:

- Capitol Region (Sacramento/Yolo): \$1,800,000
- Central Valley Region (Fresno/Kern): \$1,150,000
- Bay Area Region: (Alameda/San Mateo/Santa Clara/Solano): \$2,300,000
- North Central Coast Region: (Monterey/Santa Cruz/San Benito): \$1,725,000
- South Central Coast Region: (Ventura/San Luis Obispo): \$1,150,000
- Southern California Region: (San Diego): \$575,000

This final program element serves to provide each region with the resources necessary to help facilitate the rapid adoption of energy efficiency and renewable energy generation system installations throughout the target area by connecting property owners to any and all available on-the-ground or proposed resources, and services, providing a streamlined framework for easy navigation, reduced out-of-pocket expenses, and overall increased cost effectiveness for both participants and the program overall. The focus of the program will be to create region-wide (or county-wide, where appropriate) cooperative project design, implementation, marketing, and coordination to maximize economies of scale, take advantage of overlapping markets, and ultimately allow each dollar to go further to benefit all parties.

Financing Costs and Fees

A. Financing Costs

As Program Administrator of the California Communities CaliforniaFIRST Program, Renewable Funding will coordinate and provide program administration, financing, and legal services to support a robust statewide municipal financing program. Specific financing costs are concentrated at the start of the program and result in increased fees to a program participant, and therefore a higher effective interest rate. In order to lower the interest rate, the SEP funds will be used to cover bond disclosure counsel, bond rating fees, and a bond fiscal agent. In addition, a direct interest rate buy-down will be employed to achieve a bond rate that is equivalent to an A-rated bond, which is likely to be the bond rating later in the program.

B. Set-up Fees

A funding request equivalent to the city and county set-up fees will be included in the proposal. The costs for initial legal work and validation proceedings will be covered by this request. Additionally, the costs of establishing county web portals, importing local assessor's data, and maintaining the website will be part of this funding request.

Suggested Major Marketing Program Coordination & Marketing Program Elements

A. Agency Coordination / Steering Committee Participation

In recognition of the additional coordination time required to get new programs off the ground, individual counties may elect to include a modest amount of staff time for agency representatives to participate in the program steering committee and other activities to drive marketing program design, educational/marketing material development, form and protocol development, etc. By

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investing this time at the onset, we are able to develop a self-sustaining program for the long term. County agencies (that is, auditor/tax collector/controller) will receive a small percentage, incorporated into each loan, to cover regular ongoing program administration costs associated with maintaining the tax roll and collecting annual assessments in years beyond the grant term. Some jurisdictions may instead wish to contribute this time as project leveraged funds/resources to increase overall program cost effectiveness based on their individual needs and resources. Regional partnership may also elect to use a portion of the resources from this program element toward informal or formalized staff/personnel training within their jurisdictions.

B. Education / Outreach/ Marketing

Successful program adoption requires thoughtful design, convenient procedures, and a robust program education component to encourage and energize program participation. Achieving this goal, the project team will create clear, consistent, and thematic program branding imagery, educational and recruitment tools such as program brochures. The program will be supported by the CaliforniaFIRST web portal and links to new and existing partner and complementary websites, frequently asked questions, applications, and/or other program materials. In addition, the project will engage a wide-stretching network of partners to promote, recruit, and disseminate program information utilizing existing mechanisms of door-to-door outreach, community event tabling, workshops and presentations, or other appropriate energy efficiency and complementary program participation activities. Major elements might include:

- ✓ Outreach Promotional Materials: Brochures, Door-hangers, Postcard Mailers, Bill Inserts, etc.
- ✓ Program Marketing Advertisements: Print Ads, Radio/TV Ads, PSA Production
- ✓ Promotional Outreach Events, Trade Shows or Community Workshops
- ✓ Homeowner/Business/Contractor/Staff Training Seminars
- ✓ Sustainability Site Signage
- ✓ Green Building and/or LEED Certification Technical Assistance

C. Community Coordinator / Partner Liaison / Supplies

The community coordinator is envisioned to serve as the single point regional program coordinator to unify, inform, collaborate, and engage all program parties in relation to local coordination and marketing efforts; respond to public inquiries; facilitate the education, outreach, marketing, recruitment; and promote program adoption by the target community. In addition the coordinator is responsible for coordinating with the grant administrator, tracking/reporting necessary progress and metrics, meeting/exceeding grant milestones and targets, incorporating required complementary program components, and working with CaliforniaFIRST to assure QA/QC measures are applied to all participating properties. Specific tasks will be driven by the overall project goals as well as the specific needs of each region and may include:

- ✓ **Coordination** with Grant Administrator/Steering Committee Liaison
- ✓ **Marketing Coordination** with CaliforniaFIRST Municipal Finance District
- ✓ **Facilitation** of local Regional Steering Committee Members and Partners
- ✓ **Assist** with Implementation Strategy, Documents, Procedures & Protocols Development
- ✓ **Guide** Promotion, Marketing, Education, Recruitment & Program Information Dissemination

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- ✓ **Link** Program Participants to Regional Energy Efficiency & Complementary Programs
- ✓ **Connect** to Concurrent Complementary Workforce Development Training/Graduates
- ✓ **Administer** Regional Program Budget, Competitive Bidding, Other Program Transparency Reqs
- ✓ **Track** and/or compile, Monitor & Evaluate Program Progress, Energy Savings, GHG Reductions Achieved, Partner Leveraged Funds and Ancillary Environmental Benefits

Sample County Budget

A sample budget based on the above framework is provided below. Please note that these amounts are subject to change based on the actual needs of each participating jurisdiction as well as feedback obtained regarding funder and partner thresholds for competitiveness.

<i>Component</i>	<i>% Overall</i>	<i>Gross Benefit Per County</i>	<i>Net Benefit Per County</i>
1. CaliforniaFIRST Costs & Fees	39%	\$ 428,571.43	-
2. Grant Administration & Technical Assistance	10%	\$ 107,142.86	-
3A. Steering Advisory Committee	10%	\$ 115,000.00	\$ 115,000.00
3B. Education, Outreach, Incentives, Marketing	23%	\$ 258,750.00	\$ 258,750.00
3C. Community Coordination	18%	\$ 201,250.00	\$ 201,250.00
Total	100%	\$ 1,110,714.29	\$ 575,000.00

Grant Development Team:

- **County of Sacramento**—Lead Agency (Applicant), will oversee grant writing, provide final edits and required signatures, and submit finalized proposal on behalf of entire collaborative team based on the approved proposed program scope and budget framework
- **Ecology Action**—Partner Grant Writer (Lead on Marketing), will develop narrative based on proposed program scope and budget framework, especially as it pertains to local coordination and marketing project administration, marketing/contract technical assistance, regional coordination, and marketing, to meet all grant requirements and maximize proposal competitiveness.
- **Renewable Funding**—Partner Grant Writer (Lead on Finance), will develop narrative based on proposed program scope and budget framework, especially for CaliforniaFIRST Program finance-related program elements, to meet all grant requirements and maximize proposal competitiveness.

(Attachment 5: Informational Item, No Council Action Required)

**RESOLUTION DECLARING INTENTION TO FINANCE INSTALLATION OF
DISTRIBUTED GENERATION RENEWABLE ENERGY SOURCES, ENERGY
EFFICIENCY AND WATER EFFICIENCY IMPROVEMENTS**

COUNTY OF Santa Cruz

WHEREAS, the California Statewide Communities Development Authority ("California Communities") is authorized under the authority granted California Communities pursuant to Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California in accordance with Chapter 29 of Part 3 of Division 7 of the Streets & Highways Code of the State of California ("Chapter 29") to authorize assessments to finance the installation of distributed generation renewable energy sources, energy efficiency and water efficiency improvements that are permanently fixed to real property ("Authorized Improvements"); and

WHEREAS, Chapter 29 authorizes California Communities to enter into contractual assessments to finance the installation of Authorized Improvements in the County of ____ (the "County"); and

WHEREAS, California Communities wishes to declare its intention to establish a CaliforniaFIRST program (the "CaliforniaFIRST Program") in the County, pursuant to which California Communities, subject to certain conditions set forth below, would enter into contractual assessments to finance the installation of Authorized Improvements in the County;

NOW, THEREFORE, BE IT RESOLVED by the California Statewide Communities Development Authority, as follows:

Section 1. Findings. California Communities hereby finds and declares the following:

- (a) The above recitals are true and correct.
- (b) Energy conservation efforts, including the promotion of energy-related Authorized Improvements to residential, commercial, industrial, or other real property, are necessary to address the issue of global climate change and the reduction of greenhouse gas emissions in the County.
- (c) Water conservation efforts, including the promotion of water-related Authorized Improvements to residential, commercial, industrial, or other real property, are necessary to address the issue of chronic water shortages in California.
- (d) The upfront cost of making residential, commercial, industrial, or other real property more energy and water efficient, along with the fact that most commercial loans for that purpose are due on the sale of the property, prevents many property owners from installing Authorized Improvements.
- (e) A public purpose will be served by establishing a contractual assessment program, to be known as the CaliforniaFIRST Program, pursuant to which California Communities will finance the installation of Authorized Improvements to residential, commercial, industrial, or other real property in the County.

Section 2. Determination of Public Interest. California Communities hereby determines that (a) it would be convenient, advantageous, and in the public interest to designate an area, which shall encompass the entire geographic territory within the boundaries of the County, within which California Communities and property owners within the County may enter into contractual assessments to finance the installation of Authorized Improvements pursuant to Chapter 29 and (b) it is in the public interest for California Communities to finance the installation of Authorized Improvements in the County pursuant to Chapter 29.

Section 3. Identification of Authorized Improvements. California Communities hereby declares that it proposes to make contractual assessment financing available to property owners to finance installation of Authorized Improvements, including but not limited to those improvements detailed in the Report described in Section 8 below, as that Report may be amended from time to time.

Section 4. Identification of Boundaries. Contractual assessments may be entered into by property owners located within the entire geographic territory of the County; provided, however, that California Communities shall not enter into contractual assessments to finance the installation of Authorized Improvements with the owner of any property in the County unless requested to do so first by the County if the property is located in unincorporated territory or a city if the property is located in incorporated territory and after such city or the County, as applicable, has held a public hearing pursuant to Section 6586.5 of the Government Code of the State of California. The form of resolution pursuant to which cities may request California Communities to enter into contractual assessments to finance the installation of Authorized Improvements is attached as Exhibit A.

Section 5. Proposed Financing Arrangements. Under Chapter 29, California Communities may issue bonds pursuant to Chapter 29 that are payable by contractual assessments and California Communities may advance its own funds to finance work to be repaid through contractual assessments, and may from time to time sell bonds to reimburse itself for such advances. Division 10 (commencing with Section 8500) of the Streets & Highways Code of the State (the "Improvement Bond Act of 1915") shall apply to any bonds issued pursuant to Chapter 29, insofar as the Improvement Bond Act of 1915 is not in conflict with Chapter 29.

California Communities shall determine the creditworthiness of a property owner to participate in the financing of Authorized Improvements based on the criteria developed by the Program Manager in consultation with the CaliforniaFIRST Program financing team and on file with the Secretary.

In connection with bonds issued under the Improvement Bond Act of 1915 that are payable from contractual assessments, serial and/or term improvement bonds shall be issued in such series and shall mature in such principal amounts and at such times (not to exceed 20 years from the second day of September next following their date) and at such rate or rates of interest (not to exceed the maximum rate permitted by applicable law) as shall be determined by California Communities at the time of the issuance and sale of the bonds. The provisions of Part 11.1 of the Improvement Bond Act of 1915 shall apply to the calling of the bonds. It is the intention of California Communities to create a special reserve fund for the bonds under Part 16 of the Improvement Bond Act of 1915. California Communities will not advance available surplus funds from its treasury to cure any deficiency in the redemption fund to be created with respect to the bonds; provided, however, that this determination shall not prevent California Communities from, in its sole discretion, so advancing funds. The bonds may be

refunded under Division 11.5 of the California Streets and Highways Code or other applicable laws permitting refunding of the bonds, upon the conditions specified by and at the determination of California Communities.

California Communities hereby authorizes the Program Manager, upon consultation with bond counsel and the CaliforniaFIRST Program underwriter, to provide for the issuance of bonds payable from contractual assessments.

In connection with the issuance of bonds payable from contractual assessments, California Communities expects to obligate itself, through a covenant with the owners of the bonds, to exercise its foreclosure rights with respect to delinquent contractual assessment installments under specified circumstances.

Section 6. Public Hearing. Pursuant to the Act, California Communities hereby orders that a public hearing be held before this Commission, at _____, on _____, _____, 2010 at _____ a.m., for the purposes of allowing interested persons to object to or inquire about the proposed program or any of its particulars. The public hearing may be continued from time to time as determined by the Commission for a time not exceeding a total of 180 days.

At the time of the hearing, the Report described in Section 8 below shall be summarized and the Commission shall afford all persons who are present an opportunity to comment upon, object to, or present evidence with regard to the proposed contractual assessment program, the extent of the area proposed to be included within the program, the terms and conditions of the draft Contract described in Section 8 below, or the proposed financing provisions. Following the public hearing, California Communities may adopt a resolution confirming the Report (the "Resolution Confirming Report") or may direct the Report's modification in any respect, or may abandon the proceedings.

The Commission hereby orders the Secretary to publish a notice of public hearing once a week for two successive weeks. Two publications in a newspaper published once a week or more often, with at least five days intervening between the respective publication dates not counting such publication dates, are sufficient. The period of notice will commence upon the first day of publication and terminate at the end of the fourteenth day. The first publication shall occur not later than 20 days before the date of the public hearing.

Section 7. Notice to Water and Electric Providers. Pursuant to Section 5898.24 of the Streets & Highways Code, the Commission hereby orders the Secretary to provide written notice of the proposed contractual assessment program within the County to all water and electric providers within the boundaries of the County not less than 60 days prior to adoption of the Resolution Confirming Report.

Section 8. Report. The Commission hereby directs the Program Manager for the CaliforniaFIRST Program to prepare and file with the Commission a report (the "Report") at or before the time of the public hearing described in Section 6 above containing all of the following:

(a) A map showing the boundaries of the territory within which contractual assessments are proposed to be offered, as set forth in Section 4 above.

(b) A draft contract (the "Contract") specifying the terms and conditions that would be agreed to by California Communities and a property owner within the County. The Contract may allow property owners to purchase directly the related equipment and materials for the

installation of the Authorized Improvements and to contract directly for the installation of such Authorized Improvements.

(c) A statement of California Communities' policies concerning contractual assessments including all of the following:

(1) Identification of types of Authorized Improvements that may be financed through the use of contractual assessments.

(2) Identification of California Communities official authorized to enter into contractual assessments on behalf of California Communities.

(3) A maximum aggregate dollar amount of contractual assessments in the County.

(4) A method for setting requests from property owners for financing through contractual assessments in priority order in the event that requests appear likely to exceed the authorization amount.

(d) A plan for raising a capital amount required to pay for work performed pursuant to contractual assessments. The plan may include amounts to be advanced by California Communities through funds available to it from any source. The plan may include the sale of a bond or bonds or other financing relationship pursuant to Section 5898.28 of Chapter 29. The plan shall include a statement of or method for determining the interest rate and time period during which contracting property owners would pay any assessment. The plan shall provide for any reserve fund or funds. The plan shall provide for the apportionment of all or any portion of the costs incidental to financing, administration, and collection of the contractual assessment program among the consenting property owners and California Communities.

(e) A report on the results of the consultations with the County Auditor-Controller described in Section 10 below concerning the additional fees, if any, that will be charged to California Communities for incorporating the proposed contractual assessments into the assessments of the general taxes of the County on real property, and a plan for financing the payment of those fees.

Section 9. Nature of Assessments. Assessments levied pursuant to Chapter 29, and the interest and any penalties thereon, will constitute a lien against the lots and parcels of land on which they are made, until they are paid. Unless otherwise directed by California Communities, the assessments shall be collected in the same manner and at the same time as the general taxes of the County on real property are payable, and subject to the same penalties and remedies and lien priorities in the event of delinquency and default.

Section 10. Consultations with County Auditor-Controller. California Communities hereby directs the Program Manager to enter into consultations with the County Auditor-Controller in order to reach agreement on what additional fees, if any, will be charged to California Communities for incorporating the proposed contractual assessments into the assessments of the general taxes of the County on real property.

Section 11. Preparation of Current Roll of Assessment. Pursuant to Section 5898.24(c), California Communities hereby designates the Program Manager (or his/her designee) as the responsible official for annually preparing the current roll of assessment

obligations by assessor's parcel number on property subject to a voluntary contractual assessment.

Section 12. Procedures for Responding to Inquiries. The Program Manager shall establish procedures to promptly respond to inquiries concerning current and future estimated liability for a voluntary contractual assessment.

Section 13. Professionals Appointed. California Communities hereby appoints Jones Hall, A Professional Law Corporation, San Francisco, California, as bond counsel to California Communities in connection with the CaliforniaFIRST Program. The Commission hereby authorizes and directs an Authorized Signatory of California Communities (as determined from time to time by the Commission by separate resolution) to enter into appropriate agreements with such firm for its services to California Communities in connection with the matters addressed in this Resolution.

Section 14. Set-Up Fees. The County and various cities within the County have advanced fees to California Communities to pay for certain costs of establishing the CaliforniaFIRST Program, some or all of which represent State Energy Program (SEP) funds. The Program Manager is hereby authorized and directed to return to the County and cities, as applicable, any fees paid to California Communities by the County and cities, as applicable, that do not represent SEP funds and that California Communities does not use to pay for the costs of establishing the CaliforniaFIRST Program.

Section 15. Effective Date. This resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED by the California Statewide Communities Development Authority this _____, 2010.

I, the undersigned, the duly appointed, and qualified member of the Commission of the California Statewide Communities Development Authority, DO HEREBY CERTIFY that the foregoing resolution was duly adopted by the Commission of said Authority at a duly called meeting of the Commission of said Authority held in accordance with law on _____, 2010.

By: _____
Member

EXHIBIT A

**FORM OF RESOLUTION AUTHORIZING CALIFORNIA COMMUNITIES TO CONDUCT
CONTRACTUAL ASSESSMENT PROCEEDINGS AND
LEVY CONTRACTUAL ASSESSMENTS**



City Council Meeting Calendar January 6, 2010

Date	Time	Location	Topic
January 19, 2010	7:00 p.m.	Council Chambers	Advisory Body Interviews
January 26, 2010	1:30 p.m.	Courtyard Conf. Room	Regular Council/Agency Closed Session
	3:00 p.m. and 7:00 p.m.	Council Chambers	Regular Council/Redevelopment Agency Open Sessions
February 9, 2010	1:30 p.m.	Courtyard Conf. Room	Regular Council/Agency Closed Session
	3:00 p.m. and 7:00 p.m.	Council Chambers	Regular Council/Redevelopment Agency Open Sessions
February 23, 2010	1:30 p.m.	Courtyard Conf. Room	Regular Council/Agency Closed Session
	3:00 p.m. and 7:00 p.m.	Council Chambers	Regular Council/Redevelopment Agency Open Sessions
March 9, 2010	1:30 p.m.	Courtyard Conf. Room	Regular Council/Agency Closed Session
	3:00 p.m. and 7:00 p.m.	Council Chambers	Regular Council/Redevelopment Agency Open Sessions
March 23, 2010	1:30 p.m.	Courtyard Conf. Room	Regular Council/Agency Closed Session
	3:00 p.m. and 7:00 p.m.	Council Chambers	Regular Council/Redevelopment Agency Open Sessions
April 13, 2010	1:30 p.m.	Courtyard Conf. Room	Regular Council/Agency Closed Session
	3:00 p.m. and 7:00 p.m.	Council Chambers	Regular Council/Redevelopment Agency Open Sessions
April 27, 2010	1:30 p.m.	Courtyard Conf. Room	Regular Council/Agency Closed Session
	3:00 p.m. and 7:00 p.m.	Council Chambers	Regular Council/Redevelopment Agency Open Sessions
May 11, 2010	1:30 p.m.	Courtyard Conf. Room	Regular Council/Agency Closed Session
	3:00 p.m. and 7:00 p.m.	Council Chambers	Regular Council/Redevelopment Agency Open Sessions
June 8, 2010	1:30 p.m.	Courtyard Conf. Room	Regular Council/Agency Closed Session
	3:00 p.m. and 7:00 p.m.	Council Chambers	Regular Council/Redevelopment Agency Open Sessions

Council Membership in City Groups and Outside Agencies

Councilmembers will have the opportunity to present oral updates to Council and the public. Councilmembers may provide direction, request additional information or that a topic raised be agendaized for future Council action. The Presiding Officer may request oral updates from Council ad hoc Committees.

The Presiding Officer will ask representatives of each entity if there is any oral update.

Name of Agency/Organization	Currently Serving
Association of Monterey Bay Area Governments (AMBAG)	L. Robinson, T. Madrigal (alternate)
City of Santa Cruz/Soquel Creek Water District (SqCWD) Desalination Project	R. Coonerty, M. Rotkin, D. Lane (Alternate)
City Schools Committee (Ad Hoc) Three Councilmembers to attend one meeting with the Schools to determine whether, and in what form, a long term Committee should exist	
Community Action Board	T. Madrigal, David Sweet (alternate)
Conference and Visitors' Council	C. Mathews, L. Robinson
Cultural Council Board City Representative	K. Beiers
Downtown Management Corporation (Mayor/Vice Mayor)	C. Mathews, L. Robinson
Economic Development Council (Mayor/Vice Mayor)	R. Coonerty, D. Lane, C. Mathews
Library Joint Powers Authority Board	K. Beiers, M. Rotkin, C. Mathews (alternate)
Library Financing Authority	M. Rotkin
Local Agency Formation Commission (LAFCO)	D. Lane
Monterey Bay Unified Air Pollution Control District	2008 – City of Capitola
Public Safety Committee	D. Lane, M. Rotkin, L. Robinson
Sanctuary Inter-Agency Task Force	K. Beiers, C. Mathews
Santa Cruz County Children's Network	D. Shoemaker, C. Scurich (alt.)
Santa Cruz Community Farmers Market, Inc.	L. Robinson
SC County Integrated Waste Management Local Task Force	M. Rotkin, Alan Schlenger (alternate) Bob Nelson, Mary Arman (alternate)
Santa Cruz Metropolitan Transit District Board	M. Rotkin, L. Robinson
SC County Regional Transportation Commission (SCCRTC)	D. Lane, L. Robinson (alternate)
Social Services Program Committee	R. Coonerty, M. Rotkin, L. Robinson

Public comment on the reports given will be heard at a time to be determined by the Presiding Officer.