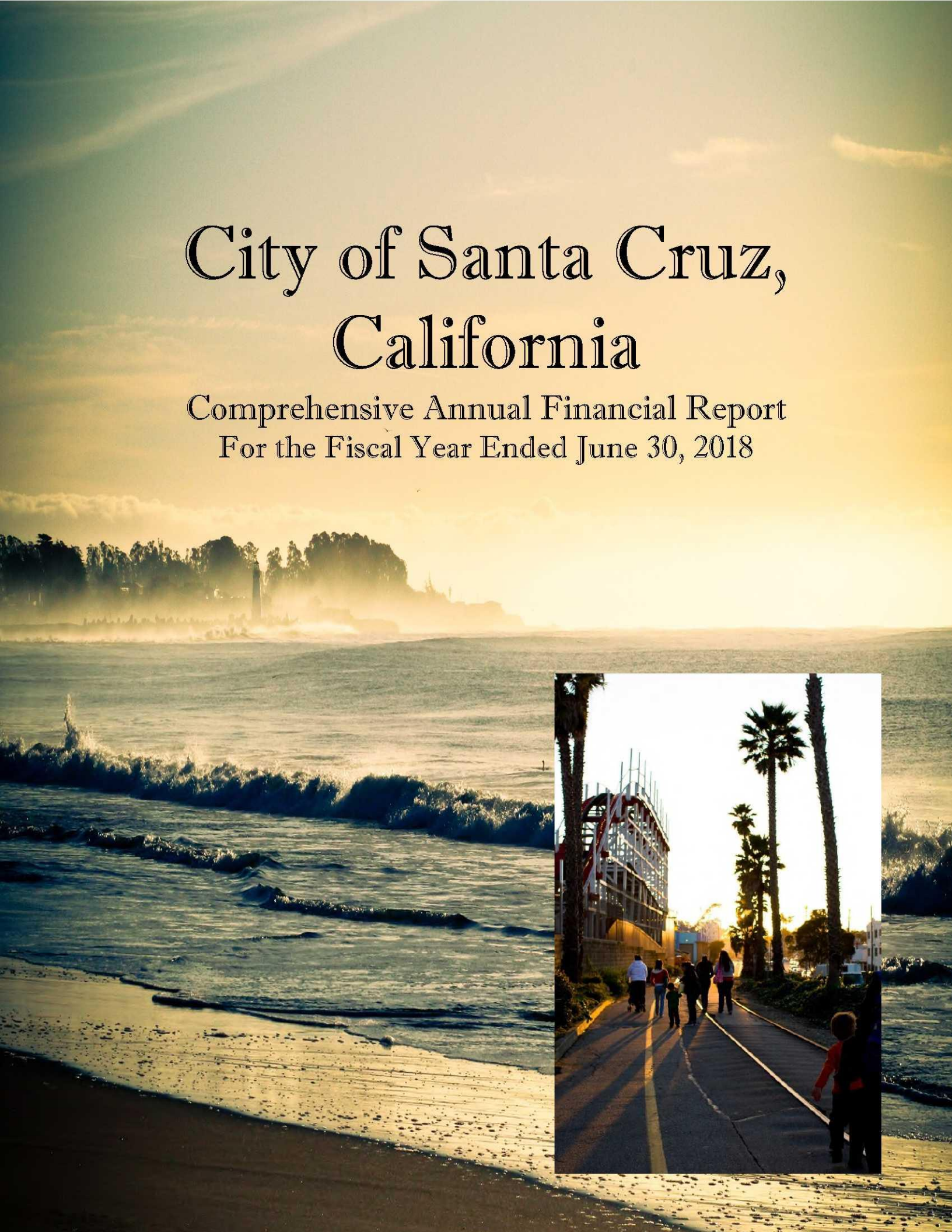


# City of Santa Cruz, California

Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2018



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**City of Santa Cruz**

**State of California**

**Comprehensive Annual Financial Report**

**For the Fiscal Year Ended June 30, 2018**

**Prepared by**

**Marcus Pimentel**

**Cheryl Fyfe  
Lisa Saldana**

**Jillian Morales  
Nicholas Gong  
Kim Wigley**

**Tanya Malko  
Michael Manno**

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# City of Santa Cruz

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## **INTRODUCTORY SECTION**





FINANCE DEPARTMENT

December 31, 2018

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 (CAFR) of the City of Santa Cruz for the fiscal year ended June 30, 2018, 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, 2018.

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

Vavrinek, Trine, Day and Co., LLP, 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, 2018, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial presentation. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Santa Cruz's financial statements for the fiscal year ended June 30, 2018, 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 west of San Jose. The City of Santa Cruz was first founded in 1769 by the Spanish explorer Don Gaspar de Portola, who, along with Father Junipero Serra, began land based settlement in the area. Santa Cruz is the county seat for the County of Santa Cruz, and is a charter city which operates under the provisions of a voter-approved charter. The City has an area of 12 square miles and an estimated population of 65,070 as of January, 2017. Santa Cruz is home to the University of California, Santa Cruz (UCSC) which first opened in 1965 with 650 students. It now has a current enrollment of nearly 18,100 undergraduate and graduate students, local alumni of 13,000, and is the City's largest employer, with over 8,400 employees. The main campus covers over 2,000 acres overlooking the Monterey Bay National Marine Sanctuary. The City is also home to the historical Santa Cruz Beach-Boardwalk and the Santa Cruz Warriors' basketball team. Major industries include tourism, manufacturing, and technology.

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

The rates and tax base of two of the City's other general revenues, sales and use tax and motor vehicle in lieu fees (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 of property owners with voting rights apportioned based on the amount of the assessment. Property related fees require public majority protest procedures and property related fees for services other than water, wastewater, and refuse must also be approved by a majority of property owners or 2/3 of the electorate. In addition, fees for facilities and services are subject to requirements that they not be set at levels that exceed the reasonable costs of providing services. As a result, net position generated by differences between fee revenue and related expense are retained and designated for services and facilities that benefit fee payers.

The City of Santa Cruz has operated under the council-manager form of government since its incorporation in 1866. Policy-making and legislative authority are vested in a seven member governing council consisting of the Mayor and six Council Members. The City Council is responsible for, among other things, passing ordinances, adopting the budget, approving nominees to commissions, and hiring the City Manager and City Attorney. The City Manager is 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 consecutive 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, a golf course, 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. The water utility provides approximately 5-10 million gallons of water per day. Service extends beyond the municipal boundaries and has a total service population of approximately 96,000.

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 is prepared showing estimated revenues and expenditures of the City. This proposed budget is transmitted to the City Council and made available to the public for review. Study sessions and a public hearings 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 funds or departments requires approval by the City Council. Several supplemental appropriations were necessary during the year and are reflected in the budget amounts in the financial statements. Expenditures may not legally exceed appropriations at the department level.

The Council reviews budget results at the mid-year review and at budget adoption. The ongoing review and long range planning focus for financial management provide numerous opportunities to identify and respond to changes in revenues and expenditures and in community priorities.

### **Factors Affecting Financial Condition**

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**

The City's General Fund fiscal year 2018 adopted budget was balanced. Sales tax revenues are expected to increase by 14.8% and property tax receipts are expected to increase by 5.6% in fiscal year 2019. As the economy continues to improve, the City expects to experience moderate increases in total tax revenues in fiscal year 2019 and future years.

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

In November 2010, City voters approved Measure H, increasing the City's Utility Users Tax from 7.0% to 8.5%, and was implemented mid fiscal year 2011. Combined with an increase in municipal services rates, the Utility Users Tax revenue increased \$1.1 million in fiscal year 2012 to \$10.7 million, remained flat in fiscal year 2013 and increased slightly over the years, and totaled \$11.6 million in fiscal year 2018.

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

In November 2012, Measure Q, the City of Santa Cruz Transient Occupancy Tax (TOT) measure, passed by 82.23%, increasing the City's Transient Occupancy Tax rate from 10% to 11%. TOT revenues increased by \$0.8 million in fiscal year 2013 to \$5.6 million, steadily increasing to over \$10.2 million in fiscal year 2018. In addition, the City continues to aggressively pursue the construction of major chain hotels with expectations to increase the hotel tax base.

In November 2014, Measure L, the Santa Cruz City Cannabis Business Tax, passed by 82.21%, increasing the City's business tax for sale of cannabis (medical marijuana) from 7% (current business tax rate for non-cannabis businesses) to a maximum of 10%. This tax became effective January 2015 and will be used solely for essential, primary support services such as Police, Fire, Public Works, Parks & Recreation, and community programs. The tax generated \$155 thousand in fiscal year 2015; grew to \$310 thousand in fiscal year 2016 and \$354 thousand in fiscal year 2017; increased to \$669 thousand in fiscal year 2018; and is budgeted to bring in \$896 thousand in fiscal year 2019.

In November 2016, Santa Cruz County voters approved Measure D, a 1/2-cent sales tax to provide funding for streets and road maintenance, bicycle and pedestrian projects, and other essential transportation projects and programs. For the City of Santa Cruz, Measure D generated \$1.3 million in revenue during fiscal year 2018.

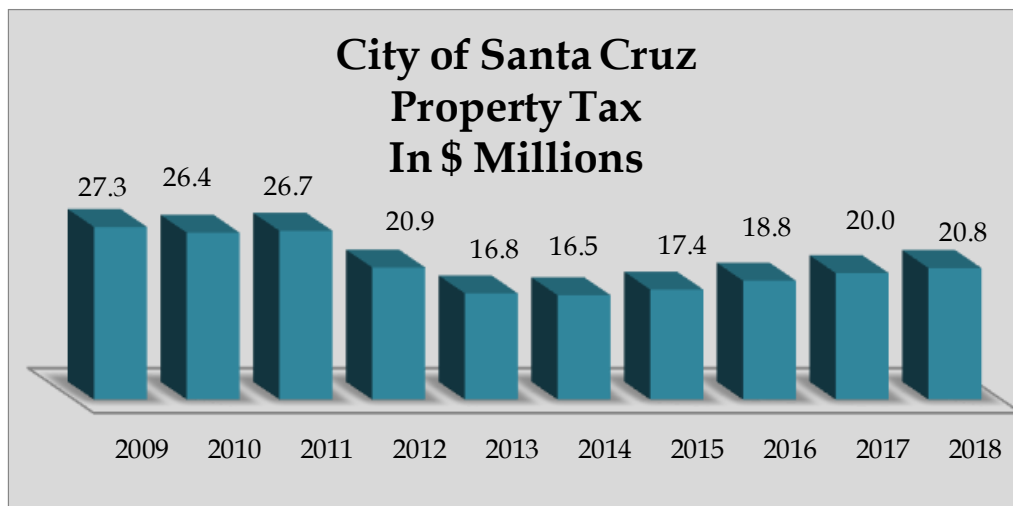
In June 2018, City voters approved Measure S, which increased the City's sales tax rate by 1/4-percent from 9% to 9.25% effective October 1, 2018. It is anticipated that Measure S will increase the City's annual sales tax revenue by \$3 million.

The City continues to evaluate its financial future and the City’s goal is to find a structural equilibrium between available resources and service requirements. The City is also dedicated to increasing local revenues with more economic development and incentive programs to improve the quality of local motels and hotels. However, City management realizes that increases in expenditures will escalate faster than revenues and continues to plan for long-term structural adjustments.

### Historical Trend Information

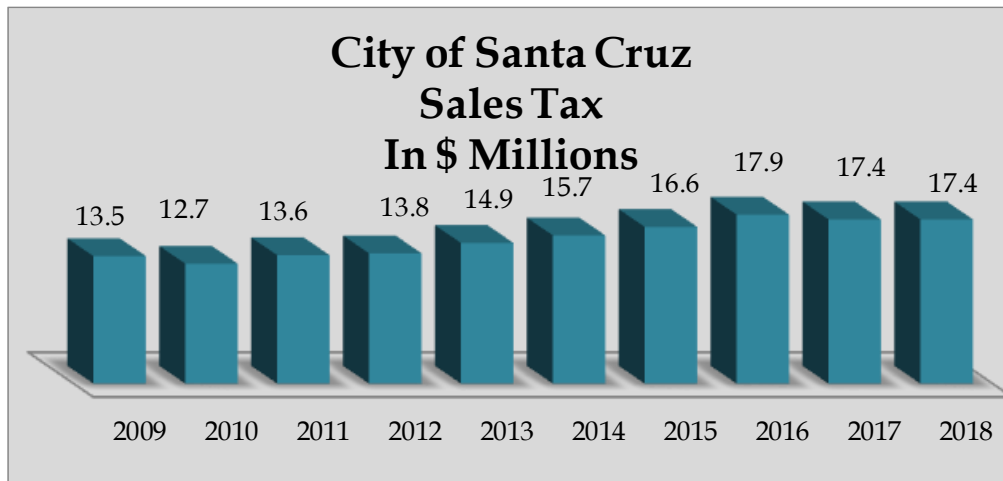
#### Property Tax

As illustrated in the following chart, the historical trend for property tax was positive (with only a slight decline in fiscal year 2010) until the dissolution and redistribution of property tax of the former Santa Cruz Redevelopment Agency on January 31, 2011. Although the City received an additional \$2.0 million from this redistribution in fiscal year 2013 (offset by a decrease of \$6.4 in redevelopment tax increment) the City only received \$1.7 million in redistribution funds fiscal year 2018, a decrease of \$.6 million. Since fiscal year 2015, Property Tax revenue has increased each year.



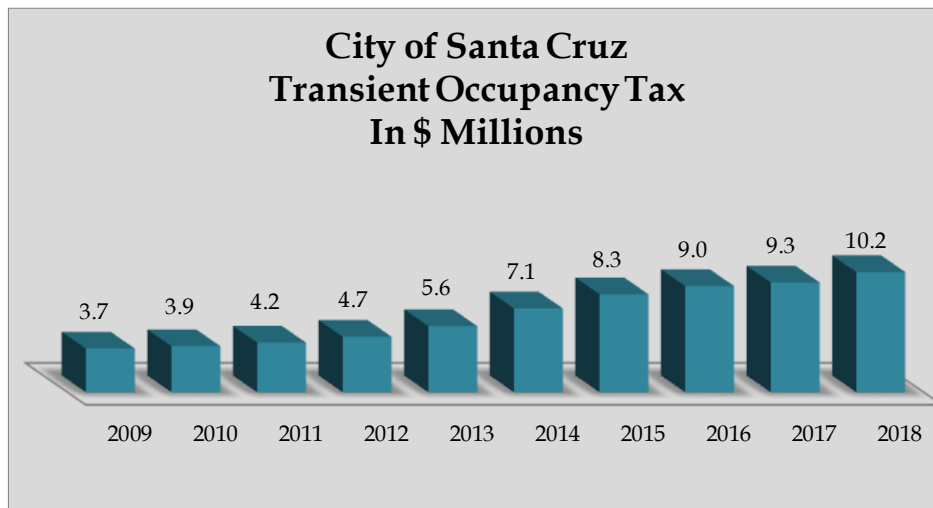
#### Sales & Use Tax, Local Transactions and Use Tax and Supplemental Property Tax In-Lieu of Sales Tax

The City has a well-diversified economy and sales tax base. Sales Tax receipts increased in fiscal year 2011 by \$0.9 million to \$13.6 million after declining during the recession. The City’s revenues progressively increased to total \$17.9 million in fiscal year 2016. After a slight decrease in 2017 to \$17.4 million, sales tax increased to \$18.1 million in fiscal year 2018. As a result of a voter-approved ¼-percent increase in the City’s sales tax rate, revenue is expected to grow \$3 million annually beginning in fiscal year 2019.



#### Transient Occupancy Tax

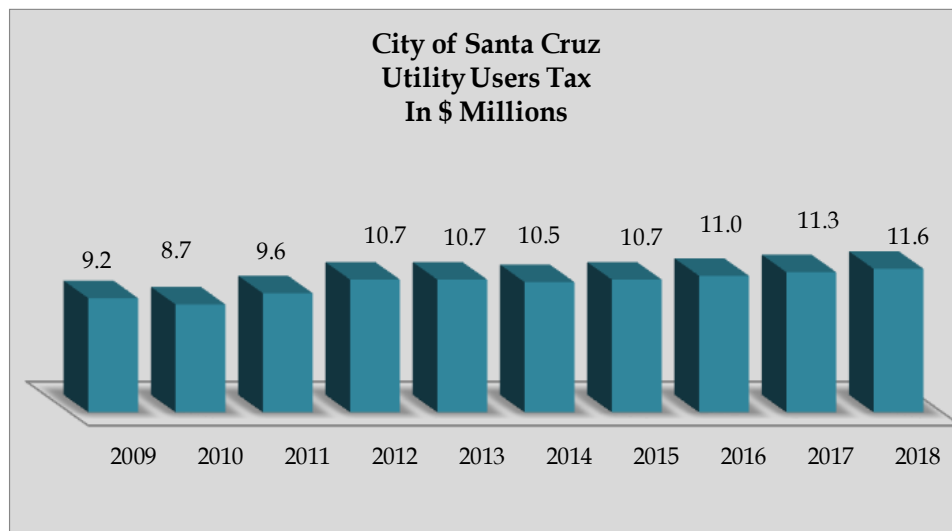
Transient Occupancy Tax (TOT) annual revenues have continued to grow each year. This is primarily due to additional hotels, vacation rentals and a voter-approved TOT rate increase from 10% to 11% (effective July 1, 2013). TOT fiscal year 2018 receipts increased by \$0.9 million (9.7%) compared to the previous fiscal year, and future increases are expected as the City continues to aggressively attract higher quality hotels and new hotels are completed.



#### Utility Users Tax

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

In November 2010, the City residents voted 63.67% to 33.74% in favor of increasing the Utility Users Tax to 8.5%. The new tax was only in place for the latter part of fiscal year 2011, but receipts exceeded expectations. Utility Users Tax has increased steadily to \$11.6 million in fiscal year 2018 and modest increases are expected in future years.



### Health Care Costs

The City contracts with CalPERS for employee health care coverage. Under this program, employer average overall plan premiums often increase – sometimes as high as 10%. The City continues to explore alternative health care coverage options to offset the rising costs.

### State Budget

The strengthening of the state budget in recent years has made it possible to have a balanced budget for fiscal year 2019. However, the state will continue to face uncertain times, including the ramifications of the recently enacted federal tax bill. The focus of the fiscal year 2019 state budget is to continue to plan and save for the next recession. The budget proposes to bring the Rainy Day fund to 100 percent of its constitutional target of \$13.5 billion. The budget also includes increased funding for schools. Funding for K-14 education will increase \$31 billion to \$78.3 billion in fiscal year 2019. To counteract the effects of poverty, the state continues to fund: raising the minimum wage to eventually rise to a \$15 per hour; expansion of health care coverage under the Federal Affordable Care Act; restoration of various health benefits to low-income Californians that were eliminated during the recession; implementing the fires Earned Income Tax Credit; increased CalWorks grants; and increased child care and early education provider rates and the number of children served totaling \$1.2 billion.

The state budget also includes the first full year of funding under the Road Repair and Accountability Act of 2017 (SB 1), which provides stable, long-term funding for both state and local transportation infrastructure priorities. Under the Road Repair and Accountability Act of 2017, the City is still required to maintain past maintenance levels. However, with its share of revenues, the City will now be able to greatly improve its transportation infrastructure.

### Major Initiatives

As mentioned earlier, the City of Santa Cruz operates four municipal utilities, including water, wastewater, storm water, and refuse collection/landfill operations. The Water Department has embarked upon an ambitious program of capital improvements over the next four to five years and will cost approximately \$50 to \$100 million, to be financed partially through the issuance of new debt.

In fiscal year 2012, the City entered into a 7-year agreement with a Warriors Sports franchise to loan \$4.1 million for the construction of a sports stadium for the Warriors D-league basketball team. The team finished second in their division their first season in Santa Cruz and finished out the 2014-2015 season in first place in the Western division. Plans for constructing a permanent arena has been considered if funding becomes available.

With the upturn of the economy the City has plans to evaluate and improve the condition of its infrastructure, including major renovations to the Municipal Wharf (now 100 years old), the Civic Auditorium (75 years old), and a new downtown library.

## **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, 2017. This was the eleventh consecutive year that the government has achieved this prestigious award. 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. The GFOA also awarded a Distinguished Budget Award for the fiscal year 2018 Annual Budget. This award is the highest form of recognition in governmental budgeting. This was the third year that the government has received this esteemed award.

## **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. I would like to express my appreciation to Assistant Finance Director Cheryl Fyfe, Senior Accountant Lisa Saldana, our Accountants - Nicolas Gong, Michael Manno, Jillian Morales, and Tanya Malko, who aided in the compilation of this document. I also want to thank the other Division Managers Patty Haymond, Laura Nolan, Kim Wigley, Denise Reid and the rest of the Finance Department staff - Debra Allen, Joseph Balasabas, Kristi Cowley, Zayne Fassio, Maralise Howze, Angela Dmitriyeva, Jason McCluskey, Mya McLelan, Natalia Duarte, Edward Torres, Tracy Cole, Ralph Reader, Malee Vang, Andrew Smith, Ginger Baker, Fernando Munoz-Noriega, and Annie Martin who assisted with all the transactions and postings that led to the preparation of this report. I also want to thank the partners and staff of our auditors for their assistance and support. Credit also is given to the Mayor, City Council Members, and City Manager for their unfailing leadership and support.

Respectfully submitted,



Marcus Pimentel  
Director of Finance





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

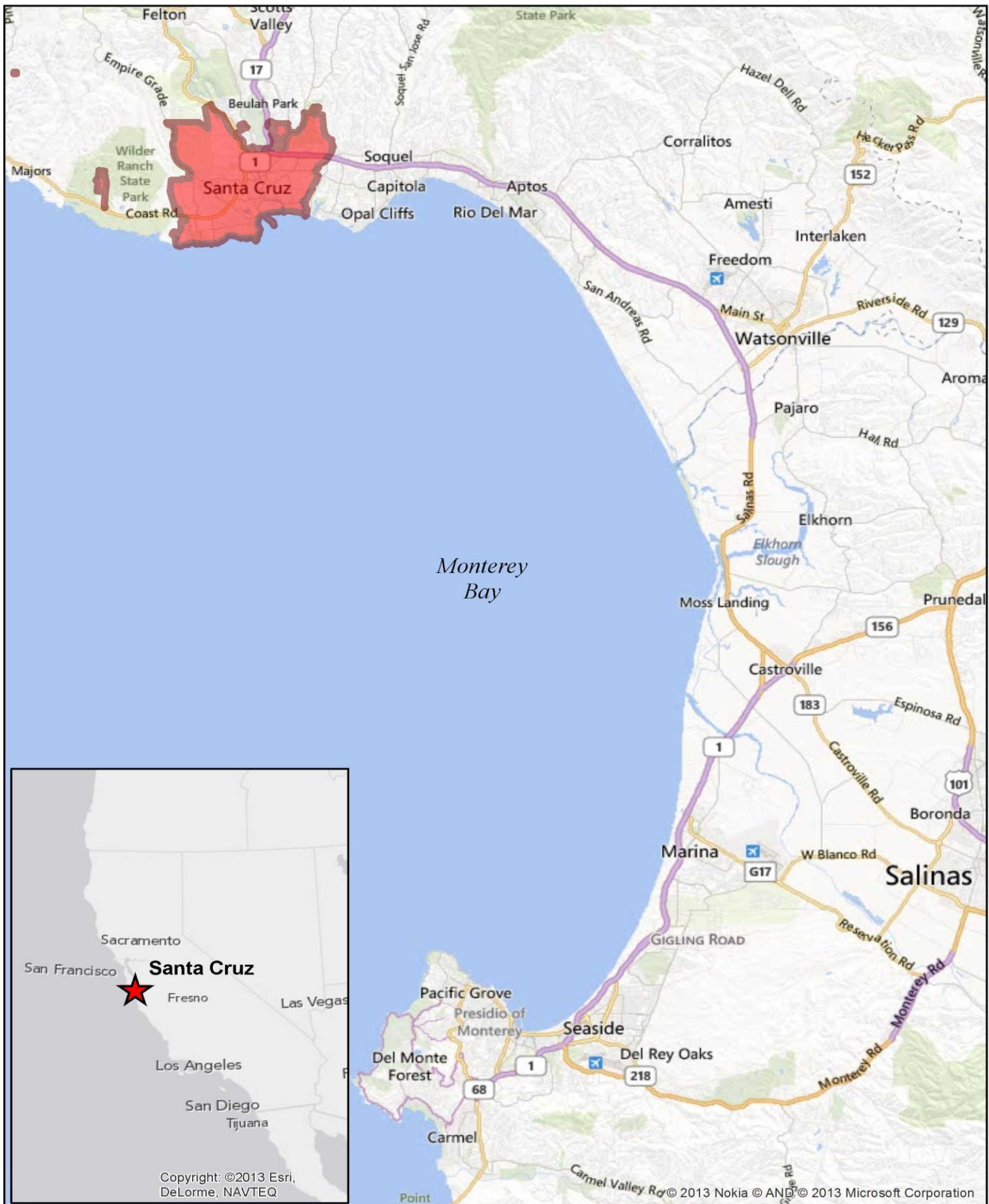
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**City of Santa Cruz  
California**

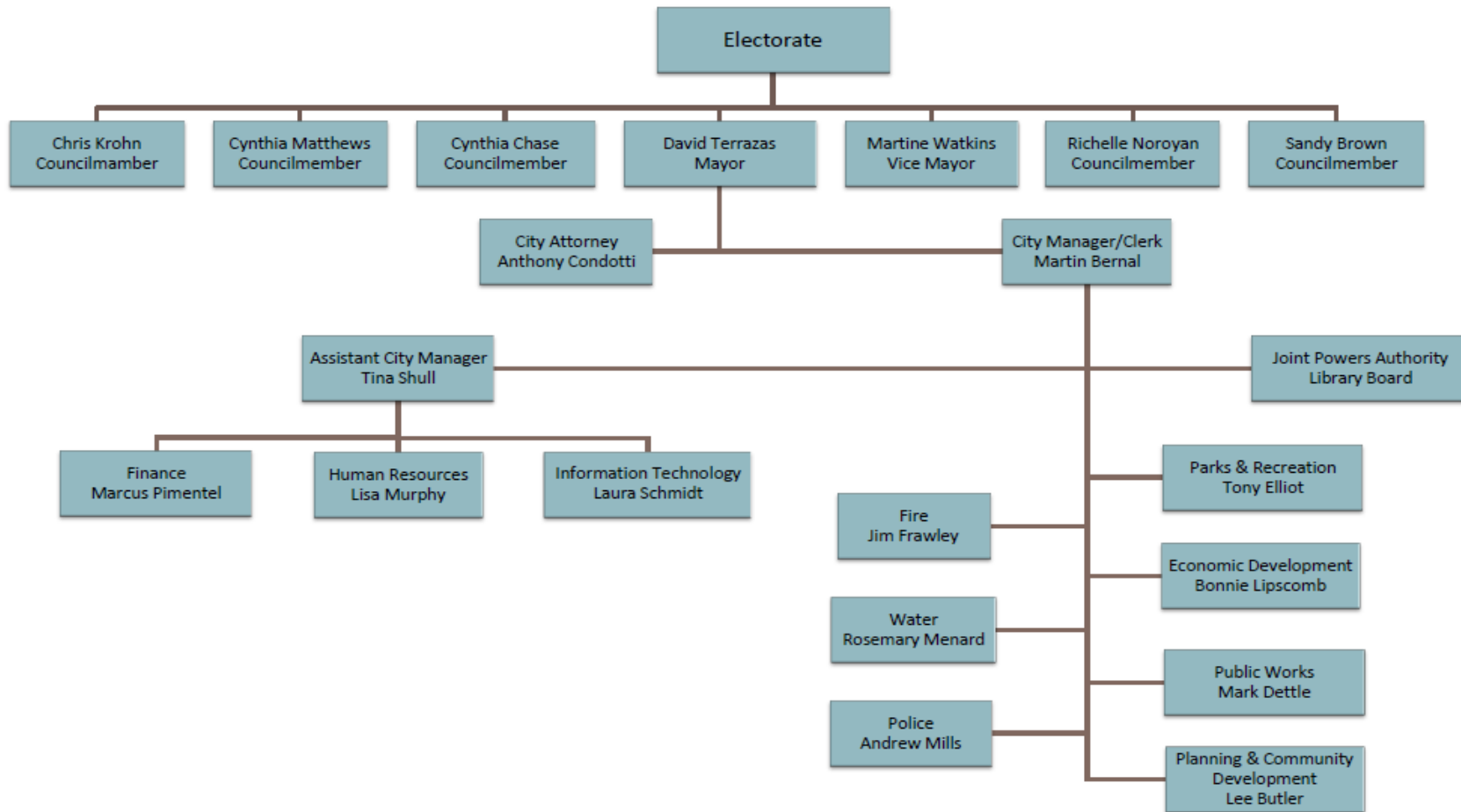
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

Executive Director/CEO



# City of Santa Cruz Organization Chart



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

Mayor David Terrazas

Vice Mayor Martine Watkins

Councilmember Sandy Brown

Councilmember Chris Krohn

Councilmember Cynthia Mathews

Councilmember Richelle Noroyan

Councilmember Cynthia Chase

City Manager, Martín Bernal

Assistant City Manager.....	Tina Shull
Chief of Fire .....	Jim Frawley
Chief of Police .....	Andrew Mills
City Attorney.....	Anthony Condotti
Director of Economic Development.....	Bonnie Lipscomb
Director of Finance .....	Marcus Pimentel
Director of Human Resources.....	Lisa Murphy
Director of Information Technology .....	Laura Schmidt
Director of Parks and Recreation.....	Tony Elliot
Director of Planning and Community Development.....	Lee Butler
Director of Public Works .....	Mark Dettle
Director of Water Department.....	Rosemary Menard

# **INDEPENDENT AUDITOR'S REPORT**

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Santa Cruz, California (City) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Emphasis of Matter*

As discussed in Notes 10 and 18 to the financial statements, the City adopted new Government Accounting Standards Board (GASB), GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as of July 1, 2017. Our opinions are not modified with respect to this matter.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedule - General Fund, Budgetary Comparison Schedule - RDA Successor Agency - LMIH, Schedule of Changes in Net Pension Liability and Related Ratios - Miscellaneous Plan, Schedule of Pension Contribution - Miscellaneous Plan, Schedule of Proportionate Share of the Net Pension Liability - Cost Sharing Plan, Schedule of Pension Contributions - Cost Sharing Plan and Schedule of Changes in Total Other Postemployment Benefit Liability and related Ratios, on pages 7 through 23 and pages 120 through 127, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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



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

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

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California  
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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## Management's Discussion and Analysis

As management of the City of Santa Cruz (City), 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, 2018. 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. All amounts, unless otherwise indicated, are expressed in millions of dollars.

### Financial Highlights - Primary Government

- **Government-wide Highlights:**

The government-wide statement of net position for the City's governmental and business-type activities indicates that as of June 30, 2018, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$312.2 million. Of this amount, a deficit of \$84.7 million represents unrestricted net position which is comprised of a deficit of \$108.4 million for governmental activities, and a positive \$23.7 million for business-type activities. In addition, the City's restricted net position totals of \$37.2 million (for governmental activities only), is dedicated to specific purposes. Lastly, the remaining \$359.7 million represents the City's net investment in net capital assets (\$174.5 million for governmental activities and \$185.2 million for business-type activities).

At the end of fiscal year 2018, the City's net position was \$312.2 million, a decrease in the amount of \$29.0 million (8.49%) from the City's net position of \$341.2 million at the end of June 30, 2017.

Expenses exceeded revenues in the amount of \$7.7 million, an amount (before transfers) of a spending deficit of \$3.4 million, for the governmental activities and \$11.1 million for the business-type activities. This represents an increase of \$4.4 million for the governmental activities and a decrease of \$6.2 million for the business-type activities from the previous fiscal year.

The governmental activities' revenues were \$117.3 million, an increase of \$12.9 million from the prior fiscal year. The increase was primarily due to an increase in capital grants and contributions. This was offset by expenses in the amount of \$120.7 million, an increase of \$8.5 million from the prior fiscal year. The increase was due to the additional expenditures related to the 2017 storms, increased personnel pension and health care costs, additional staff, and normal cost of living adjustments. After transfers from the business-type activities in the amount of \$1.0 million and an adjustment due to change in accounting principle of negative \$17.3 million, the ending fiscal year 2018 net position was \$103.2 million.

The business-type activities expenses exceeded revenues (before transfers) by \$11.1 million, a decrease of \$6.2 million from the prior fiscal year. This decrease was primarily due to an increase in expenses in the water fund from special item related to impairment of capital assets. After transfers to the governmental activities in the amount of \$1.0 million and an adjustment due to change in accounting principle of negative \$5.8 million, the ending fiscal year 2018 net position was \$209.0 million.

- **Fund Highlights:**

*Governmental Funds* – Governmental funds include the general, special revenue, capital improvement, and debt service funds. At the close of the fiscal year 2018, the City reported a combined ending fund balance of \$54.8 million, a decrease of \$0.8 million (1.4%) in comparison with the prior fiscal year. There is no unassigned fund balance available for appropriation.

*General Fund* – At the close of fiscal year 2018, the City’s General Fund reported a total fund balance of \$28.2 million, an increase of \$1.5 million (5.8%) in comparison with the prior fiscal year. There is no unassigned fund balance available for appropriation. Before net interfund transfers, revenues exceeded expenditures in the amount \$1.5 million during fiscal year 2018.

*Redevelopment Successor Agency Low and Moderate Income Housing (LMIH) Fund* – At the close of fiscal year 2018, the Redevelopment Successor Agency LMIH fund reported a total fund balance of \$11.5 million, a slight increase of \$0.3 million in comparison with the prior fiscal year. Fund balance is comprised of *restricted fund balance* for housing programs.

*General Capital Improvement Fund* – At the close of fiscal year 2018, the City’s General Capital Improvement Fund reported a negative fund balance of \$0.3 million, a decrease of \$5.6 million in comparison with the prior fiscal year.

## **Overview of the Financial Statements**

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

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

In addition, this report also contains other supplementary information.

## **Government-wide Financial Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the City’s finances, in a manner similar to a private-sector business. They are comprised of the *statement of net position* and *statement of activities*.

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

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position 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. Examples include revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

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, parks and recreation, library, public works, transit, community and economic development, and social services. The business-type activities of the City include the four municipal utilities: water, wastewater, storm water, and refuse and landfill operation and the self-supporting parking enterprises. The general fund subsidized the golf course and therefore, during the fiscal year, the assets, liabilities of the fund were transferred to the general fund.

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

The government-wide financial statements can be found on pages 26-29 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 Governmental Accounting Standards Board (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 Supplementary Information section of this report on pages 132-150.

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

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

The City has thirteen governmental funds, of which three are considered major funds for presentation purposes. The City's three major funds, the General Fund, Redevelopment Successor Agency Low and Moderate Income Housing (LMIH) fund, and the General Capital Improvement Fund, are presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. Data from the other nine governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 32-35 of this report. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 132-135 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City has nine enterprise funds which provide the same type of information as the government-wide financial statements, only in more detail. The fund financial statements for the enterprise funds provide separate information for the four municipal utilities: water, wastewater, storm water, and refuse and landfill operations; also the self-supporting parking enterprise, and a general fund subsidized golf course which was moved by the end of the fiscal year to the general fund. The basic enterprise fund financial statements can be found on pages 38-47 of this report. Conversely, the two internal service funds are combined into a single aggregated column in the enterprise fund statements. Individual fund data for the internal service funds is provided in the form of *combining statements* on pages 148-150 of this report.

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

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

Agency funds are custodial in nature (assets equal liabilities), 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, Trust Deposit Holding, and Payroll Payables. The basic fiduciary fund financial statements can be found on pages 49-50 of this report.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 53-118 of this report.

### **Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* providing a budgetary comparison schedule for the General Fund and the Redevelopment Successor Agency - LMIH. In addition, pension and other postemployment healthcare schedules present the City's progress toward funding its obligations to provide future pension and other postemployment healthcare benefits for its active and retired employees. Required supplementary information can be found on pages 120-126 of this report.

### **Supplementary Information**

The *supplementary information* section of this report includes additional budgetary schedules for the General Capital Improvement Fund, the combining statements (referred to earlier in connection with nonmajor governmental funds), the internal service funds, and the fiduciary funds are presented immediately following the required supplementary information in the supplementary information section of this report. The supplementary information section can be found on pages 132-156 of this report.

## Government-Wide Financial Analysis

### Analysis of Net Position

As noted earlier, the City's net position may serve as a useful indicator of a government's financial health or financial position. As of June 30, 2018, the City's total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by \$312.2 million. This was a decrease of \$29.0 million (8.49%) in comparison to the prior fiscal year. The following is a condensed summary of the City's net position for governmental and business-type activities:

**Condensed Statements of Net Position**  
(amounts expressed in \$ millions)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Assets:</b>						
Current assets	\$ 67.9	\$ 71.8	\$ 88.6	\$ 80.1	\$ 156.5	\$ 151.9
Noncurrent assets	21.8	18.9	1.3	1.7	23.1	20.6
Capital assets	189.9	186.6	236.4	244.1	426.3	430.7
Total assets	279.6	277.3	326.3	325.9	605.9	603.2
<b>Deferred outflows of resources:</b>						
Deferred charge on refunding	0.3	0.4	1.1	1.2	1.4	1.6
Deferred outflows related to OPEB	0.8	-	0.3	-	1.1	-
Deferred outflows related to pensions	34.3	28.5	13.4	11.2	47.7	39.7
Total deferred outflows of resources	35.4	28.9	14.8	12.4	50.2	41.3
<b>Liabilities:</b>						
Current liabilities	17.9	17.4	14.3	12.1	32.2	29.5
Noncurrent liabilities	191.5	161.6	116.3	106.0	307.8	267.6
Total liabilities	209.4	179.0	130.6	118.1	340.0	297.1
<b>Deferred inflows of resources:</b>						
Deferred inflows related to pensions	2.3	4.3	1.6	1.9	3.9	6.2
<b>Net position</b>						
Net investment in capital assets	174.5	170.1	185.2	190.9	359.7	361.0
Restricted	37.1	32.1	-	-	37.20	32.1
Unrestricted	(108.4)	(79.3)	23.7	27.4	(84.7)	(51.9)
Total net position	\$ 103.2	\$ 122.9	\$ 209.0	\$ 218.3	\$ 312.2	\$ 341.2

At June 30, 2018, the City is able to report positive balances in two categories: net investment in capital assets and restricted. The unrestricted category presented a deficit of \$84.7 million at the end of the fiscal year and an increase from the prior fiscal year deficit of \$51.9 million.



By far the largest portion of the City's net position, \$359.7 million, reflects its net investment in capital assets (e.g., land, streets, bridges, water and sewer lines, buildings, machinery and equipment, less any related debt used to acquire those assets that is still outstanding). The City uses these capital assets to provide services to citizens, and consequently, these assets were not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Additional information on the City's capital assets can be found in the Notes to the Basic Financial Statements on pages 53-118.

A portion of the City's net position, \$37.1 million, represents resources in the governmental activities that were subject to external restrictions on their use. Of the total net position at June 30, 2018, a deficit amount of \$84.7 million, represents *unrestricted net position* (negative \$108.4 million for governmental activities and positive \$23.7 million for business-type activities) and may be used to meet the government's ongoing obligations to citizens and creditors.

### **Changes in Net Position**

During fiscal year 2018, the City's total net position decreased by \$29.0 million, reflecting a \$19.6 decrease in the governmental activities and a \$9.3 decrease in the business-type activities. Notable changes in the statement of net position between June 30, 2018 and June 30, 2017 included:

- The City restated the beginning net position for a negative \$23.1 million due to implementation of GASB 75.
- The City's deferred outflows of resources increased by \$5.7 in the governmental activities. This is due to the volatility of pension outflows from year to year.

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

**Condensed Statements of Activities**  
(amounts expressed in millions)

	Governmental		Business-Type		Total	
	Activities	Activities	Activities	Activities	Activities	Activities
	2018	2017	2018	2017	2018	2017
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 30.3	\$ 27.0	\$ 89.1	\$ 76.8	\$ 119.4	\$ 103.8
Operating grants and contributions	4.2	6.0	1.5	0.6	5.7	6.6
Capital grants and contributions	8.7	2.1	-	-	8.7	2.1
Total program revenues	<u>43.2</u>	<u>35.1</u>	<u>90.6</u>	<u>77.4</u>	<u>133.8</u>	<u>112.5</u>
General revenues:						
Property taxes	20.7	19.9	0.1	0.1	20.8	20.0
Sales and use taxes	17.4	17.4	-	-	17.4	17.4
Franchise taxes	3.7	3.5	-	-	3.7	3.5
Transient occupancy taxes	10.2	9.3	-	-	10.2	9.3
Utility users taxes	11.6	11.3	-	-	11.6	11.3
Admissions taxes	2.7	2.5	-	-	2.7	2.5
Other taxes	6.9	4.9	-	-	6.9	4.9
Total taxes	<u>73.2</u>	<u>68.8</u>	<u>0.1</u>	<u>0.1</u>	<u>73.3</u>	<u>68.9</u>
Unrestricted investment earnings	0.3	0.4	0.7	0.3	1.0	0.7
Gain (loss) on sale of assets	0.6	0.1	-	-	0.6	0.1
<b>Total revenues</b>	<u>117.3</u>	<u>104.4</u>	<u>91.4</u>	<u>77.8</u>	<u>208.7</u>	<u>182.2</u>
<b>Expenses:</b>						
General government	19.4	18.9	-	-	19.4	18.9
Public safety	51.4	47.9	-	-	51.4	47.9
Parks and recreation	17.7	16.5	-	-	17.7	16.5
Library	1.6	1.6	-	-	1.6	1.6
Public works	15.6	18.6	-	-	15.6	18.6
Transit	0.7	0.8	-	-	0.7	0.8
Community and economic development	10.5	4.6	-	-	10.5	4.6
Social services	2.2	1.4	-	-	2.2	1.4
Interest and charges on long term debt	1.6	1.9	-	-	1.6	1.9
Water	-	-	33.2	28.4	33.2	28.4
Wastewater	-	-	21.8	20.8	21.8	20.8
Refuse	-	-	18.4	17.1	18.4	17.1
Parking	-	-	5.2	4.8	5.2	4.8
Storm water	-	-	1.7	1.8	1.7	1.8
<b>Total expenses</b>	<u>120.7</u>	<u>112.2</u>	<u>80.3</u>	<u>72.9</u>	<u>201.0</u>	<u>185.1</u>
Increase (decrease) before transfers	(3.4)	(7.8)	11.1	4.9	7.7	(2.9)
Transfers	1.0	0.4	(1.0)	(0.4)	-	-
Special items	-	-	(13.7)	-	(13.7)	-
<b>Change in net position</b>	<u>(2.4)</u>	<u>(7.4)</u>	<u>(3.6)</u>	<u>4.5</u>	<u>(6.0)</u>	<u>(2.9)</u>
Net position, beginning of year (as previously reported)	122.9	130.2	218.4	213.9	341.3	344.1
Change in accounting principle	(17.3)	0.1	(5.8)	(0.1)	(23.1)	-
Net position, beginning of year (as restated)	<u>105.6</u>	<u>130.3</u>	<u>212.6</u>	<u>213.8</u>	<u>318.2</u>	<u>344.1</u>
Net position - end of year	<u>\$ 103.2</u>	<u>\$ 122.9</u>	<u>\$ 209.0</u>	<u>\$ 218.3</u>	<u>\$ 312.2</u>	<u>\$ 341.2</u>

## Governmental Activities

The net position for the City's governmental activities decreased in fiscal year 2018 by \$19.6 million. A comparison of the cost of services by function for the City's governmental activities is shown below, along with the revenues used to cover the net expenses of the governmental activities.

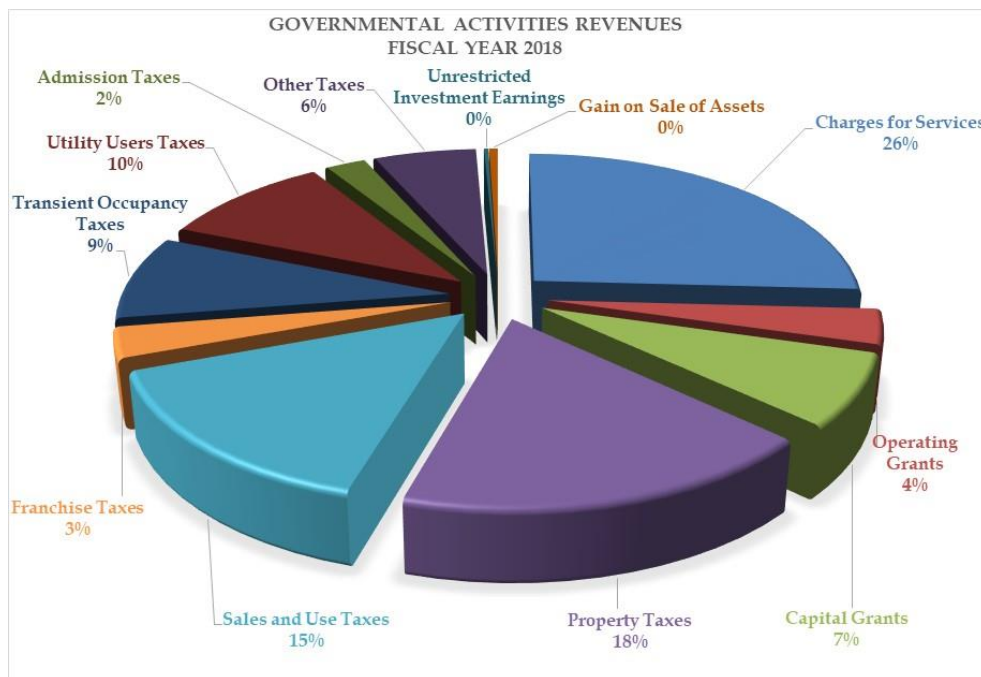
### Condensed Governmental Activities Changes in Expenses, Revenues, and Transfers (amounts expressed in millions)

	2018	2017	Net Change
<b>Expenses net of program revenues:</b>			
General government	\$ 8.1	\$ 8.3	\$ (0.2)
Public safety	44.5	42.2	2.3
Parks and recreation	11.8	10.3	1.5
Library	1.1	1.1	-
Public works	5.5	9.7	(4.2)
Community and economic development	2.5	2.1	0.4
Social services	2.2	1.4	0.8
Interest and fiscal charges on long-term debt	1.6	2.0	(0.4)
Total expenses net of program revenues - governmental activities	<u>77.3</u>	<u>77.1</u>	<u>0.2</u>
<b>General revenues transfers and special items:</b>			
General revenues:			
Property taxes	20.7	19.9	0.8
Sales and use taxes	17.3	17.4	(0.1)
Franchise taxes	3.7	3.5	0.2
Transient occupancy taxes	10.2	9.3	0.9
Utility users taxes	11.6	11.3	0.3
Admission taxes	2.7	2.5	0.2
Other taxes	6.9	4.9	2.0
Total taxes	<u>73.1</u>	<u>68.8</u>	<u>4.3</u>
Unrestricted investment earnings	0.3	0.4	(0.1)
Gain on sale of assets	0.6	0.1	0.5
Transfers	1.0	0.4	0.6
Total general revenues and transfers	<u>75.0</u>	<u>69.7</u>	<u>5.3</u>
<b>Change in accounting principle</b>	<u>(17.3)</u>	<u>0.1</u>	<u>(17.4)</u>
<b>Change in governmental activities net position</b>	<u>\$ (19.6)</u>	<u>\$ (7.3)</u>	<u>\$ (12.3)</u>

## Governmental Revenues

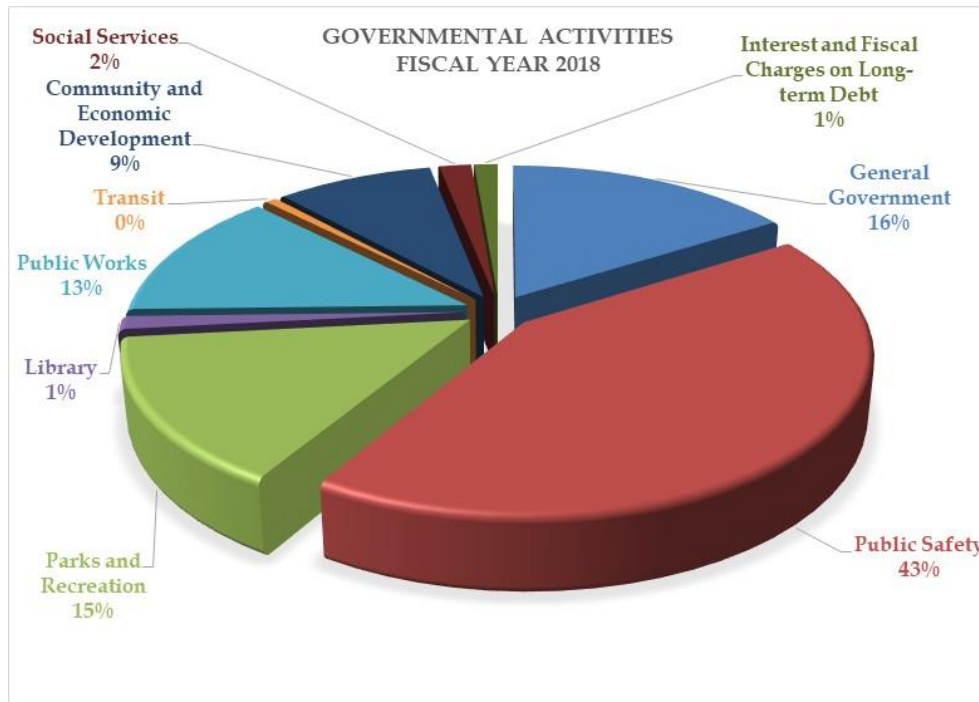
Program revenues are derived directly from programs or from parties outside the reporting government's taxpayers or citizenry. They reduce the net cost of the function to be financed from the government's general revenues. Total program revenues from governmental activities were \$43.2 million in fiscal year 2018, an increase of \$8.1 (23.1%) from the previous fiscal year. Governmental program revenues are derived primarily from *charges for services*, which included licenses and permits, planning fees, developer fees, recreation charges, traffic and other fines and forfeitures, and several other revenues. Program revenues under the *operating grants and contributions* category included revenues restricted for specific purposes, such as gasoline taxes and other federal, state and local grants. Program revenues in the *capital grants and contributions* category also included federal, state and local grants, but were restricted specifically to be used for capital projects or acquisitions.

*General revenues* are all other revenues not categorized as program revenues, and include all taxes, unrestricted grants, contributions and investment earnings, material gains on sales of capital assets, and other miscellaneous revenues. Total general revenues from governmental activities fiscal year 2018 were \$74.1 million. Taxes of \$73.2 million comprised 98.8% of the City's general revenues for fiscal year 2018. The largest single source of general revenues received during fiscal year 2018 was \$20.7 million of property taxes, which were 27.9% of general revenues, followed by \$17.4 of sales and use taxes, which were 23.5% of general revenues. The following graph includes program and general revenues and shows the percentage of all governmental activities revenues by sources:



## Governmental Expenses

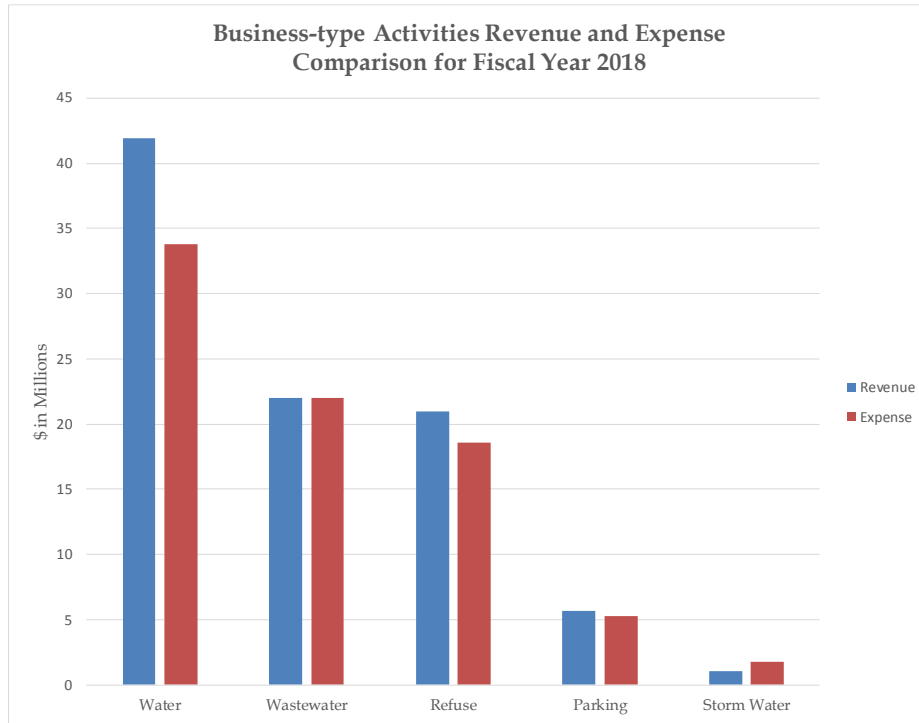
Total governmental activities expenses were \$120.7 million in fiscal year 2018 but \$43.2 million in program revenues offset these expenses and the rest is funded through general revenues. The largest expenses were incurred for public safety \$51.4 million, general government \$19.4 million, parks and recreation \$17.7 million, and public works \$15.6 million. These expenses did not include capital outlays, which were reflected in the City's capital assets. The following graph shows the Governmental Activities expenses for fiscal year 2018, and shows the percentage of all governmental activities expenses by program:



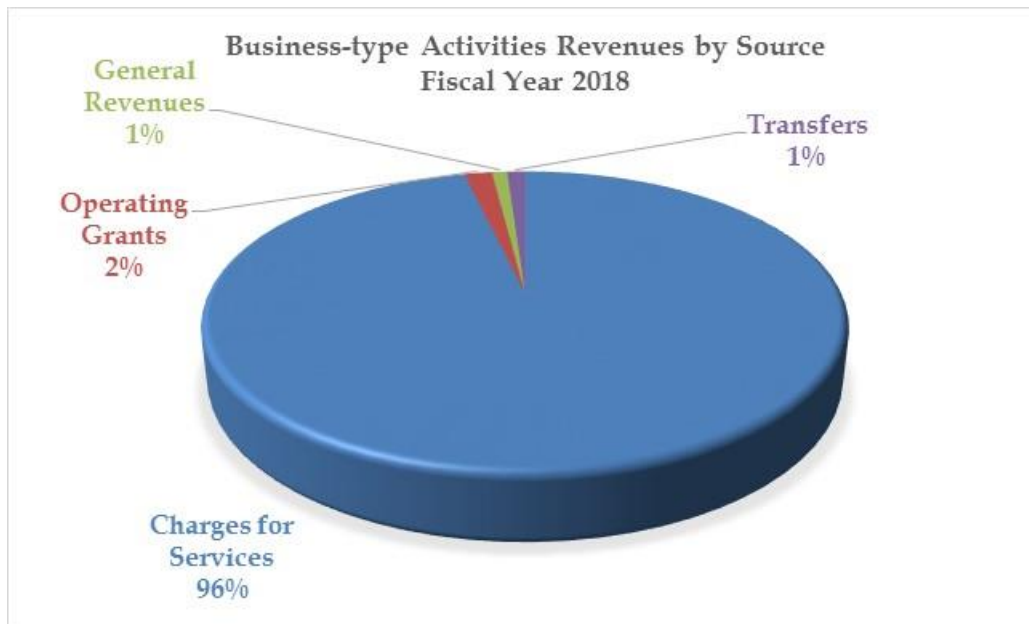
## Business Type Activities

Net position for the City's business-type activities at June 30, 2018 was \$209.0 million, a decrease of \$9.3 million from the previous fiscal year. Total program revenues for business-type activities were \$90.6 million. The largest program revenues were charges for services of \$89.1 million, and other program revenues including capital and operating grants and contributions in the amount of \$1.5 million. Total expenses for the business-type activities were \$80.3 million during fiscal year 2018.

The following chart shows a comparison of fiscal year 2018 revenue and expenses for the City's enterprise funds:



The following chart shows fiscal year 2018 revenues by source for the City's Enterprise funds:



## Financial Analysis of Individual Funds

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

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

As of the close of the fiscal year 2018, the City's governmental funds reported a combined ending fund balance of \$54.8 million, a decrease of \$0.8 million (1.4%) in comparison with the prior fiscal year. Of this amount, \$12.0 million is considered "non-spendable" because it represents the portion of the City's assets for long-term receivables, advances and prepaid expenses, \$37.4 million is considered "restricted" mainly due to revenues collected for specific services, \$5.7 million is committed by City Council resolution for capital improvement and the City's stabilization fund. More information concerning fund balances can be found in Note 15 on pages 111-112.

**General Fund** - Total fund balance of the General Fund on June 30, 2018 was \$28.2 million, an increase of \$1.5 million (5.8%) from the previous fiscal year. \$12.0 million was considered non-spendable; \$10.5 million was restricted; and \$5.7 million is committed by City Council resolution for capital improvement and the City's stabilization fund. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance, the assigned, committed, restricted, non-spendable, and total fund balance to total fund expenditures. Total fund balances of \$28.2 million in the General Fund 28.8% of total General Fund expenditures of \$97.9 million.

**RDA Successor Agency - LMIH** - The Redevelopment Successor Agency - LMIH (Low & Moderate Income Housing) fund is used to account for housing assets transferred from the former Redevelopment Agency (due to the State of California's dissolution of redevelopment agencies) to the City as a housing successor. At the end of fiscal year 2018, the total fund balance of the RDA Successor Agency - LMIH fund was \$11.5 million, a slight increase from the prior fiscal year. The entire fund balance is restricted for housing programs.

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

At the end of fiscal year 2018, the total fund balance of the General Capital Improvement Fund was negative \$0.3 million, a decrease from the prior fiscal year of positive \$5.3 million. The entire amount is classified as unassigned since the fund balance is a deficit. The decrease is due to a grant reimbursement received in the current year

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

At the end of fiscal year 2018, the net position of the enterprise funds was \$209.0 million, a decrease over the prior fiscal year of \$9.3 (4.25%), primarily due to an increase in charges for services revenue from rate increases.

Operating revenues in the City’s enterprise funds increased by \$12.3 million when compared to the prior fiscal year, primarily due to an increase of \$10.1 million in the Water fund, and \$.9 in the Wastewater fund, \$.9 in the Refuse fund, and \$.4 in the Parking fund, for charges for services. Operating expenses increased by \$7.8 million compared to the prior fiscal year and included a \$3.8 million increase in personnel services and a \$4.0 million increase in services and supplies.

Net position in the internal service funds in the amount of \$11.6 million represented an increase of \$1.8 million compared to the previous fiscal year. The increase was primarily due to reclassifying the Unemployment fund from general to an internal service fund.

### **General Fund Budgetary Highlights**

The fiscal year 2018 final amended General Fund budget (not including other financing sources and uses) totaled \$110.4 million and included amendments to the original budget, resulting in an \$10.5 increase when compared to the prior fiscal year total in the amount of \$99.9. This is primarily attributed to negotiated cost of living increases in personnel costs, along with new authorized positions necessary to provide adequate levels of service.

At June 30, 2018, actual operating expenditures (not including other financing sources and uses) in the City’s General Fund totaled \$97.9, which was \$12.5 less than the final amended budget. Of this amount, \$1.2 represented non-lapsing encumbrances that were added as amendments to the City’s fiscal year 2018 General Fund Budget. The remaining amount represented salary and services and supplies savings, primarily in the Public Works department. Actual operating revenues totaled \$98.8 which was under estimated revenues by \$10.3.



## Capital Assets and Debt Administration

### Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2018, amounted to \$870.0 million, net of accumulated depreciation of \$426.3 million. This investment in capital assets included land, land improvements, infrastructure, buildings, machinery and equipment, lease improvements, intangibles, and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the City such as roads, bridges, streets and sidewalks, drainage systems, lighting systems and similar items. The total decrease to the City's investment in capital assets for the current fiscal year, after deletions, was \$4.4 million. Additions and deletions consisted of a net increase to capital assets of \$13.0 million offset by a net increase to accumulated depreciation of \$17.3 million.

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

	Governmental Activities		Business-Type Activities		Total	
	June 30		June 30			
	2018	2017	2018	2017	2018	2017
Land	\$ 70.0	\$ 64.9	\$ 1.7	\$ 1.7	\$ 71.7	\$ 66.6
Construction in progress	10.4	7.0	30.8	38.1	41.2	45.1
Land improvements	12.0	12.8	0.9	1.0	12.9	13.8
Infrastructure	57.5	60.5	113.9	110.9	171.4	171.4
Buildings	33.6	34.6	74.1	77.3	107.7	111.9
Machinery and equipment	6.3	6.6	14.9	14.9	21.2	21.5
Intangibles	0.1	0.2	0.1	0.2	0.2	0.4
<b>Totals</b>	<b>\$ 189.9</b>	<b>\$ 186.6</b>	<b>\$ 236.4</b>	<b>\$ 244.1</b>	<b>\$ 426.3</b>	<b>\$ 430.7</b>

### Debt Administration

*Long Term Debt* – At June 30, 2018, the City had \$89.6 million in long term debt outstanding compared to \$95.4 million last fiscal year, which was a decrease of \$5.8 million (6.1%). The bonds, notes, loans and leases payable associated with governmental activities decreased from \$41.0 million to \$37.3 million (9.0%). The bonds, notes, loans and leases payable associated with business-type activity debt decreased from \$54.4 million to \$52.3 million (3.9%).

One of the largest debt obligations in the City's governmental funds is the Pension Obligation Bonds liability. As of June 30, 2018, the outstanding balance on the Pension Obligation Bonds was \$11.1 million. The largest debt obligation in the City's business type funds is the 2016 I-Bank Water Infrastructure Loan for City-wide improvements to the water system.

The chart below illustrates the changes in bonds, notes, loans and leases payable for the year ending June 30, 2018:

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

	Governmental Activities		Business-Type Activities		Total	
	June 30		June 30			
	2018	2017	2018	2017	2018	2017
Revenue bonds payable	\$ 7.9	\$ 8.1	\$ 22.9	\$ 27.8	\$ 30.8	\$ 35.9
General obligation bonds	5.2	5.5	-	-	5.2	5.5
Pension obligation bonds	11.1	13.3	-	-	11.1	13.3
Notes payable	12.9	13.9	29.4	26.6	42.3	40.6
Capital lease obligations	0.2	0.2	-	-	0.2	0.2
<b>Totals</b>	<b>\$ 37.3</b>	<b>\$ 41.0</b>	<b>\$ 52.3</b>	<b>\$ 54.4</b>	<b>\$ 89.6</b>	<b>\$ 95.4</b>

The City 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, 2018	
	2018	2017			Due in less than one year	Due in more than one year
	Compensated absences	\$ 5.2			\$ 5.1	\$ 0.1
Claims and judgments	13.4	13.4	-	0.0%	3.5	9.9
Closure and post closure landfill costs	7.4	7.1	0.3	4.2%	-	7.4
<b>Totals</b>	<b>\$ 26.0</b>	<b>\$ 25.6</b>	<b>\$ 0.4</b>	<b>1.6%</b>	<b>\$ 6.9</b>	<b>\$ 19.1</b>

Additional information on the City of Santa Cruz's long term debt can be found in Note 7 to the financial statements. Additional information on the City of Santa Cruz's landfill closure and post closure costs can be found in Note 11 on page 108.

***Economic Factors and Next Year's Budgets and Rates***

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

The City has a balanced tax base of property, sales, and utility tax. Housing prices have shown a substantial increase in the fiscal year resulting in higher property tax values, and sales tax revenues increase as the economy continues to improve. The Transient Occupancy Tax rate is currently 11%, and the City continues to invite major name hotels into the area. The City has also recently approved master fee schedule adjustments for special events and police fees.

As with other California cities, Santa Cruz City is subject to the State's past practice of balancing the annual budget using local resources. California's revenue base is highly dependent on personal income tax which is sensitive to unemployment and fluctuations in stock and other asset prices. However, the City is aware that the State may still divert revenues from local government.

### ***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, 877 Cedar Street, Suite 100, Santa Cruz, CA 95060.

## **BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

# City of Santa Cruz

## Statement of Net Position June 30, 2018

	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Current assets:			
Cash and investments	\$ 36,742,604	\$ 73,133,624	\$ 109,876,228
Restricted cash and investments	10,374,276	479,445	10,853,721
Interest receivable	852,318	301,443	1,153,761
Taxes receivable	7,333,020	42,271	7,375,291
Accounts receivable - net	2,011,739	11,204,531	13,216,270
Grants receivable	47,541	15,089	62,630
Intergovernmental receivable	1,620,805	1,654,718	3,275,523
Internal balances	503,542	(503,542)	-
Notes receivable	285,001	-	285,001
Loans receivable	7,980	-	7,980
Prepaid items	5,032,862	2,292,370	7,325,232
Inventories	165,255	-	165,255
Deposits	2,935,452	30,000	2,965,452
<b>Total current assets</b>	<b>67,912,395</b>	<b>88,649,949</b>	<b>156,562,344</b>
Noncurrent assets:			
Restricted investments	4,471,247	1,016,023	5,487,270
Notes receivable	14,587,239	401,058	14,988,297
Loans receivable	2,579,724	-	2,579,724
Internal balances	175,005	(175,005)	-
Capital assets:			
Land	70,046,840	1,662,704	71,709,544
Land improvements	21,999,658	2,435,690	24,435,348
Infrastructure	215,743,399	222,548,988	438,292,387
Buildings	55,650,139	167,182,415	222,832,554
Machinery and equipment	22,657,918	45,920,685	68,578,603
Lease improvements	483,846	70,000	553,846
Intangibles	1,200,516	1,242,658	2,443,174
Construction in progress	10,382,591	30,779,986	41,162,577
<b>Total capital assets</b>	<b>398,164,907</b>	<b>471,843,126</b>	<b>870,008,033</b>
Less accumulated depreciation	(208,296,845)	(235,435,147)	(443,731,992)
<b>Total capital assets, net</b>	<b>189,868,062</b>	<b>236,407,979</b>	<b>426,276,041</b>
<b>Total noncurrent assets</b>	<b>211,681,277</b>	<b>237,650,055</b>	<b>449,331,332</b>
<b>Total assets</b>	<b>279,593,672</b>	<b>326,300,004</b>	<b>605,893,676</b>
<b>Deferred outflows of resources:</b>			
Deferred charge on refunding	331,251	1,110,918	1,442,169
Deferred outflows related to OPEB	760,575	277,610	1,038,185
Deferred outflows related to pension	34,264,684	13,434,486	47,699,170
<b>Total deferred outflows of resources</b>	<b>35,356,510</b>	<b>14,823,014</b>	<b>50,179,524</b>

The accompanying notes are an integral part of these financial statements

# City of Santa Cruz

## Statement of Net Position, Continued June 30, 2018

	Governmental Activities	Business-Type Activities	Total
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable and other current liabilities	6,174,224	6,973,737	13,147,961
Interest payable	275,189	521,521	796,710
Unearned revenue	217,225	36,498	253,723
Deposits payable	573,552	131,206	704,758
Claims and judgments payable	3,472,074	-	3,472,074
Compensated absences payable	2,470,582	954,482	3,425,064
Bonds, notes, loans and leases payable	4,675,494	5,724,494	10,399,988
Total current liabilities	<u>17,858,340</u>	<u>14,341,938</u>	<u>32,200,278</u>
Noncurrent liabilities:			
Claims and judgments payable	9,931,581	-	9,931,581
Compensated absences payable	1,278,509	477,242	1,755,751
Bonds, notes, loans and leases payable	32,589,303	46,549,794	79,139,097
Landfill closure and postclosure costs	-	7,449,025	7,449,025
Total other postemployment benefits liability	29,485,057	9,882,879	39,367,936
Net pension liability	118,240,821	51,891,470	170,132,291
Total noncurrent liabilities	<u>191,525,271</u>	<u>116,250,410</u>	<u>307,775,681</u>
Total liabilities	<u>209,383,611</u>	<u>130,592,348</u>	<u>339,975,959</u>
<b>Deferred inflows of resources:</b>			
Deferred pension inflows	2,322,932	1,576,812	3,899,744
<b>Net position:</b>			
Net investment in capital assets	174,499,307	185,244,609	359,743,916
Restricted for:			
Capital projects	4,225,901	-	4,225,901
Debt service	1,682,256	-	1,682,256
Public safety	441,331	-	441,331
Parks and recreation	1,283,774	-	1,283,774
Community and economic development	19,217,519	-	19,217,519
Retiree benefits	10,250,072	-	10,250,072
Unrestricted	(108,356,521)	23,709,249	(84,647,272)
Total net position	<u>\$ 103,243,639</u>	<u>\$ 208,953,858</u>	<u>\$ 312,197,497</u>

# City of Santa Cruz

## Statement of Activities For the year ended June 30, 2018

Functions/Programs:	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
General government	\$ 19,350,479	\$ 10,985,577	\$ 225,624	\$ -	\$ 11,211,201
Public safety	51,394,586	6,583,350	152,403	186,040	6,921,793
Parks and recreation	17,650,040	5,294,923	289,889	216,909	5,801,721
Library	1,559,242	462,438	-	-	462,438
Public works	15,609,565	6,023,639	1,056,540	2,991,954	10,072,133
Transit	745,940	-	744,077	-	744,077
Community and economic development	10,516,746	980,009	1,771,356	5,302,985	8,054,350
Social services	2,159,544	-	-	-	-
Interest and fiscal charges on long-term debt	1,581,810	-	-	-	-
<b>Total governmental activities</b>	<b>120,567,952</b>	<b>30,329,936</b>	<b>4,239,889</b>	<b>8,697,888</b>	<b>43,267,713</b>
<b>Business-type activities:</b>					
Water	33,284,532	41,061,955	568,600	-	41,630,555
Wastewater	21,785,697	21,018,559	848,894	-	21,867,453
Refuse	18,451,537	20,664,437	24,894	-	20,689,331
Parking	5,226,564	5,456,159	234	-	5,456,393
Storm water	1,673,093	895,130	100,732	-	995,862
<b>Total business-type activities</b>	<b>80,421,423</b>	<b>89,096,240</b>	<b>1,543,354</b>	<b>-</b>	<b>90,639,594</b>
<b>Total primary government</b>	<b>\$ 200,989,375</b>	<b>\$ 119,426,176</b>	<b>\$ 5,783,243</b>	<b>\$ 8,697,888</b>	<b>\$ 133,907,307</b>

### 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

### Transfers

Total general revenues and transfers

Special item - loss from impairment of capital assets

Change in net position

Net position - beginning of year, as previously reported

Change in accounting principle

Beginning of year, as restated

Net position - end of year

The accompanying notes are an integral part of these financial statements



<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>Governmental</u>	<u>Business-Type</u>	
<u>Activities</u>	<u>Activities</u>	<u>Total</u>
\$ (8,139,278)	\$ -	\$ (8,139,278)
(44,472,793)	-	(44,472,793)
(11,848,319)	-	(11,848,319)
(1,096,804)	-	(1,096,804)
(5,537,432)	-	(5,537,432)
(1,863)	-	(1,863)
(2,462,396)	-	(2,462,396)
(2,159,544)	-	(2,159,544)
<u>(1,581,810)</u>	<u>-</u>	<u>(1,581,810)</u>
<u>(77,300,239)</u>	<u>-</u>	<u>(77,300,239)</u>
-	8,346,023	8,346,023
-	81,756	81,756
-	2,237,794	2,237,794
-	229,829	229,829
-	(677,231)	(677,231)
-	10,218,171	10,218,171
<u>(77,300,239)</u>	<u>10,218,171</u>	<u>(67,082,068)</u>
20,681,464	128,614	20,810,078
17,400,320	-	17,400,320
3,678,560	-	3,678,560
10,185,738	-	10,185,738
11,568,654	-	11,568,654
2,679,859	-	2,679,859
6,930,592	-	6,930,592
<u>73,125,187</u>	<u>128,614</u>	<u>73,253,801</u>
279,220	730,023	1,009,243
584,367	47,906	632,273
990,940	(990,940)	-
<u>74,979,714</u>	<u>(84,397)</u>	<u>74,895,317</u>
-	(13,667,218)	(13,667,218)
<u>(2,320,525)</u>	<u>(3,533,444)</u>	<u>(5,853,969)</u>
122,897,395	218,271,925	341,169,320
(17,333,231)	(5,784,623)	(23,117,854)
<u>105,564,164</u>	<u>212,487,302</u>	<u>318,051,466</u>
<u>\$ 103,243,639</u>	<u>\$ 208,953,858</u>	<u>\$ 312,197,497</u>

## **FUND FINANCIAL STATEMENTS**

## **Governmental Fund Financial Statements**

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

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

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

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

# City of Santa Cruz

## Balance Sheet Governmental Funds June 30, 2018

	Major Funds			Other	Total
	General	RDA Successor	General Capital	Governmental	Governmental
	Fund	Agency - LMIH	Improvement	Funds	Funds
<b>Assets:</b>					
Cash and investments	\$ 4,266,941	\$ 807,148	\$ 2,248,977	\$ 12,846,914	\$ 20,169,980
Restricted cash and investments	10,250,072	-	4,471,247	124,204	14,845,523
Interest receivable	20,098	3,325	21,442	731,405	776,270
Taxes receivable	7,130,770	-	140,311	61,939	7,333,020
Accounts receivable - net	1,740,791	2,312	106,346	146,393	1,995,842
Grants receivable	33,391	-	14,150	-	47,541
Intergovernmental receivable	-	-	-	1,620,805	1,620,805
Due from other funds	918,571	-	-	-	918,571
Prepaid items	4,846,230	-	1,949	22,039	4,870,218
Deposits	82,620	-	-	-	82,620
Notes receivable - net	3,623,452	11,173,788	-	75,000	14,872,240
Loans receivable - net	-	-	-	2,587,704	2,587,704
Advances to other funds	3,523,793	500,000	-	-	4,023,793
<b>Total assets</b>	<b>\$ 36,436,729</b>	<b>\$ 12,486,573</b>	<b>\$ 7,004,422</b>	<b>\$ 18,216,403</b>	<b>\$ 74,144,127</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable and other current liabilities	\$ 2,697,335	\$ 308	\$ 1,779,698	\$ 1,029,689	\$ 5,507,030
Unearned revenue	27,365	-	-	189,860	217,225
Deposits payable	542,643	30,875	-	34	573,552
Advances from other funds	4,844,531	-	5,509,687	576,764	10,930,982
<b>Total liabilities</b>	<b>8,111,874</b>	<b>31,183</b>	<b>7,289,385</b>	<b>1,796,347</b>	<b>17,228,789</b>
<b>Deferred inflows of resources:</b>					
Unavailable revenue	115,961	984,109	14,150	999,157	2,113,377
<b>Fund Balances:</b>					
<b>Non-spendable:</b>					
Noncurrent receivables	3,623,452	-	-	-	3,623,452
Interfund advances	3,523,793	-	-	-	3,523,793
Prepaid items	4,846,230	-	1,949	22,039	4,870,218
<b>Restricted:</b>					
Clean rivers, oceans, and beaches	-	-	-	1,503,925	1,503,925
Debt service	-	-	-	1,682,256	1,682,256
Hardship grants	258,677	-	-	-	258,677
Housing programs	-	11,471,281	-	3,870,259	15,341,540
Parks and recreation	-	-	-	1,283,774	1,283,774
Police programs	-	-	-	441,331	441,331
Streets and roads	-	-	-	2,391,414	2,391,414
Traffic impact	-	-	-	4,225,901	4,225,901
Retiree benefits	10,250,072	-	-	-	10,250,072
Committed	5,706,670	-	-	-	5,706,670
Unassigned	-	-	(301,062)	-	(301,062)
<b>Total fund balances</b>	<b>28,208,894</b>	<b>11,471,281</b>	<b>(299,113)</b>	<b>15,420,899</b>	<b>54,801,961</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 36,436,729</b>	<b>\$ 12,486,573</b>	<b>\$ 7,004,422</b>	<b>\$ 18,216,403</b>	<b>\$ 74,144,127</b>

The accompanying notes are an integral part of these financial statements

# City of Santa Cruz

## Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position June 30, 2018

**Total Fund Balances - All Governmental Funds** \$ 54,801,961

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

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

	Government- Wide Statement of Net Position	Internal Service Funds	
Non-depreciable	\$ 80,429,431	\$ -	80,429,431
Depreciable, net	109,438,631	(1,954,550)	107,484,081
<b>Total capital assets</b>	<b>\$ 189,868,062</b>	<b>\$ (1,954,550)</b>	<b>187,913,512</b>

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.

(275,189)

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

Equipment Operations Fund	(1,157,610)
Risk Management Fund	<u>12,729,532</u>
<b>Total internal service funds</b>	<b><u>11,571,922</u></b>

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

2,113,377

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

	Government- Wide Statement of Net Position	Internal Service Funds	
OPEB liabilities	\$ (29,485,057)	\$ 566,271	(28,918,786)
Pension liabilities	(118,240,821)	3,053,236	(115,187,585)
Pension deferred inflows of resources	(2,322,932)	36,382	(2,286,550)
Pension deferred outflows of resources	34,264,684	(859,167)	33,405,517
OPEB deferred outflows of resources	760,575	(10,488)	750,087
Compensated absences payable - due within one year	(2,470,582)	25,340	(2,445,242)
Compensated absences payable - due in more than one year	(1,278,509)	12,670	(1,265,839)
Bonds, notes, loans and leases payable - due within one year	(4,675,494)	-	(4,675,494)
Bonds, notes, loans and leases payable - due in more than one year	(32,589,303)	-	(32,589,303)
<b>Total long-term liabilities</b>	<b>\$ (156,037,439)</b>	<b>\$ 2,824,244</b>	<b>(153,213,195)</b>

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

331,251

**Net Position of Governmental Activities**

**\$ 103,243,639**

The accompanying notes are an integral part of these financial statements

# City of Santa Cruz

## Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the year ended June 30, 2018

	Major Funds			Other	Total
	General Fund	RDA Successor Agency - LMIH	General Capital Improvement	Governmental Funds	Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 69,841,882	\$ -	\$ 2,271,485	\$ 1,667,676	\$ 73,781,043
Licenses and permits	1,449,842	-	-	-	1,449,842
Intergovernmental	492,888	-	569,214	7,282,290	8,344,392
Charges for services	18,351,158	32,500	-	32,091	18,415,749
Fines and forfeitures	1,689,605	-	-	34,139	1,723,744
Use of money and property	5,943,664	285,992	1,805	658,166	6,889,627
Other revenues	1,046,712	5,374,348	172,263	1,085,153	7,678,476
Total revenues	98,815,751	5,692,840	3,014,767	10,759,515	118,282,873
<b>Expenditures:</b>					
Current:					
General government	18,706,083	-	-	-	18,706,083
Public safety	46,335,392	-	-	110,000	46,445,392
Parks and recreation	15,045,740	-	-	-	15,045,740
Library	1,534,781	-	-	-	1,534,781
Public works	6,725,707	-	-	1,657,468	8,383,175
Transit	-	-	-	745,940	745,940
Community and economic development	2,278,811	239,316	-	2,152,554	4,670,681
Social services	2,159,544	-	-	-	2,159,544
Capital outlay	351,035	5,106,111	12,551,117	595,643	18,603,906
Debt service:					
Principal	3,750,545	-	-	407,621	4,158,166
Interest and fiscal charges	1,022,242	-	138,668	433,171	1,594,081
Total expenditures	97,909,880	5,345,427	12,689,785	6,102,397	122,047,489
Excess (deficiency) of revenues over (under) expenditures	905,871	347,413	(9,675,018)	4,657,118	(3,764,616)
<b>Other financing sources or (uses):</b>					
Proceeds from sale of capital assets	584,367	-	-	-	584,367
Proceeds from long-term debt issued	-	-	483,697	-	483,697
Transfers in	1,011,274	-	3,608,241	334,835	4,954,350
Transfers out	(966,745)	-	(53,719)	(1,998,999)	(3,019,463)
Total other financing sources (uses)	628,896	-	4,038,219	(1,664,164)	3,002,951
Net change in fund balances	1,534,767	347,413	(5,636,799)	2,992,954	(761,665)
Fund balances, beginning of year	26,674,127	11,123,868	5,337,686	12,427,945	55,563,626
Fund balances (defecit), end of year	\$ 28,208,894	\$ 11,471,281	\$ (299,113)	\$ 15,420,899	\$ 54,801,961

The accompanying notes are an integral part of these 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 For the year ended June 30, 2018

<b>Net Change in Fund Balances - All Governmental Funds</b>	\$	(761,665)
Amounts reported for governmental activities in the Statement of Activities were different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the governmental funds (not including Internal service funds) for the current period, which are reported below.		
Capital assets	9,630,958	
Depreciation	<u>(6,871,652)</u>	
		2,759,306
Revenues that did not meet the criteria for recognition were recorded as unavailable revenues in the governmental funds. In the Government-Wide Financial Statements, these amounts were recorded as revenues. This amount represents the change in unavailable revenue from the prior year.		
		(1,901,952)
Compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
		(64,060)
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increase long-term liabilities in the Statement of Net Position. Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
		3,750,826
Amortization of premium is not recorded in the governmental funds but it impacts the statement of activities.		
		23,350
Amortization of refunding costs are not recorded in the governmental funds but they impact the statement of activities.		
		(62,792)
Governmental funds report OPEB expenditures equal to OPEB benefit payments, however in the statement of net position, OPEB expenses are adjusted to reflect changes in total OPEB liabilities and related deferrals.		
		(1,371,196)
Accrued but unpaid interest and fiscal charges on long-term debt is reported in the statement of activities, but does not require the use of current financial resources. Therefore, it is not reported as an expenditure in the governmental funds.		
		(31,505)
Governmental funds report pension expenditures equal to pension contributions, however in the statement of net position, pension expenses are adjusted to reflect changes in net pension liabilities and related deferrals.		
		(6,755,143)
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.		
		2,094,306
<b>Change in Net Position of Governmental Activities</b>	<u>\$</u>	<u>(2,320,525)</u>

The accompanying notes are an integral part of these 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 of Santa Cruz.

*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 of Santa Cruz.

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

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

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

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

# City of Santa Cruz

## Statement of Net Position Proprietary Funds June 30, 2018

	Business-type Activities			
	Water	Wastewater	Refuse	Parking
<b>Assets:</b>				
<b>Current assets:</b>				
Cash and investments	\$ 29,598,076	\$ 14,733,804	\$ 22,994,252	\$ 4,095,981
Restricted cash and investments	92,747	-	386,698	-
Interest receivable	120,496	50,128	105,379	17,861
Taxes receivable	-	442	-	3,199
Accounts receivable - net	5,452,715	3,344,889	2,373,717	32,649
Grants receivable	-	-	-	-
Intergovernmental receivables	75,000	1,563,340	16,378	-
Prepaid items	943,818	568,597	602,638	167,146
Inventories	-	-	-	-
Deposits	-	-	-	30,000
<b>Total current assets</b>	<b>36,282,852</b>	<b>20,261,200</b>	<b>26,479,062</b>	<b>4,346,836</b>
<b>Noncurrent assets:</b>				
Restricted cash and investments	1,016,023	-	-	-
Notes receivable	401,058	-	-	-
Advances to other funds	-	-	-	-
<b>Capital assets:</b>				
Land	941,687	-	721,017	-
Land improvements	572,807	1,496,287	54,900	311,696
Infrastructure	121,862,161	56,479,082	19,497,676	1,298,864
Buildings	16,789,845	126,734,779	3,121,543	20,536,248
Machinery and equipment	13,873,463	10,039,441	20,037,380	1,909,175
Lease improvements-buildings	-	70,000	-	-
Software	623,432	212,018	397,274	9,934
Construction in progress	21,769,561	1,461,291	3,355,159	2,055,493
Less accumulated depreciation	(64,100,479)	(114,116,577)	(30,930,464)	(13,220,718)
<b>Total capital assets (net of accumulated depreciation)</b>	<b>112,332,477</b>	<b>82,376,321</b>	<b>16,254,485</b>	<b>12,900,692</b>
<b>Total noncurrent assets</b>	<b>113,749,558</b>	<b>82,376,321</b>	<b>16,254,485</b>	<b>12,900,692</b>
<b>Total assets</b>	<b>150,032,410</b>	<b>102,637,521</b>	<b>42,733,547</b>	<b>17,247,528</b>
<b>Deferred outflows of resources:</b>				
Deferred charge on refunding of debt	329,186	150,600	142,475	190,123
Deferred outflows related to total other postemployment benefits	98,629	62,603	87,193	27,625
Deferred outflows related to pension	5,480,523	3,311,261	3,572,746	1,013,923
<b>Total deferred outflows of resources</b>	<b>5,908,338</b>	<b>3,524,464</b>	<b>3,802,414</b>	<b>1,231,671</b>

The accompanying notes are an integral part of these financial statements

Business-type Activities		Governmental Activities -
Storm Water	Total Enterprise Funds	Internal Service Funds
\$ 1,711,511	\$ 73,133,624	\$ 16,572,624
-	479,445	-
7,579	301,443	76,048
38,630	42,271	-
561	11,204,531	15,897
15,089	15,089	-
-	1,654,718	-
10,171	2,292,370	162,644
-	-	165,255
-	30,000	2,852,832
<u>1,783,541</u>	<u>89,153,491</u>	<u>19,845,300</u>
-	1,016,023	-
-	401,058	-
-	-	7,844,531
-	1,662,704	-
-	2,435,690	-
23,411,205	222,548,988	-
-	167,182,415	-
61,226	45,920,685	2,870,531
-	70,000	-
-	1,242,658	-
2,138,482	30,779,986	-
(13,066,909)	(235,435,147)	(915,981)
<u>12,544,004</u>	<u>236,407,979</u>	<u>1,954,550</u>
<u>12,544,004</u>	<u>237,825,060</u>	<u>9,799,081</u>
<u>14,327,545</u>	<u>326,978,551</u>	<u>29,644,381</u>
298,534	1,110,918	-
1,560	277,610	10,488
56,033	13,434,486	859,167
<u>356,127</u>	<u>14,823,014</u>	<u>869,655</u>

# City of Santa Cruz

## Statement of Net Position, Continued Proprietary Funds June 30, 2018

	Business-type Activities			
	Water	Wastewater	Refuse	Parking
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable and other current liabilities	4,837,392	631,242	745,542	737,931
Interest payable	427,024	22,147	31,065	19,575
Due to other funds	-	-	503,542	-
Unearned revenue	-	-	36,498	-
Deposits payable	57,529	-	1,500	72,177
Claims and judgments payable	-	-	-	-
Compensated absences payable	450,601	207,544	239,928	56,409
Bonds, notes, loans and leases payable due in less than one year	932,120	3,616,374	603,210	260,587
<b>Total current liabilities</b>	<b>6,704,666</b>	<b>4,477,307</b>	<b>2,161,285</b>	<b>1,146,679</b>
Noncurrent liabilities:				
Advances from other funds	-	-	175,005	-
Claims and judgments payable	-	-	-	-
Compensated absences payable	225,301	103,772	119,964	28,205
Bonds, notes, loans and leases payable due in more than one year	36,494,205	1,272,570	2,361,697	3,070,943
Landfill closure and postclosure costs	-	-	7,449,025	-
Total other postemployment benefits liability	3,691,988	2,256,418	3,152,794	766,429
Net pension liability	19,716,316	12,556,410	15,216,080	4,199,076
<b>Total noncurrent liabilities</b>	<b>60,127,810</b>	<b>16,189,170</b>	<b>28,474,565</b>	<b>8,064,653</b>
<b>Total liabilities</b>	<b>66,832,476</b>	<b>20,666,477</b>	<b>30,635,850</b>	<b>9,211,332</b>
<b>Deferred inflows of resources:</b>				
Deferred inflows related to pensions	517,983	198,353	701,815	158,539
<b>Net position:</b>				
Net investment in capital assets	75,235,338	77,637,977	13,432,053	9,759,285
Unrestricted	13,354,951	7,659,178	1,766,243	(649,957)
<b>Total net position</b>	<b>\$ 88,590,289</b>	<b>\$ 85,297,155</b>	<b>\$ 15,198,296</b>	<b>\$ 9,109,328</b>

The accompanying notes are an integral part of these financial statements

Business-type Activities		Governmental Activities -
Storm Water	Total Enterprise Funds	Internal Service Funds
21,630	6,973,737	667,194
21,710	521,521	-
-	503,542	415,029
-	36,498	-
-	131,206	-
-	-	3,472,074
-	954,482	25,340
312,203	5,724,494	-
355,543	14,845,480	4,579,637
-	175,005	762,337
-	-	9,931,581
-	477,242	12,670
3,350,379	46,549,794	-
-	7,449,025	-
15,250	9,882,879	566,271
203,588	51,891,470	3,053,236
3,569,217	116,425,415	14,326,095
3,924,760	131,270,895	18,905,732
122	1,576,812	36,382
9,179,956	185,244,609	1,954,550
1,578,834	23,709,249	9,617,372
\$ 10,758,790	\$ 208,953,858	\$ 11,571,922

# City of Santa Cruz

## Statement of Revenues, Expenses and Changes in Net Position Proprietary Funds For the year ended June 30, 2018

	Business-type Activities			
	Water	Wastewater	Refuse	Parking
<b>Operating revenues:</b>				
Charges for services	\$ 40,526,995	\$ 20,976,241	\$ 20,495,574	\$ 5,145,125
Rental revenues	6,600	-	-	183,571
Other revenues	528,360	42,318	168,863	256,077
Total operating revenues	41,061,955	21,018,559	20,664,437	5,584,773
<b>Operating expenses:</b>				
Personnel services	13,397,306	8,226,368	9,542,933	2,783,746
Services, supplies, and other charges	15,306,937	9,148,781	6,957,430	1,773,919
Depreciation and amortization	3,391,359	4,257,130	1,746,491	573,545
Total operating expenses	32,095,602	21,632,279	18,246,854	5,131,210
Operating income (loss)	8,966,353	(613,720)	2,417,583	453,563
<b>Nonoperating revenues (expenses):</b>				
Intergovernmental	568,600	848,894	24,894	234
Investment earnings	291,792	152,803	230,514	39,217
Interest expense and fiscal charges	(1,188,930)	(153,418)	(204,683)	(95,354)
Gain on sale of capital assets	-	-	29,013	18,893
Total nonoperating revenues (expenses)	(328,538)	848,279	79,738	(37,010)
Income (loss) before transfers and special items	8,637,815	234,559	2,497,321	416,553
Transfers in	-	-	748	50,000
Transfers out	(501,115)	(240,765)	(138,518)	(84,987)
Special items - loss from impairment of capital assets	(13,667,218)	-	-	-
Total transfers and special items	(14,168,333)	(240,765)	(137,770)	(34,987)
Change in net position	(5,530,518)	(6,206)	2,359,551	381,566
<b>Net position:</b>				
Beginning of year as previously reported	96,287,363	86,624,782	14,685,435	9,169,203
Change in accounting principle	(2,166,556)	(1,321,421)	(1,846,690)	(441,441)
Net Position, beginning of year, as restated	94,120,807	85,303,361	12,838,745	8,727,762
Net Position, end of year	\$ 88,590,289	\$ 85,297,155	\$ 15,198,296	\$ 9,109,328

The accompanying notes are an integral part of these financial statements

Business-type Activities		Governmental Activities -
Storm Water	Total Enterprise Funds	Internal Service Funds
\$ 894,580	\$ 88,038,515	\$ 14,101,119
-	190,171	-
550	996,168	562,582
<u>895,130</u>	<u>89,224,854</u>	<u>14,663,701</u>
130,155	34,080,508	2,478,117
663,353	33,850,420	9,237,875
762,605	10,731,130	207,515
<u>1,556,113</u>	<u>78,662,058</u>	<u>11,923,507</u>
<u>(660,983)</u>	<u>10,562,796</u>	<u>2,740,194</u>
100,732	1,543,354	70,400
15,697	730,023	282,583
(116,980)	(1,759,365)	(54,924)
-	47,906	-
<u>(551)</u>	<u>561,918</u>	<u>298,059</u>
<u>(661,534)</u>	<u>11,124,714</u>	<u>3,038,253</u>
-	50,748	295,325
(76,303)	(1,041,688)	(1,239,272)
-	(13,667,218)	-
<u>(76,303)</u>	<u>(14,658,158)</u>	<u>(943,947)</u>
<u>(737,837)</u>	<u>(3,533,444)</u>	<u>2,094,306</u>
11,505,142	218,271,925	9,817,427
(8,515)	(5,784,623)	(339,811)
<u>11,496,627</u>	<u>212,487,302</u>	<u>9,477,616</u>
<u>\$ 10,758,790</u>	<u>\$ 208,953,858</u>	<u>\$ 11,571,922</u>

# City of Santa Cruz

## Statement of Cash Flows Proprietary Funds For the year ended June 30, 2018

	Business-type Activities			
	Water	Wastewater	Refuse	Parking
<b>Cash flows from operating activities:</b>				
Cash received from customers and users	\$ 39,507,727	\$ 22,198,601	\$ 20,375,872	\$ 5,567,640
Cash received from interfund services provided	-	-	-	-
Cash payments to suppliers for goods and services	(13,274,610)	(10,578,943)	(8,041,189)	(1,385,372)
Cash payments for employee services and pensions	(12,229,664)	(7,282,695)	(8,457,616)	(2,508,933)
Cash payments to others	-	-	-	-
Cash received from others	-	-	330,376	-
Net cash provided by operating activities	<u>14,003,453</u>	<u>4,336,963</u>	<u>4,207,443</u>	<u>1,673,335</u>
<b>Cash flows from noncapital financing activities:</b>				
Transfers from other funds	-	-	239,656	50,000
Transfers to other funds	(501,115)	(240,765)	(1,145,602)	(84,987)
Receipts from other governments	503,767	873,118	8,516	8,232
Net cash provided (used) by noncapital financing activities	<u>2,652</u>	<u>632,353</u>	<u>(897,430)</u>	<u>(26,755)</u>
<b>Cash flows from capital and related financing activities:</b>				
Purchase and construction of capital assets	(11,183,544)	(1,313,592)	(2,649,063)	(1,414,340)
proceeds from debt issuance	3,500,000	-	-	-
Principal paid on capital debt	(2,086,043)	(3,697,962)	(747,931)	(387,689)
Interest paid on capital debt	(9,555)	13,044	(5,292)	(3,231)
Net cash used by capital and related financing activities	<u>(9,779,142)</u>	<u>(4,998,510)</u>	<u>(3,402,286)</u>	<u>(1,805,260)</u>
<b>Cash flows from investing activities:</b>				
Interest charges on cash loans	-	-	-	-
Interest income received	239,577	141,863	188,104	32,355
Net cash provided (used) by investing activities	<u>239,577</u>	<u>141,863</u>	<u>188,104</u>	<u>32,355</u>
Net increase (decrease) in cash and cash equivalents	4,466,540	112,669	95,831	(126,325)
Cash and cash equivalents, beginning of year	26,240,306	14,621,135	23,285,119	4,222,306
Cash and cash equivalents, end of year	<u>\$ 30,706,846</u>	<u>\$ 14,733,804</u>	<u>\$ 23,380,950</u>	<u>\$ 4,095,981</u>
<b>Reconciliation of cash and cash equivalents to amounts reported on the statement of net position:</b>				
Reported on the statement of net position				
Cash and investments	\$ 29,598,076	\$ 14,733,804	\$ 22,994,252	\$ 4,095,981
Restricted cash and investments - current	92,747	-	386,698	-
Restricted cash and investments - noncurrent	1,016,023	-	-	-
Cash and Cash Equivalents - June 30, 2018	<u>\$ 30,706,846</u>	<u>\$ 14,733,804</u>	<u>\$ 23,380,950</u>	<u>\$ 4,095,981</u>

The accompanying notes are an integral part of these financial statements



Business-type Activities		Governmental Activities -
Storm Water	Total Enterprise Funds	Internal Service Funds
\$ 890,787	\$ 88,540,627	\$ 131,346
-	-	13,992,987
(673,300)	(33,953,414)	(9,489,572)
(117,055)	(30,595,963)	(2,315,735)
-	-	-
-	330,376	562,582
100,432	24,321,626	2,881,608
-	289,656	493,965
(76,303)	(2,048,772)	(6,083,803)
238,582	1,632,215	70,400
162,279	(126,901)	(5,519,438)
(102,432)	(16,662,971)	(753,348)
-	3,500,000	(753,348)
(395,056)	(7,314,681)	-
(1,524)	(6,558)	-
(499,012)	(20,484,210)	(1,506,696)
-	-	(54,924)
13,304	615,203	254,252
13,304	615,203	199,328
(222,997)	4,325,718	(3,945,198)
1,934,508	70,303,374	19,764,474
\$ 1,711,511	\$ 74,629,092	\$ 16,572,624
\$ 1,711,511	\$ 73,133,624	\$ 16,572,624
-	479,445	-
-	1,016,023	-
\$ 1,711,511	\$ 74,629,092	\$ 16,572,624

# City of Santa Cruz

## Statement of Cash Flows, Continued Proprietary Funds For the year ended June 30, 2018

	Business-type Activities			
	Water	Wastewater	Refuse	Parking
<b>Reconciliation of operating income/(loss) to net cash provided by operating activities:</b>				
Operating income (loss)	\$ 8,966,353	\$ (613,720)	\$ 2,417,583	\$ 453,563
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	3,391,359	4,257,130	1,746,491	573,545
Estimated closure/postclosure costs	-	-	330,376	-
Changes in assets and liabilities and related deferrals:				
Accounts receivable	(1,568,839)	(328,150)	(285,455)	(18,205)
Prepaid items	(943,818)	(568,597)	(602,638)	(167,146)
Inventories	-	-	-	-
Notes and loans receivable	-	1,508,192	-	-
Accounts payable and other current liabilities	2,976,145	(861,565)	(481,121)	555,693
Unearned revenue	-	-	(3,110)	-
Deposits payable	14,611	-	-	1,072
Claims and judgments payable	-	-	-	-
Total other postemployment benefits liability and related deferrals	176,998	110,116	153,625	42,712
Net pension liability and related deferrals	913,125	855,367	949,050	232,265
Compensated absences payable	77,519	(21,810)	(17,358)	(164)
Total adjustments	5,037,100	4,950,683	1,789,860	1,219,772
Net cash provided (used) by operating activities	<u>\$ 14,003,453</u>	<u>\$ 4,336,963</u>	<u>\$ 4,207,443</u>	<u>\$ 1,673,335</u>
<b>Noncash investing, capital and financing activities:</b>				
Acquisition of capital assets on account	\$ 2,976,145	\$ -	\$ -	\$ -
Increase/(Decrease) in fair value of investments	(161,709)	(68,228)	(136,102)	(136,092)
Amortization of bond premiums	(379)	-	(8,310)	(25,587)

The accompanying notes are an integral part of these financial statements

Business-type Activities		Governmental Activities -
Storm Water	Total Enterprise Funds	Internal Service Funds
\$ (660,983)	\$ 10,562,796	\$ 2,740,194
762,605	10,731,130	207,515
-	330,376	-
(487)	(2,201,136)	23,214
(10,171)	(2,292,370)	(135,901)
-	-	(63)
-	1,508,192	-
224	2,189,376	(115,553)
(3,856)	(6,966)	-
-	15,683	(98)
-	-	(82)
263	483,714	21,165
12,837	2,962,644	136,009
-	38,187	5,208
761,415	13,758,830	141,414
\$ 100,432	\$ 24,321,626	\$ 2,881,608

\$ -	\$ 2,976,145	\$ -
(9,223)	(511,354)	(130,418)
(2,203)	(36,479)	-

## 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. In addition, the City accounts for the assets and liabilities of the former Redevelopment Agency and is allocated revenue to pay estimated installment payments of enforceable obligations until the obligations of the former Redevelopment Agency are paid in full and assets have been liquidated.

### Agency Funds:

Agency funds are used to account for resources held by the City in a agency 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 Position Fiduciary Funds June 30, 2018

	Private- Purpose Trust Funds	Agency Funds
<b>Assets:</b>		
Cash and investments	\$ 4,404,564	\$ 9,660,151
Restricted cash and equivalent	29,553,854	-
Receivables:		
Accounts receivable	-	478,526
Interest receivable	11,979	32,734
Taxes receivable	-	654,699
Notes receivable	336,111	-
Due from other governments	-	689,911
Nondepreciable capital assets	902,621	-
Depreciable capital assets, net	8,170,192	-
Total assets	<u>43,379,321</u>	<u>\$ 11,516,021</u>
<b>Liabilities:</b>		
Accounts payable and other current liabilities	-	\$ 5,590,806
Interest payable	413,485	-
Due to other governments	-	5,577,521
Deposits payable	-	347,694
Bonds, notes, loans and leases payable		
due in less than one year	2,416,500	-
Bonds, notes, loans and leases payable		
due in more than one year	25,001,874	-
Total liabilities	<u>27,831,859</u>	<u>\$ 11,516,021</u>
<b>Net position:</b>		
Held in trust for other programs	<u>\$ 15,547,462</u>	

The accompanying notes are an integral part of these financial statements

# City of Santa Cruz

## Statement of Changes in Fiduciary Net Position Fiduciary Funds For the year ended June 30, 2018

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	Private- Purpose Trust Funds
<b>Additions:</b>	
Taxes	\$ 4,764,688
Use of money and property	325,193
Total additions	<u>5,089,881</u>
<b>Deductions:</b>	
Administrative expenses	250,000
Interest expense	2,136,686
Depreciation expense	395,583
Contractual services	5,322,748
Total deductions	<u>8,105,017</u>
Change in net position	(3,015,136)
<b>Net position:</b>	
Net Position, beginning of year	<u>18,562,598</u>
Net Position, end of year	<u>\$ 15,547,462</u>

The accompanying notes are an integral part of these financial statements

City of Santa Cruz

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For the year ended June 30, 2018**

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# City of Santa Cruz

## Notes to Basic Financial Statements For the year ended June 30, 2018

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### 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 combining component unit data with City data in the Government-Wide Financial Statements.

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

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

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

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

**Notes to Basic Financial Statements**  
**For the year ended June 30, 2018**

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**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 Position and a Statement of Activities. These statements present summaries of governmental and business-type activities for the City accompanied by a total column. Fiduciary funds of the City are not included in these statements.

*Government-Wide Financial Statements*

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

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

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

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

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

**Notes to Basic Financial Statements**  
**For the year ended June 30, 2018**

---

**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 governmental funds aggregated. The City has presented all major funds that meet the applicable criteria. The City's major governmental funds include the General Fund, the RDA Successor Agency - LMIH Special Revenue Fund and the General Capital Improvement 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. The RDA LMIH fund is used to account for housing assets assumed by the City after the dissolution of the former Redevelopment Agency. The fund collects rental revenue restricted for activities related to low income housing. The General Capital Improvement Fund is used to account for capital improvements for which special projects funds have not been established. A portion of the City's transient occupancy tax receipts, combined with other funding sources, such as grants, provides funding for capital projects of general benefit, such as storm drain improvements or improvements to public buildings.

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

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

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

# City of Santa Cruz

## Notes to Basic Financial Statements For the year ended June 30, 2018

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### 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 Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for each proprietary fund.

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

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

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

##### Fiduciary Fund Financial Statements

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

# City of Santa Cruz

## Notes to Basic Financial Statements For the year ended June 30, 2018

---

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

#### *B. Basis of Accounting and Measurement Focus, Continued*

Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. Agency funds include funds for the Library Joint Powers Authority, developer deposits, baker/butler donation, payroll payables, and special assessment debt. They do not have a measurement focus and therefore do not report a net position or fund balance; however, Agency Funds do utilize the accrual basis of accounting for reporting assets and liabilities

#### *C. Use of Restricted/Unrestricted Net Position*

##### *Net Position Flow Assumptions*

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

##### *Fund Balance Flow Assumptions*

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

# City of Santa Cruz

## Notes to Basic Financial Statements For the year ended June 30, 2018

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

#### *D. Cash, Cash Equivalents, and Investments*

For purposes of both, the Statement of Net Position/Balance Sheet and the Statements of Cash Flows, cash and cash equivalents include currency on hand and deposits in the City's cash and investment pool. These deposits have the same characteristics for the participating funds as demand deposit accounts, in that the funds may deposit additional cash at any time and also effectively withdraw cash at any time without prior notice or penalty. Cash and cash equivalents also include restricted cash and money market funds held by fiscal agents. Except for money market funds which are presented at cost, the City's cash and investments are stated at fair value, which is based on a quoted market price. This includes all investments except the City's investment in the California Local Agency Investment Fund ("LAIF"). The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The City valued its investments in LAIF at June 30, 2018, by multiplying its balance by a fair value factor determined by LAIF (0.998126869). This fair value factor was calculated by dividing the total fair value for all participants by the total 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. Cash and investments held in a pension stabilization trust are reported as restricted cash and investments.

#### *F. Prepaid Items*

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

#### *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 (expense in proprietary funds) 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 For the year ended June 30, 2018

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### 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 Improvement	10,000
Land Improvement	10,000
Machinery and Equipment	5,000
Software (if qualified)	5,000

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

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

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

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

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

**Notes to Basic Financial Statements**  
**For the year ended June 30, 2018**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*I. Capital Assets, Continued*

Fund Financial Statements

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

*J. Interest Payable*

In the Government-Wide Financial Statements, interest payable on long-term debt is recognized as the liability is incurred for both, governmental and business-type activities.

In the Fund Financial Statements, only proprietary fund types recognize the interest payable when the liability is incurred. Governmental funds recognize interest payable when due.

*K. Deferred Outflows / Inflows of Resources*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The City has three items that qualify for reporting in this category. One is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other deferred outflows of resources is related to pensions and other postemployment liabilities.

In addition to liabilities, the statement of net position and governmental balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three items that qualify for reporting in this category. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from sales taxes and grant revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other deferred inflows of resources reported on the statement of net position is related to pensions and other postemployment liabilities.



# City of Santa Cruz

## Notes to Basic Financial Statements For the year ended June 30, 2018

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

#### 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.

The City accrues for compensated absences in the government-wide financial statements and proprietary fund financial statements for which they are liable to make payment directly. The General, Internal Service, Water, Wastewater, Refuse, and Parking Funds incurred costs associated with compensated absences during the fiscal year.

#### M. *Bond Premiums and Discounts*

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

#### N. *Long-Term Debt*

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

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

#### O. *Pensions*

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

# City of Santa Cruz

## Notes to Basic Financial Statements For the year ended June 30, 2018

---

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

#### P. *Net Position*

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

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

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

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

#### Q. *Fund Balances*

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

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

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

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

# City of Santa Cruz

## Notes to Basic Financial Statements For the year ended June 30, 2018

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

#### *Q. Fund Balances, Continued*

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

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

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

#### *R. Property Taxes*

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

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

#### *S. Use of Estimates*

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

**Notes to Basic Financial Statements**  
**For the year ended June 30, 2018**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

T. *New Accounting Pronouncements*

**Effective this fiscal year**

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement is effective for fiscal years (FY) beginning after June 15, 2017, or the FY 2017/2018. The City has implemented this Statement as of July 1, 2017.

GASB Statement No. 81 – In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of the Statement is to improve financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, the Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. The Statement requires a government recognize revenue when the resources become applicable to the reporting period. The Statement is effective for the reporting periods beginning after December 15, 2016 or FY 2017/2018. The implementation of this Statement did not have a material effect on the financial statements.

GASB Statement No. 85 – In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The Statement is effective for the reporting periods beginning after June 15, 2017, or FY 2017/2018. The implementation of this Statement did not have a material effect on the financial statements.

GASB Statement No. 86 – In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The Statement is effective for the reporting periods beginning after June 15, 2017, or FY 2017/2018. The implementation of this Statement did not have a material effect on the financial statements.

# City of Santa Cruz

## Notes to Basic Financial Statements For the year ended June 30, 2018

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

#### T. *New Accounting Pronouncements, Continued*

##### **Effective in Future Fiscal Years**

GASB Statement No. 83 – In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital asset should recognize a liability based on the guidance in this Statement. This Statement also requires disclosure of information about the nature of a government's ARO, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018, or the FY 2018/2019. The City is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance related to fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018, or the FY 2019/2020. The City is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Statement is effective for the reporting periods beginning after December 15, 2019, or FY 2020/2021. The City is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 88 – GASB Statement No. 88 – In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve note disclosures related to debt. This Statement requires that all debt disclosures present direct borrowings and direct placements of debt separately from other types of debt. This Statement is effective for reporting periods beginning after June 15, 2018 or FY 2018/2019. The City is evaluating the impact of this Statement on the financial statements.

**Notes to Basic Financial Statements**  
**For the year ended June 30, 2018**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

*T. New Accounting Pronouncements, Continued*

**Effective in Future Fiscal Year, Continued**

GASB Statement No. 89 – In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for certain interest costs. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in the financial statements. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019, or FY 2020/2021. The City is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 90 – In August 2018, GASB issued Statement No. 90, *Majority Equity Interest, an amendment of GASB statement No. 14 and No. 61*. The objectives of this Statement is to improve how majority equity interest is reported. The Statement specifies that a majority equity interest in a legally separate organization should be reported as an investment using the equity method if a government’s holding of the equity interest meets the definition of an investment and for all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018, or FY 2019/2020. The City is evaluating the impact of this Statement on the financial statements.

# City of Santa Cruz

## Notes to Basic Financial Statements For the year ended June 30, 2018

### 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, 2018:

	Government-Wide Statement of Net Position			Statement of	
	Governmental Activities	Business-Type Activities	Total	Fiduciary Net Position	Total
Unrestricted assets:					
Cash and cash equivalents	\$ 36,742,604	\$ 73,133,624	\$ 109,876,228	\$ 14,064,715	\$ 123,940,943
Total unrestricted assets	<u>36,742,604</u>	<u>73,133,624</u>	<u>109,876,228</u>	<u>14,064,715</u>	<u>123,940,943</u>
Restricted assets:					
Cash and cash equivalents	14,845,523	479,445	15,324,968	29,553,854	44,878,822
Cash and investments with fiscal agents	-	1,016,023	1,016,023	-	1,016,023
Total restricted assets	<u>14,845,523</u>	<u>1,495,468</u>	<u>16,340,991</u>	<u>29,553,854</u>	<u>45,894,845</u>
Total cash and investments	<u>\$ 51,588,127</u>	<u>\$ 74,629,092</u>	<u>\$ 126,217,219</u>	<u>\$ 43,618,569</u>	<u>\$ 169,835,788</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, 2018:

Unrestricted assets:	
Pooled cash deposits	\$ 5,958,745
Other deposits and cash held by city	76,550
Certificates of deposit	301,619
Money market mutual funds available for debt service	2,300
Federal agency securities	47,069,536
Federal treasuries	4,952,420
State local agency investment fund (LAIF)	<u>65,579,773</u>
Total unrestricted assets	<u>123,940,943</u>
Restricted assets:	
Pooled cash deposits	216,951
Money market held by fiscal agents	35,325,097
Mutual funds	<u>10,352,797</u>
Total restricted assets	<u>45,894,845</u>
Total cash, cash equivalents, and investments	<u>\$ 169,835,788</u>

# City of Santa Cruz

## Notes to Basic Financial Statements For the year ended June 30, 2018

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### 2. CASH DEPOSITS AND INVESTMENTS, Continued

#### A. *Cash Deposits*

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

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

The City waived the collateral requirements for four of its certificates of deposit with the condition that sufficient collateral be maintained for all amounts in excess of insured levels. As of June 30, 2018, the balances of these certificates of deposit were: Comerica Bank - \$100,000; Lighthouse Bank - \$100,000; and Santa Cruz County Bank - \$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, most recently approved by City Council on August 22, 2017, which is more conservative than that allowed by State statute.

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

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



**Notes to Basic Financial Statements**  
**For the year ended June 30, 2018**

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**2. CASH DEPOSITS AND INVESTMENTS, Continued**

***B. Investments, Continued***

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

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

# City of Santa Cruz

## Notes to Basic Financial Statements For the year ended June 30, 2018

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### 2. CASH DEPOSITS AND INVESTMENTS, Continued

#### B. Investments, Continued

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

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

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

# City of Santa Cruz

## Notes to Basic Financial Statements For the year ended June 30, 2018

### 2. CASH DEPOSITS AND INVESTMENTS, Continued

#### B. Investments, Continued

The City has the following recurring fair value measurements as of June 30, 2018:

		Level		Not subject to fair value or Uncategorized
		1	2	
Certificates of Deposit	\$ 301,619	\$ -	\$ -	\$ 301,619
Federal Government Agencies	47,069,536	-	47,069,536	-
LAIF	65,579,773	-	-	65,579,773
US Treasuries	4,952,420	4,952,420	-	-
Money Market	35,327,397	-	-	35,327,397
Mutual Funds	10,352,797	-	10,352,797	-
Cash and Deposits	6,252,246	-	-	6,252,246
<b>Total</b>	<b>\$ 169,835,788</b>	<b>\$ 4,952,420</b>	<b>\$ 57,422,333</b>	<b>\$ 107,461,035</b>

#### 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 with a weighted average maturity of 387 days at June 30, 2018. At June 30, 2018, the City had the following investment maturities:

Investment Type	Fair Value	No Maturity	Investment Maturities in Years			
			< 1 Year	1-2 Years	2-3 Years	3-4 Years
Federal Government Agencies	\$ 47,069,536	\$ -	\$ 18,031,201	\$ 15,301,715	\$ 10,781,170	\$ 2,955,450
U.S. Treasuries	4,952,420	-	2,984,720	1,967,700	-	-
Certificates of Deposit	301,619	-	-	301,619	-	-
Local Agency Investment Fund	65,579,773	-	65,579,773	-	-	-
Money Market	35,327,397	35,327,397	-	-	-	-
Mutual Funds	10,352,797	10,352,797	-	-	-	-
Cash and Deposits	6,252,246	6,252,246	-	-	-	-
<b>Total</b>	<b>\$ 169,835,788</b>	<b>\$ 51,932,440</b>	<b>\$ 86,595,694</b>	<b>\$ 17,571,034</b>	<b>\$ 10,781,170</b>	<b>\$ 2,955,450</b>

**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 higher 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, 2018, the City held \$10,819,380 in callable securities, which amounted to approximately 6.61% of investments at June 30, 2018. 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  
For the year ended June 30, 2018

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2. CASH DEPOSITS AND INVESTMENTS, Continued

C. Risk Disclosures, Continued

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

	<u>Moody's</u>	<u>Standard and Poor's</u>	<u>Source</u>
<b><u>U.S. Agencies</u></b>			
Federal Farm Credit Bank	Aaa	AA+*	<a href="http://www.farmcredit-fcb.com">www.farmcredit-fcb.com</a>
Federal Home Loan Bank	Aaa	AA+*	<a href="http://www.fhfb-of.com">www.fhfb-of.com</a>
Federal Home Loan Mortgage Corporation	Aaa	AA+*	<a href="http://www.freddiemac.com">www.freddiemac.com</a>
Federal National Mortgage Association	Aaa	AA+*	<a href="http://www.fanniemae.com">www.fanniemae.com</a>
<i>*Standard &amp; Poor's downgraded these investments from AAA to AA+ on August 5, 2011.</i>			
<b><u>U.S. Treasury Money Market Mutual Funds</u></b>			
BlackRock - T-Fund	Aaa-mf	AAAm	<a href="http://www.blackrock.com">www.blackrock.com</a>
Federated Government Obligations Fund	Aaa-mf	AAAm	<a href="http://www.federatedinvestors.com">www.federatedinvestors.com</a>
<b><u>Other Money Market Funds</u></b>			
Dreyfus California AMT-Free Muni Fund	Not Rated	Not Rated	
<b><u>External Pool</u></b>			
State of California - Local Agency Investment Fund	Not Rated	Not Rated	
<b><u>Pension Stabilization Mutual funds</u></b>			
	Not Rated	Not Rated	
<b><u>US Treasury Bonds</u></b>			
	Exempt	Exempt	

# City of Santa Cruz

## Notes to Basic Financial Statements For the year ended June 30, 2018

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### 2. CASH DEPOSITS AND INVESTMENTS, Continued

#### C. Risk Disclosures, Continued

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

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

The 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, 2018:

Investment Type	Amount Invested	Percentage of Investments
Federal Farm Credit Bank	\$ 10,879,060	6.41%
Federal Home Loan Bank	12,789,229	7.53%
Federal Home Loan Mortgage Corporation	13,787,907	8.12%
Federal National Mortgage Association	9,613,340	5.66%
Total	<u>\$ 47,069,536</u>	<u>27.71%</u>

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. \$7,081,449 of the City's deposits with financial institutions in excess of federal depository insurance limits was held in collateralized accounts.

# City of Santa Cruz

## Notes to Basic Financial Statements For the year ended June 30, 2018

### 3. NOTES AND LOANS RECEIVABLES

#### Government-Wide Statements

The following is a summary of notes and loans receivables net of allowances at June 30, 2018:

	Notes Receivables	Loans Receivables	Total	Amount Due Within One Year	Amount Due in More Than One Year
Governmental Funds:					
General Fund	\$ 3,623,452	\$ -	\$ 3,623,452	\$ 285,001	\$ 3,338,451
RDA Successor Agency - LMIH	11,173,788	-	11,173,788	-	11,173,788
Other Governmental Funds	75,000	2,587,704	2,662,704	7,980	2,654,724
<b>Total Governmental Funds</b>	<b>14,872,240</b>	<b>2,587,704</b>	<b>17,459,944</b>	<b>292,981</b>	<b>17,166,963</b>
Proprietary Funds:					
Water	401,058	-	401,058	-	401,058
Wastewater *	1,563,340	-	1,563,340	1,563,340	-
<b>Total Proprietary Funds</b>	<b>1,964,398</b>	<b>-</b>	<b>1,964,398</b>	<b>1,563,340</b>	<b>401,058</b>
<b>Total loans and notes</b>	<b>\$ 16,836,638</b>	<b>\$ 2,587,704</b>	<b>\$ 19,424,342</b>	<b>\$ 1,856,321</b>	<b>\$ 17,568,021</b>

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

#### Fund Financial Statements

At June 30, 2018, the Fund Financial Statements show the following note, loan, and intergovernmental receivables:

**Notes Receivable** in the General Fund of \$3,623,452 (net of an allowance for doubtful amounts of \$418,569) consist primarily of \$1,828,320 due from SC Warriors, LLC for construction of a temporary arena facility and \$1,171,236 due from Santa Cruz Solar One, LLC for installation of solar panels on various City facilities. The Warrior's note accrues interest at 3% per annum and matures on September 17, 2019. Payments on the Solar One note are due monthly at an interest rate of 4%. The remaining balance is made up of an (uncollectible) note to Neary Lagoon Partners in the amount of \$235,031, which accrues interest at 2.25% per annum; a note to First Night Santa Cruz for \$20,000; Harvey West Assessment District notes in the amount of \$134,938 with an interest rate of 6.8%; and \$70,000 in loans with an interest rate of 4.5% to two borrowers participating in the Accessory Dwelling Unit Loan Program. No periodic payments on these loans are required until the occurrence of any triggering event as specified in the loan agreement. Some notes are secured by a deed of trust. In addition, the City recognizes a note receivable from the State for reimbursable state-mandated costs in the amount of \$418,958 and various other (doubtful) notes in the amount of \$163,538.

# City of Santa Cruz

## Notes to Basic Financial Statements For the year ended June 30, 2018

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### 3. NOTES AND LOANS RECEIVABLES, Continued

**Notes Receivable** in the City's RDA Successor Agency - LMIH fund of \$11,173,788 (net of an allowance for uncollectible amounts of \$376,767), is made up of loans for low/moderate income housing projects. These loans were made with tax increment revenue from the former Redevelopment Agency. There are several types of loan repayment for these notes: due upon sale or transfer, a percentage of residual receipts from property operations, and no repayment if the property remains in use for low/moderate income housing for a specified time period. Interest rates range from 0% to 3.75%. The notes are all secured by a deed of trust.

**Notes and Loans Receivable** in the other governmental funds consist of loans of \$2,662,704 (net of an allowance for uncollectible amounts of \$12,587,973) for rehabilitation of low/moderate income housing. The bulk of these loans were made with Federal funds from the Department of Housing and Urban Development. There are various types of loan repayment schedules: monthly installments, due upon sale or transfer, deferred to a future date when monthly repayment will begin, a percentage of residual receipts from property operations, and no repayment if the property remains in use for low/moderate income housing for a specified time period. Interest rates range from 0% to 7%. The loans are all secured by a deed of trust on the property being rehabilitated.

**Notes Receivable** in the enterprise funds total \$1,964,398. Of this amount, \$401,058 represents an (doubtful) note in the Water Enterprise Fund due from Neary Lagoon Partners for water system connection fees pertaining to a low/moderate income housing project. This note bears interest at a rate of 2.25% per annum, and repayment is deferred until December 1, 2067. The remaining balance of \$1,563,340 (due within one year), recorded in the Wastewater Enterprise Fund, is owed by the County of Santa Cruz for its share of 2013 Wastewater Refunding Bonds for wastewater treatment plant upgrades and for its share of the Santa Cruz County Sanitation District's operation cost for the wastewater treatment plant.

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

# City of Santa Cruz

## Notes to Basic Financial Statements For the year ended June 30, 2018

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### 4. DEPOSITS

The City had deposits in the amount of \$2,965,452 at June 30, 2018:

Governmental Activities:	
Housing Programs	\$ 70,520
Mailing House	12,100
Equipment Operations	2,029
Workers' Compensation	160,000
Liability Insurance	<u>2,690,803</u>
Total Governmental Activities	2,935,452
Business-type Activities:	
Parking	<u>30,000</u>
Total Deposits	<u>\$ 2,965,452</u>

#### A. Governmental Activities

Deposits in the City's governmental funds total \$2,935,452 at June 30, 2018. 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 \$520 for a total deposit at June 30, 2018 of \$70,520. A deposit in the amount of \$12,100 has been placed with the City's outside mailing company. A deposit in the amount of \$2,029 is being held by UPS to cover the postage costs of parcel services at the City Corporation Yard. In FY 2005, the Workers Compensation Internal Service Fund established a deposit in the amount of \$160,000 with the Sedgwick CMS which equals approximately 6 weeks of expected claims. In FY 2017, Sedgwick changed banks and required a new Workers Compensation deposit. Claims will be paid from this deposit and then invoiced to the City in order to replenish the deposit back to \$160,000. As referenced in the Risk Management and Self Insurance Note, the City is self-insured for up to \$1,000,000. At June 30, 2018 the City had a deposit in the amount of \$2,690,803 with ACCEL.

#### B. Business-type Activities

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



City of Santa Cruz

Notes to Basic Financial Statements  
For the year ended June 30, 2018

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5. INTERFUND BALANCES AND TRANSACTIONS

A. Government-Wide Financial Statements

Transfers

The City had the following transfers for the year ending June 30, 2018:

	Transfers In
	Governmental Activities
	\$ 990,940
Transfers Out	
Business-Type Activities	
	\$ 990,940

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

B. Fund Financial Statements

Due To/From Other Funds

The City had the following due to/from other funds as of June 30, 2018:

		Due to Other Funds	
		General Fund	Total
	Refuse Fund Enterprise Fund	\$ 503,542	\$ 503,542
	Equipment Internal Service Fund	415,029	415,029
	<b>Total</b>	\$ 918,571	\$ 918,571

City of Santa Cruz

Notes to Basic Financial Statements  
For the year ended June 30, 2018

5. INTERFUND BALANCES AND TRANSACTIONS, Continued

B. Fund Financial Statements, Continued

The outstanding balances between funds result mainly from internal borrowings between funds to finance capital outlay purchases, and cover negative cash balances at year end.

Long-Term Advances

The City had the following long-term advances as of June 30, 2018:

		Advances from Other Funds			
		General Fund	LMIH Successor Agency Fund	Risk Mgmt Internal Service Fund	Total
Advances to Other Funds	General Fund	\$ -	\$ -	\$ 4,844,531	\$ 4,844,531
	General CIP	2,509,687	-	3,000,000	5,509,687
	Housing Fund	-	500,000	-	500,000
	Lease Revenue Bond Fund	76,764	-	-	76,764
	Refuse Enterprise Fund	175,005	-	-	175,005
	Equipment Internal Service Fund	762,337	-	-	762,337
	Total	\$ 3,523,793	\$ 500,000	\$ 7,844,531	\$ 11,868,324

Long-term advances consist of 1) from the Risk Management Internal Service Fund to the General Fund for various projects; 2) from the General Fund and the Risk Management Internal Service Fund to the General Capital Improvement Fund to fund various projects; 3) from Low and Moderate Housing (LMIH) Fund to the Affordable Housing and Community Development Fund to fund housing projects; 4) from the General Fund to the Lease Revenue Bond Debt Service Fund to cover a prior year shortfall; 5) from the General Fund to the Refuse Enterprise and Equipment Internal Service Fund for internal loans.

City of Santa Cruz

Notes to Basic Financial Statements  
For the year ended June 30, 2018

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, 2018:

	Transfers In							Total
	General Fund	Capital Improvement Fund	Non-Major Governmental Funds	Parking Fund	Refuse Fund	ISF Equipment Fund	ISF Unemployment Fund	
<b>Governmental Funds:</b>								
General Fund	\$ -	\$ 662,777	\$ 7,895	\$ -	\$ 748	\$ 250,000	\$ 45,325	\$ 966,745
General Capital Improvement Fund	53,719	-	-	-	-	-	-	53,719
Non-Major Governmental Funds	35,000	1,588,048	325,951	50,000	-	-	-	1,998,999
<b>Enterprise Funds:</b>								
Water	212,416	288,699	-	-	-	-	-	501,115
Wastewater	208,462	31,314	989	-	-	-	-	240,765
Refuse	86,648	51,870	-	-	-	-	-	138,518
Parking	-	84,987	-	-	-	-	-	84,987
Storm Water	-	76,303	-	-	-	-	-	76,303
<b>Internal Service Funds</b>								
ISF Equipment Fund	415,029	40,268	-	-	-	-	-	455,297
ISF Unemployment Fund	-	783,975	-	-	-	-	-	783,975
<b>Total</b>	<b>\$ 1,011,274</b>	<b>\$ 3,608,241</b>	<b>\$ 334,835</b>	<b>\$ 50,000</b>	<b>\$ 748</b>	<b>\$ 250,000</b>	<b>\$ 45,325</b>	<b>\$ 5,300,423</b>

Transfers are used to 1) move revenues from the various funds to the General Capital Improvement Fund for financing various capital projects; 2) to move monies from the CDBG Fund to the General Fund to partially fund the teen center and from the Enterprise funds to contribute to the after-hours call duty program, and 3) to allocate Measure D (gas tax) revenue to the Parking Fund for a CIP project.

# City of Santa Cruz

## Notes to Basic Financial Statements For the year ended June 30, 2018

### 6. CAPITAL ASSETS

#### A. Government-Wide Financial Statements

At June 30, 2018 the City's capital assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Capital Assets:			
Capital assets, not being depreciated:			
Land	\$ 70,046,840	\$ 1,662,704	\$ 71,709,544
Construction in progress	10,382,591	30,779,986	41,162,577
Total capital assets, not being depreciated	<u>80,429,431</u>	<u>32,442,690</u>	<u>112,872,121</u>
Capital assets, being depreciated:			
Land improvements	21,999,658	2,435,690	24,435,348
Infrastructure	215,743,400	222,548,988	438,292,388
Buildings	55,650,139	167,182,415	222,832,554
Machinery and equipment	22,657,919	45,920,685	68,578,604
Lease improvements	483,846	70,000	553,846
Intangibles	1,200,516	1,242,658	2,443,174
Total capital assets, being depreciated	<u>317,735,478</u>	<u>439,400,436</u>	<u>757,135,914</u>
Total capital assets	<u>398,164,909</u>	<u>471,843,126</u>	<u>870,008,035</u>
Less accumulated depreciation:			
Land improvements	(10,021,586)	(1,501,403)	(11,522,989)
Infrastructure	(158,200,582)	(108,633,424)	(266,834,006)
Buildings	(22,044,690)	(93,132,129)	(115,176,819)
Machinery and equipment	(16,375,326)	(31,061,026)	(47,436,352)
Lease improvements	(531,613)	(45,033)	(576,646)
Intangibles	(1,123,050)	(1,062,132)	(2,185,182)
Total accumulated depreciation	<u>(208,296,847)</u>	<u>(235,435,147)</u>	<u>(443,731,994)</u>
Total capital assets, net	<u>\$ 189,868,062</u>	<u>\$ 236,407,979</u>	<u>\$ 426,276,041</u>

# City of Santa Cruz

## Notes to Basic Financial Statements For the year ended June 30, 2018

### 6. CAPITAL ASSETS, Continued

#### B. Governmental Activities

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

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 64,940,728	\$ 5,106,112	\$ -	\$ 70,046,840
Construction in progress	6,982,969	3,679,642	(280,020)	10,382,591
Subtotal:	<u>71,923,697</u>	<u>8,785,754</u>	<u>(280,020)</u>	<u>80,429,431</u>
Capital assets, being depreciated:				
Land improvements	21,868,584	131,074	-	21,999,658
Infrastructure	215,333,448	409,952	-	215,743,400
Buildings	55,436,348	213,791	-	55,650,139
Machinery and equipment	21,614,087	1,123,755	(79,923)	22,657,919
Lease improvements	483,846	-	-	483,846
Software	1,200,516	-	-	1,200,516
Subtotal:	<u>315,936,829</u>	<u>1,878,572</u>	<u>(79,923)</u>	<u>317,735,478</u>
Total capital assets	<u>387,860,526</u>	<u>10,664,326</u>	<u>(359,943)</u>	<u>398,164,909</u>
Less accumulated depreciation:				
Land improvements	(9,113,955)	(907,631)	-	(10,021,586)
Infrastructure	(154,786,085)	(3,414,497)	-	(158,200,582)
Buildings	(20,773,037)	(1,271,653)	-	(22,044,690)
Machinery and equipment	(15,052,164)	(1,403,085)	79,923	(16,375,326)
Lease improvements	(517,283)	(14,330)	-	(531,613)
Software	(1,055,079)	(67,971)	-	(1,123,050)
Total accumulated depreciation	<u>(201,297,603)</u>	<u>(7,079,167)</u>	<u>79,923</u>	<u>(208,296,847)</u>
Total capital assets, net	<u>\$ 186,562,923</u>	<u>\$ 3,585,159</u>	<u>\$ (280,020)</u>	<u>\$ 189,868,062</u>

Depreciation expense of the governmental activities for the year ended June 30, 2018 was \$7,079,167 and was distributed as follows:

General Government	\$ 216,138
Public Safety	815,879
Parks and Recreation	1,618,133
Library - City	5,120
Public Works	3,217,731
Community & Economic Development	998,651
Total depreciation expense- general government	<u>6,871,652</u>
Internal Service Funds	207,515
Total depreciation expense- governmental activities	<u>\$ 7,079,167</u>

City of Santa Cruz

Notes to Basic Financial Statements  
For the year ended June 30, 2018

6. CAPITAL ASSETS, Continued

C. Business-Type Activities

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

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,662,704	\$ -	\$ -	\$ 1,662,704
Construction in process	38,087,790	8,946,474	(16,254,278) <sup>(1)</sup>	30,779,986
Subtotal:	<u>39,750,494</u>	<u>8,946,474</u>	<u>(16,254,278)</u>	<u>32,442,690</u>
Capital assets, being depreciated:				
Land improvements	2,435,690	-	-	2,435,690
Infrastructure	215,505,452	7,143,222	(99,686)	222,548,988
Buildings	167,034,967	147,448	-	167,182,415
Machinery and equipment	43,242,026	2,969,436	(290,777)	45,920,685
Lease improvements	70,000	-	-	70,000
Software	1,151,301	91,357	-	1,242,658
Subtotal:	<u>429,439,436</u>	<u>10,351,463</u>	<u>(390,463)</u>	<u>439,400,436</u>
Total capital assets	<u>469,189,930</u>	<u>19,297,937</u>	<u>(16,644,741)</u>	<u>471,843,126</u>
Less accumulated depreciation:				
Land improvements	(1,400,737)	(100,666)	-	(1,501,403)
Infrastructure	(104,615,903)	(4,117,207)	99,686	(108,633,424)
Buildings	(89,752,326)	(3,379,803)	-	(93,132,129)
Machinery and equipment	(28,292,109)	(3,059,694)	290,777	(31,061,026)
Lease improvements	(42,233)	(2,800)	-	(45,033)
Software	(991,172)	(70,960)	-	(1,062,132)
Total accumulated depreciation	<u>(225,094,480)</u>	<u>(10,731,130)</u>	<u>390,463</u>	<u>(235,435,147)</u>
Total capital assets, net	<u>\$ 244,095,450</u>	<u>\$ 8,566,807</u>	<u>\$ (16,254,278)</u>	<u>\$ 236,407,979</u>

(1) See Note 19 describing the impairment of capital assets.

Business-type activities depreciation expense for the year ended June 30, 2018 is as follows:

Water	\$ 3,391,359
Wastewater	4,257,130
Refuse	1,746,491
Parking	573,545
Storm Water	762,605
Total depreciation expense	<u>\$ 10,731,130</u>

# City of Santa Cruz

## Notes to Basic Financial Statements For the year ended June 30, 2018

### 7. LONG-TERM DEBT

#### A. Governmental Activities

For the year ended June 30, 2018, long-term debt for governmental activities consisted of the following amounts:

Description/Purpose	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Balance at June 30, 2018
<i>Compensated Absences</i>					
Accumulated, unpaid vacation, holiday and comp time leave	n/a	n/a	n/a	n/a	\$ 3,749,091
<i>Claims and Judgments</i>					
Liability and workers compensation claims paid by Risk Management internal service fund	n/a	n/a	n/a	n/a	13,403,655
<i>2009 General Obligation Refunding Bonds</i>					
Refinanced 1999 GO Bonds issued for the acquisition and construction of municipal improvements	9/1/10-9/1/29	2.00%-4.38%	\$180,000-\$605,000	\$6,995,000	5,205,000
				Unamortized Premium	17,391
				Net Balance	5,222,391
<i>2010 Pension Obligation Bonds</i>					
To refund public safety retirement obligations	6/1/11-6/1/22	2.11%-5.38%	\$810,000-\$3,150,000	\$24,150,000	11,100,000
<i>2017 Refunding 2007 Lease Revenue Bonds</i>					
Refinanced 2007 Lease Revenue Bonds. Original issue was for land acquisition and improvements for public library and water department purposes	11/1/17 - 11/1/37	2.00%-5.00%	\$125,000-\$390,000	\$5,265,000	5,140,000
				Unamortized Premium	215,152
				Net Balance	5,355,152
<i>2017 Refunding 2010 Refunding Lease Revenue Bonds, Series B</i>					
Refinanced 2010 Series B Refunding. Original issue was for Civic Center acquisition, construction and improvement	11/1/17 - 11/1/31	2.00%-5.00%	\$140,000-\$220,000	\$2,420,000	2,420,000
				Unamortized Premium	143,715
				Net Balance	2,563,715
				Lease Revenue Bonds Subtotal	7,918,867

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City of Santa Cruz

Notes to Basic Financial Statements  
For the year ended June 30, 2018

7. LONG-TERM DEBT, Continued

A. Governmental Activities, Continued

Table continued from previous page

Description/Purpose	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Balance at June 30, 2018
<i>Capital Lease Obligations</i>					
To acquire land for a homeless services center	1/1/03-1/1/21	1.49%-4.64%	\$26,027-\$51,414	\$765,000	\$ 152,536
<i>Public Works Loan Payable to PG&amp;E</i>					
For replacement of streetlights with LED bulbs	12/1/12-11/1/22	0.00%	\$24,953	\$249,526	113,845
<i>2015 I-Bank Arterial Roads Loan</i>					
For City-wide road improvements	8/1/15-8/1/24	2.00%	\$1,306,455-\$1,524,530	\$14,130,000	10,142,438
<i>2012 Golf COP 13 Refunding</i>					
Issued for golf course improvements - Refunding of 2004 Golf COP 13	5/1/2029	3.50%	\$67,344-\$115,309	\$2,960,536	2,131,023
<i>2018 California Energy Commission Loan</i>					
For comprehensive energy efficiency retrofit project	12/22/2033	1.00%		\$483,697	483,697
Total debt of governmental activities					<u>\$ 54,417,543</u>



# City of Santa Cruz

## Notes to Basic Financial Statements For the year ended June 30, 2018

### 7. LONG-TERM DEBT, Continued

#### A. Governmental Activities, Continued

The following table summarizes long-term debt activity for the year ended June 30, 2018:

	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018	Amount Due Within One Year	Amount Due in More Than One Year
General obligation bonds	\$ 5,475,000	\$ -	\$ (270,000)	\$ 5,205,000	\$ 290,000	\$ 4,915,000
Bond issuance premiums	18,948	-	(1,558)	17,390	1,558	15,832
Total general obligation bonds	5,493,948	-	(271,558)	5,222,390	291,558	4,930,832
Lease revenue bonds	7,685,000	-	(125,000)	7,560,000	305,000	7,255,000
Bond issuance premiums	380,660	-	(21,792)	358,868	21,792	337,076
Total lease revenue bonds	8,065,660	-	(146,792)	7,918,868	326,792	7,592,076
Pension obligation bonds	13,295,000	-	(2,195,000)	11,100,000	2,415,000	8,685,000
Notes payable	13,920,403	\$483,697	(1,533,097)	12,871,003	1,592,229	11,278,774
Capital lease obligations	201,170	-	(48,634)	152,536	49,915	102,621
Total Bonds, notes, loans, leases	40,976,181	483,697	(4,195,081)	37,264,797	4,675,494	32,589,303
Claims and judgments	13,403,737	475,303	(475,385)	13,403,655	3,472,074	9,931,581
Compensated absences	\$ 3,679,823	\$ 1,448,990	\$ (1,379,722)	\$ 3,749,091	\$ 2,470,582	\$ 1,278,509
Total	\$ 58,059,741	\$ 2,407,990	\$ (6,050,188)	\$ 54,417,543	\$ 10,618,150	\$ 43,799,393

City of Santa Cruz

Notes to Basic Financial Statements  
For the year ended June 30, 2018

7. LONG-TERM DEBT, Continued

A. Governmental Activities, Continued

As of June 30, 2018, the future debt service requirements to maturity for outstanding debt were:

For Year Ending June 30,	General Obligation Bonds		Lease Revenue Bonds		Pension Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 290,000	\$ 210,951	\$ 305,000	\$ 284,338	\$ 2,415,000	\$ 596,625
2020	315,000	198,851	315,000	275,188	2,645,000	466,819
2021	335,000	185,851	325,000	262,588	2,890,000	324,650
2022	360,000	171,951	345,000	249,588	3,150,000	169,313
2023	385,000	157,051	350,000	235,788	-	-
2024-2028	2,350,000	515,133	1,945,000	983,013	-	-
2029-2033	565,000	38,616	2,165,000	533,825	-	-
2034-2038	605,000	13,234	1,810,000	203,069	-	-
	<u>5,205,000</u>	<u>1,491,638</u>	<u>7,560,000</u>	<u>3,027,397</u>	<u>11,100,000</u>	<u>1,557,407</u>
Unamortized Premiums	17,390	-	358,868	-	-	-
Totals	<u>\$ 5,222,390</u>	<u>\$ 1,491,638</u>	<u>\$ 7,918,868</u>	<u>\$ 3,027,397</u>	<u>\$11,100,000</u>	<u>\$ 1,557,407</u>

For Year Ending June 30,	Capital Lease Obligations		Notes and Loans		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 49,915	\$ 2,265	\$ 1,592,229	\$ 241,453	\$ 4,652,144	\$ 1,335,632
2020	50,659	1,521	1,621,730	211,444	4,947,389	1,153,823
2021	51,962	766	1,651,843	180,818	5,253,805	954,673
2022	-	-	1,682,585	149,562	5,537,585	740,414
2023	-	-	1,703,049	117,660	2,438,049	510,499
2024-2028	-	-	4,205,695	197,716	8,500,695	1,695,862
2029-2033	-	-	383,640	7,833	3,113,640	580,274
2034-2038	-	-	30,232	-	2,445,232	216,303
	<u>152,536</u>	<u>4,552</u>	<u>12,871,003</u>	<u>1,106,486</u>	<u>36,888,539</u>	<u>7,187,480</u>
Unamortized Premiums	-	-	-	-	376,258	-
Totals	<u>\$ 152,536</u>	<u>\$ 4,552</u>	<u>\$12,871,003</u>	<u>\$ 1,106,486</u>	<u>\$37,264,797</u>	<u>\$ 7,187,480</u>

# City of Santa Cruz

## Notes to Basic Financial Statements For the year ended June 30, 2018

### 7. LONG-TERM DEBT, Continued

#### B. Business-Type Activities

For the year ended June 30, 2018, long-term debt for business-type activities consisted of the following amounts:

Description/Purpose	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Balance at June 30, 2018
<i>Compensated Absences</i>					
Accumulated, unpaid vacation, holiday and comp time leave	n/a	n/a	n/a	n/a	\$ 1,431,724
<i>Landfill Closure and Postclosure Costs</i>					
Percentage of estimated costs	n/a	n/a	n/a	n/a	7,449,025
<i>2014 Storm Water Refunding Revenue Bonds</i>					
Issued to refinance 2005 Revenue Bonds	4/1/15-10/1/28	2.0%-3.0%	\$210,000-\$380,000	\$4,520,000	3,640,000
				Unamortized Premium	22,582
				Net Balance	\$3,662,582
<i>2014 Water Revenue Bonds</i>					
Issued to refinance 2006 Water Revenue Bonds and Water Note Payable to the State	9/1/14-3/1/36	2.0%-3.75%	\$400,000-\$675,000	\$11,260,000	9,425,000
				Unamortized Premium	6,692
				Net Balance	\$9,431,692
<i>2017 Refunding 2010 Parking Lease Revenue Bonds</i>					
Refinanced 2010 Parking Lease Revenue Bonds	11/1/17 - 11/1/28	2.0%-5.0%	\$235,000-\$330,000	\$3,350,000	\$3,065,000
				Unamortized Premium	266,530
				Net Balance	\$3,331,530
<i>2010 Refuse Enterprise Revenue Bonds</i>					
Refinanced 2001 Certificates of Participation	10/1/11 - 10/1/21	3.0%-4.0%	\$265,000-\$400,000	\$3,755,000	\$1,525,000
				Unamortized Premium	27,007
				Net Balance	\$1,552,007
<i>2013 Wastewater Refunding Bonds</i>					
Refinanced 2005 Wastewater Revenue Bonds and Wastewater Note payable to State	5/1/14 - 11/1/22	1.6%-2.59%	\$135,474-\$3,322,098	\$18,710,084	\$4,888,944
				Revenue Bonds Subtotal	\$22,866,755
<i>2016 I-Bank Water Infrastructure Loan</i>					
For City-wide improvements to the water system	8/1/16-8/1/46	3.240%	\$505,367-\$1,274,087	\$25,000,000	24,494,633
<i>2009 Refuse Refunding Loan</i>					
Issued to refinance 1999 Certificates of Participation	10/1/10-10/1/23	4.87%	\$77,300-\$144,400	\$2,903,000	\$1,412,900
<i>2018 Water Fund Bank of America Commercial Loan</i>					
	6/19/18-6/19/20	2.12%	n/a	n/a	\$3,500,000
Total debt of business-type activities					\$ 61,155,037

City of Santa Cruz

Notes to Basic Financial Statements  
For the year ended June 30, 2018

7. LONG-TERM DEBT, Continued

B. Business-Type Activities, Continued

The following table summarizes long-term debt activity for the year ended June 30, 2018:

	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018	Amount Due Within One Year	Amount Due in More than One Year
Compensated absences	\$ 1,393,537	\$ 691,332	\$ (653,145)	\$ 1,431,724	\$ 954,482	\$ 477,242
Landfill closure costs	7,118,649	330,376	-	7,449,025	-	7,449,025
Revenue bonds payable	27,438,488	-	(4,894,544)	22,543,944	4,936,374	17,607,570
Bond issuance premiums	359,288	-	(36,477)	322,811	36,479	286,332
Total bonds payable	27,797,776	-	(4,931,021)	22,866,755	4,972,853	17,893,902
Notes payable	26,632,000	3,500,000	(724,467)	29,407,533	751,641	28,655,892
Total Bond and Notes:	54,429,776	3,500,000	(5,655,488)	52,274,288	5,724,494	46,549,794
<b>Total</b>	<b>\$ 62,941,962</b>	<b>\$ 4,521,708</b>	<b>\$ (6,308,633)</b>	<b>\$ 61,155,037</b>	<b>\$ 6,678,976</b>	<b>\$ 54,476,061</b>

As of June 30, 2018, the future debt service requirements to maturity for outstanding debt were:

For Year Ending June 30,	Revenue Bonds		Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 4,936,374	\$ 605,009	\$ 751,641	\$ 851,216	\$ 5,688,015	\$ 1,456,225
2020	1,654,712	537,218	4,279,846	822,708	5,934,558	1,359,926
2021	1,704,519	491,069	809,198	793,083	2,513,717	1,284,152
2022	1,753,734	442,014	839,715	762,296	2,593,449	1,204,310
2023	1,394,605	397,543	871,417	730,301	2,266,022	1,127,844
2024-2028	5,740,000	1,496,106	3,408,794	3,263,075	9,148,794	4,759,181
2029-2033	3,400,000	678,975	3,828,623	2,686,190	7,228,623	3,365,165
2034-2038	1,960,000	146,263	4,490,375	2,013,718	6,450,375	2,159,981
2039-2043	-	-	5,266,506	1,225,014	5,266,506	1,225,014
2044-2048	-	-	4,861,418	321,296	4,861,418	321,296
	22,543,944	4,794,197	29,407,533	13,468,897	51,951,477	18,263,094
Unamortized Premiums	322,811	-	-	-	322,811	-
Totals	<b>\$ 22,866,755</b>	<b>\$ 4,794,197</b>	<b>\$ 29,407,533</b>	<b>\$ 13,468,897</b>	<b>\$ 52,274,288</b>	<b>\$ 18,263,094</b>

# City of Santa Cruz

## Notes to Basic Financial Statements For the year ended June 30, 2018

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### 7. LONG-TERM DEBT, Continued

#### *B. Business-Type Activities, Continued*

##### Pledged Revenues

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

The Trust Indenture for the 2014 Storm Water Refunding Revenue Bonds requires the City to pledge its annual Net Revenues (defined as gross revenues received during the period minus the amount required to pay all operation and maintenance costs payable during the period excluding depreciation) in an amount equal to at least 125% of the annual debt service requirement each fiscal year, through final maturity of the Bonds in October 2029 or early retirement of the Bonds, whichever first occurs. A principal payment of \$305,000 and an interest payment in the amount of \$89,888 were made for a debt service total of \$394,888. The current year Storm Water net revenues were \$210,228, resulting in a revenue source to debt service ratio of 53.2%. The total future debt service payments for this indenture are estimated to be \$3,640,000 in principal and \$519,181 in interest for a debt service total of \$4,159,181. The estimated revenues pledged and collected by the Storm Water fund for this obligation term will be approximately \$2,312,507, resulting in a total revenue source to debt service payment ratio of 55.6%.

The Trust Indenture for the 2014 Water Refunding Revenue Bonds requires the City to pledge its annual Net Revenues (defined as gross revenues received during the period minus the amount required to pay all operation and maintenance costs payable during the period excluding depreciation) in an amount equal to at least 115% of the annual debt service requirement each fiscal year, through final maturity of the Bonds in March 2036 or early retirement of the Bonds, whichever first occurs. Principal payments of \$410,000 and interest payments of \$297,238 were made in the current year for a debt service total of \$707,238. Net Water revenues for the fiscal year ended June 30, 2018, were \$14,121,550, resulting in a revenue source to debt service ratio of 1996.7%. Total future debt service payments for this indenture are estimated to be \$12,656,363 consisting of principal in the amount of \$9,425,000 and interest in the amount of \$3,231,363. The estimated net revenues pledged and collected by the Water fund for this obligation term will be approximately \$254,187,905, resulting in a total revenue source to debt service payment ratio of 2008.4%.

# City of Santa Cruz

## Notes to Basic Financial Statements For the year ended June 30, 2018

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### 7. LONG-TERM DEBT, Continued

#### *B. Business-Type Activities, Continued*

The 2009 Refuse Loan Agreement requires the City to pledge its annual Net Revenues (defined as gross revenues received during the period minus the amount required to pay all operation and maintenance costs payable during the period excluding depreciation) in an amount equal to at least 125% of the annual debt service requirement each fiscal year, through final maturity of the Loan in October 2023 or early prepayment, whichever first occurs. Debt service for the fiscal year ended June 30, 2018, consisted of \$219,100 in principal and \$76,844 in interest for a total of \$295,944. Net Refuse revenues for the fiscal year ended June 30, 2018, were \$4,545,746 resulting in a revenue source to debt service ratio of 1536.0%. Total future debt service payments for the Refuse Loan are estimated to be \$1,627,589, consisting of \$1,412,900 in principal and \$214,689 in interest. The estimated net revenues pledged and collected by the Refuse fund for this obligation term will be approximately \$27,274,477 resulting in a total revenue source to debt service payment ratio of 1675.8%.

The Trust Indenture for the 2010 Refuse Enterprise Revenue Bonds requires the City to pledge its annual Net Revenues (defined as gross revenues received during the period minus the amount required to pay all operation and maintenance costs payable during the period excluding depreciation) in an amount equal to at least 125% of the annual debt service requirement each fiscal year, through final maturity of the Bonds on October 2021 or early retirement of the Bonds, whichever first occurs. Debt service for the fiscal year ended June 30, 2018, consisted of \$350,000 in principal and \$60,700 in interest for a total of \$410,700. Net Refuse revenues for the fiscal year ended June 30, 2018, were \$4,545,746 resulting in a revenue source to debt service ratio of 1106.8%. Total future debt service payments for the Bonds are estimated to be \$1,643,713, consisting of \$1,525,000 in principal and \$118,713 in interest. The estimated net revenues pledged and collected by the Refuse fund for this obligation term will be approximately \$18,182,985, resulting in a total revenue source to debt service payment ratio of 1106.2%.

The Trust Indenture for the 2013 Wastewater Refunding Revenue Bonds requires the City to pledge its annual Net Revenues (defined as gross revenues received during the period minus the amount required to pay all operation and maintenance costs payable during the period excluding depreciation) in an amount equal to at least 115% of the annual debt service requirement each fiscal year, through final maturity of the Bonds in November 2022 or early retirement of the Bonds, whichever first occurs. Principal payments of \$3,544,544 and interest payments of \$138,473 were made in the current year for a debt service total of \$3,683,017 was applied against this indenture for the fiscal year ended June 30, 2018. The current year Wastewater revenues were \$5,703,892, resulting in a revenue source to debt service ratio of 154.9%. The total future debt service payments for this indenture are estimated to be \$4,888,944 in principal and \$138,415 in interest for a debt service total of \$5,027,359. The estimated revenues pledged and collected by the Wastewater fund for this obligation term will be approximately \$58,519,462, resulting in a total revenue source to debt service payment ratio of 567.3%.

# City of Santa Cruz

## Notes to Basic Financial Statements For the year ended June 30, 2018

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### 7. LONG-TERM DEBT, Continued

#### C. Conduit Debt

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

The bonds were issued under a Trust Indenture, dated July 1, 2002 between the Agency, and Wells Fargo Bank, National Association, as trustee. For the Shaffer Road Apartments, the Agency issued 2002 Series A bonds in the amount of \$29,925,000 and 2002 Series A-T bonds in the amount of \$985,000. The 2002 Series A-T bonds were called in full on March 15, 2011. For the 1010 Pacific Avenue Apartments, 2002 Series B bonds in the amount of \$21,650,000 were issued. As of June 30, 2018, the total amounts outstanding for all the 2002 Bonds were as follows: \$29,925,000 for Series A; \$0 for Series A-T; and \$20,795,000 for Series B. The remaining bonds mature on August 15, 2035. The bonds and interest are limited obligations of the Agency, payable solely from the "trust estate," which is specifically assigned and pledged to such purposes to the extent provided in the Official Statements.

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

The bonds were issued under a Master Agency Agreement, dated August 1, 2007 between the Agency and Washington Mutual Bank. For the Tannery Artists Lofts, the Agency issued 2007 Series A-1 bonds in the amount of \$4,195,000, which mature March 1, 2045. The balance of the Series A-1 bonds was \$3,723,526 at June 30, 2018. 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.

**Notes to Basic Financial Statements**  
**For the year ended June 30, 2018**

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**8. RISK MANAGEMENT AND SELF-INSURANCE**

The City has established a Risk Management Fund (an internal service fund) to account for a self-insurance program. For the period ending June 30, 2018, the City was self-insured for workers' compensation up to \$500,000 per occurrence and for general liability up to \$1,000,000 per occurrence. Claims in excess of these amounts are insured. The City is also completely self-insured for unemployment insurance, vision, and dental insurance claims; Unemployment is accounted for in the General Fund and the self-insurance for vision and dental is accounted for in the Risk Internal Service Fund. The City contracts with outside administrators to administer these programs.

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

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

ACCEL has a retrospective rated refund liability plan which represents the amount of equity that is eligible for return to the Members of the pool. The liability is computed as the amount of the premiums paid in the pool, plus investment income earned in excess of the estimated losses and loss expenses calculated separately for each program year and Member. Members are eligible to receive distributions of equity (retro-refunds) five years after the end of the program year. At the June 2018 Board of Directors meeting, a retrospectively rated refund was made available for distribution to the members in the amount of \$23,175,007. Members may elect to have returned all or a portion of their refund and the funds would remain in the respective program year in the name of the member city. The amount of retrospectively rated refund that was retained in the name of the City of Santa Cruz was \$1,330,592. At June 30, 2018, claims outstanding against the City are \$13,403,655.



City of Santa Cruz

Notes to Basic Financial Statements  
For the year ended June 30, 2018

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8. RISK MANAGEMENT AND SELF-INSURANCE, Continued

As of June 30, 2018, coverage provided by self-insurance and excess coverage (purchased by the City from ACCEL) is generally summarized as follows:

Type of coverage	Self-Insured Retention	Excess Insurance
General Liability	\$1,000,000 per occurrence	\$49,000,000 aggregate
Workers' Compensation	\$500,000 per occurrence	Statutory limits
Property of Others	\$1,000 per occurrence	\$1,000,000,000 aggregate
Boiler and Machinery	\$5,000 per occurrence	\$100,000,000 aggregation
Pollution Liability	\$75,000 per occurrence	\$25,000,000 aggregate
Crime	\$25,000 per occurrence	\$1,000,000 aggregate
Cyber Liability	\$25,000 per occurrence	\$25,000,000 aggregate
Watercraft	\$1,000 per occurrence	\$1,000,000 aggregate

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

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

	Beginning of Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2016-2017	\$ 11,383,350	\$ 2,227,131	\$ (206,744)	\$ 13,403,737
2017-2018	13,403,737	475,303	(475,385)	13,403,655

# City of Santa Cruz

## Notes to Basic Financial Statements For the year ended June 30, 2018

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### 9. RETIREMENT PLANS

#### A. *Miscellaneous Plan*

##### Plan Description

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

<u>Member Type</u>	<u>Miscellaneous Plan</u>
Active Members	666
Transferred Members	315
Terminated Members	287
Retired Members and Beneficiaries	<u>775</u>
Total	<u><u>2043</u></u>

##### Benefits Provided

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

# City of Santa Cruz

## Notes to Basic Financial Statements For the year ended June 30, 2018

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### 9. RETIREMENT PLANS, Continued

#### A. *Miscellaneous Plan, Continued*

The Plan provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Tier 1	Tier 2	Tier 3
Hire Date	Prior to 5/12/2012	5/12 - 12/31/2012	After 12/31/2012
Benefit formula	2.0% @ 55	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Minimum retirement age	50	50	52
Required employer contribution rates*	8.876%	8.876%	8.876%
Required employee contribution rates	7.000%	7.000%	6.750%

\*Additional employer contributions of \$5,089,861 of UAL was made at the beginning of the year.

#### Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

#### B. *Safety Plans*

##### Plan Description

The City contributes to the California Public Employees Retirement System (CalPERS), a cost sharing multiple-employer public employee defined benefit plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of CalPERS' annual financial report may be obtained from their Executive Office located at 400 P Street, Sacramento, California 95814.

City of Santa Cruz

Notes to Basic Financial Statements  
For the year ended June 30, 2018

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9. RETIREMENT PLANS, Continued

B. Safety Plans, Continued

Benefits Provided

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

The Plan provisions and benefits in effect at June 30, 2018, are summarized as follows:

<u>Police</u>	<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 3</u>
Hire Date	Prior to 9/3/2011*	9/3/2011 - 12/31/2012*	After 12/31/2012
Benefit formula - Sworn	3.0% @ 50	3.0% @ 55	2.7% @ 57
Benefit formula - Non-Sworn	2.0% @ 55	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Minimum retirement age - Sworn	50	50	50
Minimum retirement age - Non-Sworn	50	50	52
Required employer contribution rates - Sworn*	21.42%	18.30%	12.73%
Required employer contribution rates - Non-Sworn	19.63%	19.63%	19.63%
Required employee contribution rates - Sworn	8.99%	9.00%	12.25%
Required employee contribution rates - Non-Sworn	7.00%	7.00%	6.75%

\*Additional employer contributions of \$138,478 of UAL was made at the beginning of the year.

<u>Fire</u>	<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 3</u>
Hire Date	Prior to 9/3/2011	9/3/2011 - 12/31/2012	After 12/31/2012
Benefit formula	3.0% @ 50	3.0% @ 55	2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Minimum retirement age	50	50	50
Required employer contribution rates*	21.42%	18.49%	12.73%
Required employee contribution rates	8.99%	8.98%	12.25%

\*Additional employer contributions of \$98,654 of UAL was made at the beginning of the year.

**Notes to Basic Financial Statements**  
**For the year ended June 30, 2018**

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**9. RETIREMENT PLANS, Continued**

*B. Safety Plans, Continued*

Contribution Description

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

*C. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions*

As of June 30, 2018, the City reported net pension liabilities for each plan as follows:

	Net Pension Liability
Miscellaneous	\$ 102,721,029
Safety	67,411,262
Total Net Pension Liability	<u>\$ 170,132,291</u>

City of Santa Cruz

Notes to Basic Financial Statements  
For the year ended June 30, 2018

9. RETIREMENT PLANS, Continued

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

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

	Increase (Decrease)		Net Pension Liability / (Asset)
	Total Pension Liability	Plan Fiduciary Net Position	
Balance at June 30, 2017	\$ 357,092,247	\$ 265,465,893	\$ 91,626,354
Measurement Period:			
Service cost	7,610,704	-	7,610,704
Interest on the total pension liability	26,530,096	-	26,530,096
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(3,403,096)	-	(3,403,096)
Changes of assumptions	21,609,175	-	21,609,175
Plan to plan resource movement	-	244	(244)
Contributions from the employer	-	8,246,952	(8,246,952)
Contributions from employees	-	3,303,116	(3,303,116)
Net investment income	-	30,093,835	(30,093,835)
refunds of employee contributions	(16,106,784)	(16,106,784)	-
Administrative expense	-	(391,943)	391,943
Net Changes	36,240,095	25,145,420	11,094,675
Balance at June 30, 2018	\$ 393,332,342	\$ 290,611,313	\$ 102,721,029

The net pension liability of each of the Plans is measured as of June 30, 2017, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The City's net pension liability for the Safety Plan is measured as the proportionate share of the net pension liability of its risk pool with CalPERS. The City's proportion of the net pension liability was based on CalPERS' Public Agency Cost-Sharing Allocation Methodology Report, which can be obtained on the CalPERS website.

City of Santa Cruz

Notes to Basic Financial Statements  
For the year ended June 30, 2018

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9. RETIREMENT PLANS, Continued

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

The City's proportionate share of the cost-sharing net pension liability for the Safety Plan as of June 30, 2017 (measurement date) was as follows:

	Proportions - June 30, 2017	Proportions - June 30, 2016	Change - Increase (Decrease)
Safety	0.67974%	0.67405%	0.00569%

For the year ended June 30, 2018, the pension contributions and pension expense for each plan were as follows:

	Contributions - Employer	Contributions - Employee	Pension Expense
Miscellaneous	\$ 9,241,056	\$ 3,219,559	\$ 15,353,271
Safety	6,330,925	1,791,426	10,072,506
Total	<u>\$ 15,571,981</u>	<u>\$ 5,010,985</u>	<u>\$ 25,425,777</u>

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

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

Plan	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
<u>Miscellaneous</u>			
Net Pension Liability	\$ 154,967,809	\$ 102,721,029	\$ 59,397,820
<u>Safety</u>			
Net Pension Liability	102,403,034	67,411,262	38,807,234
Total	<u>\$ 257,370,843</u>	<u>\$ 170,132,291</u>	<u>\$ 98,205,054</u>

City of Santa Cruz

Notes to Basic Financial Statements  
For the year ended June 30, 2018

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9. RETIREMENT PLANS, Continued

E. *Deferred Outflows of Resources and Deferred Inflows of Resources*

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
<i><u>Miscellaneous</u></i>		
Pension contributions subsequent to the measurement date	\$ 9,241,056	\$ -
Changes of Assumptions	14,157,735	-
Differences between expected and actual experiences	-	(2,613,194)
Net difference between projected and actual earnings on pension plan investments	3,283,406	-
Total	26,682,197	(2,613,194)
 <i><u>Safety</u></i>		
Pension contributions subsequent to the measurement date	6,330,925	-
Changes of Assumptions	10,592,059	(812,651)
Differences between expected and actual experiences	730,360	(190,425)
Difference in actual contribution and proportionate share of contribution	140,515	(278,635)
Changes in proportion	913,631	(4,839)
Net difference between projected and actual earnings on pension plan investments	2,309,483	-
Adjustment due to differences in proportions	-	-
Total	21,016,973	(1,286,550)
Total	\$ 47,699,170	\$ (3,899,744)



City of Santa Cruz

Notes to Basic Financial Statements  
For the year ended June 30, 2018

9. RETIREMENT PLANS, Continued

E. *Deferred Outflows of Resources and Deferred Inflows of Resources, Continued*

The contributions of \$15,571,981 were made subsequent to the measurement date and will be recognized in June 30, 2019. The remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year	Deferred Outflows/(Inflows)	
	Miscellaneous	Safety
2019	\$ 5,576,957	\$ 3,528,782
2020	9,998,989	6,988,182
2021	1,513,729	4,233,893
2022	(2,261,728)	(1,351,359)
Total	\$ 14,827,947	\$ 13,399,498

F. *Actuarial Methods and Assumptions Used to Determine Total Pension Liability*

For the measurement period ended June 30, 2017, (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016, total pension liability. The June 30, 2017, total pension liabilities were based on the following actuarial methods and assumptions:

	Miscellaneous	Safety
Valuation Date	June 30, 2016	June 30, 2016
Measurement Date	June 30, 2017	June 30, 2017
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Asset Valuation Method	Actuarial Value of Assets	Actuarial Value of Assets
Actuarial Assumptions		
Discount Rate	7.15%	7.15%
Inflation	2.75%	2.75%
Salary Increases <sup>(1)</sup>	Varies by Entry Age and Service	Varies by Entry Age and Service
Investment Rate of Return <sup>(2)</sup>	7.15%	7.15%
Mortality Rate Table <sup>(3)</sup>	Derived using CALPERS' membership data for all Funds	Derived using CALPERS' membership data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

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

<sup>(2)</sup> Net of pension plan investment expenses; includes inflation.

<sup>(3)</sup> The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

**Notes to Basic Financial Statements**  
**For the year ended June 30, 2018**

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**9. RETIREMENT PLANS, Continued**

*F. Actuarial Methods and Assumptions Used to Determine Total Pension Liability, Continued*

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of a 2014 actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

*G. Discount Rate*

The discount rate used to measure the total pension liability was 7.15% for each Plan (changed from 7.65% in 2016 measurement year). To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans ran out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

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

**Notes to Basic Financial Statements**  
**For the year ended June 30, 2018**

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**9. RETIREMENT PLANS, Continued**

*G. Discount Rate, Continued*

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

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

Asset Class	Current Target Allocation	Real Return Years 1 - 10 <sup>1</sup>	Real Return Years 11+ <sup>2</sup>
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%
	100.00%		

<sup>1</sup>An expected inflation of 2.5% used for this period.

<sup>2</sup>An expected inflation of 3.0% used for this period.

## City of Santa Cruz

### Notes to Basic Financial Statements For the year ended June 30, 2018

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#### 9. RETIREMENT PLANS, Continued

##### *H. Pension Plan Fiduciary Net Position*

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports. The pension liabilities will be paid out through contributions made by each fund where the employee worked.

#### 10. POSTEMPLOYMENT RETIREMENT BENEFITS

##### *A. Retiree Medical Plan Description*

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 \$128 per month for calendar year 2017 and \$136 per month for calendar year 2018 towards the retiree monthly premium for eligible retirees participating in PEMHCA. The Plan does not issue a financial report because no assets were accumulated in a trust fund.

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

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

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

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

City of Santa Cruz

Notes to Basic Financial Statements  
For the year ended June 30, 2018

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10. POSTEMPLOYMENT RETIREMENT BENEFITS, Continued

*B. Employees Covered*

	Active employees	841
Inactive employees or beneficiaries currently receiving benefits payments		189
Inactive employees entitled to, but not yet receiving benefits		-
		<u>1030</u>

*C. Contributions*

The contributions requirements of plan members are established and may be amended with City Council approval. The City is currently contributing to OPEB on a pay-as-you-go basis. OPEB liabilities will be paid by the fund for which the employee worked. Actuarial assumptions assume pay-as-you-go funding will continue. In fiscal year 2018, the City made benefit payments in the amount of \$1,038,185 including the estimated implied subsidy of \$285,784. The OPEB liabilities will be paid out through contributions by the fund where the employee worked.

*D. Assumption*

The City's total OPEB liability was measured as of June 30, 2017 and was determined by an actuarial valuation dated June 30, 2017 that was based on the following actuarial methods and assumptions:

Discount Rate	3.13% which is the 20 year municipal bond index
Inflation	3.00%
Salary Increases	3.00%
Mortality Rate	Pre-retirement mortality rates: RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates: RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.
Healthcare Trend Rate	5.00% for 2018 and later years

City of Santa Cruz

Notes to Basic Financial Statements  
For the year ended June 30, 2018

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10. POSTEMPLOYMENT RETIREMENT BENEFITS, Continued

*E. Changes in Total OPEB Liability*

The changes in the total OPEB liability for the City's Plan are as follows:

	Increase (Decrease)
	<u>OPEB Liability</u>
Balance at June 30, 2017	<u>\$ 37,413,162</u>
Changes recognized for year:	
Service Cost	1,758,129
Interest	1,156,131
Changes of benefit terms	-
Difference in expected and actual experience	-
Changes of assumptions	-
Contributions	-
Net investment income	-
Administrative expenses	-
Benefit payments	<u>(959,486)</u>
Net changes	<u>1,954,774</u>
Balance at June 30, 2018	<u><u>\$ 39,367,936</u></u>

*F. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate*

The following presents the total OPEB liability of the City if it were calculated using a discount rate that is one percentage point lower (2.13%) or one percentage point higher (4.13%) than the current rate, for year ended June 30, 2018:

<u>Total OPEB Liability</u>		
Discount Rate	Current Discount	Discount Rate
- 1% (2.13%)	Rate (3.13%)	+1% (4.13%)
<u>\$ 45,006,817</u>	<u>\$ 39,367,936</u>	<u>\$ 34,708,697</u>

**Notes to Basic Financial Statements**  
**For the year ended June 30, 2018**

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**10. POSTEMPLOYMENT RETIREMENT BENEFITS, Continued**

*G. Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rates*

The following presents the total OPEB liability of the City if it were calculated using health care cost trend rates that are one percentage point lower or one percentage higher than the current rate, for year ended June 30, 2018:

Total OPEB Liability		
Trend Rate	Current Healthcare Cost	Trend Rate
Decrease of 1%	Trend Rates	Increase of 1%
\$ 36,908,552	\$ 39,367,936	\$ 42,429,333

*H. Deferred Outflows and Deferred Inflows of Resources*

Gains and losses related to changes in Total OPEB liability are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in the future OPEB expense. For the fiscal year ended June 30, 2018, the City recognized OPEB expense of \$1,914,261. As of fiscal year, ended June 30, 2018, the City reported deferred outflows of resources related to OPEB in the amount of \$1,038,185 for its benefit payments subsequent to the measurement date. This amount will be recognized as an OPEB expense in fiscal year 2019.

# City of Santa Cruz

## Notes to Basic Financial Statements For the year ended June 30, 2018

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### 11. LANDFILL CLOSURE AND POSTCLOSURE COSTS

In accordance with requirements established by the Department of Resources, Recycling, and Recovery, the City has recognized a portion of the landfill's closure and postclosure 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	\$	4,162,757
Total estimated postclosure costs		12,920,587
Total estimated closure and postclosure costs	\$	<u>17,083,344</u>

The City has increased the landfill's capacity through excavations, and plans to continue excavating in future years to increase capacity. At June 30, 2018, the estimated landfill closure and postclosure cost liabilities of \$7,449,025 and estimated annual landfill closure cost adjustment of \$330,376 were calculated as follows:

Total estimated closure and postclosure costs	\$	17,083,344
Percent of used capacity to total capacity		<u>43.60%</u>
Revised estimated total closure and postclosure costs liability		7,449,025
Previous closure costs accrued		<u>(7,118,649)</u>
Expense for closure and postclosure costs	\$	<u>330,376</u>

The landfill has an estimated remaining capacity of 4,689,669 cubic yards and has a current projected closure date of January 2050.

Based upon the requirements of the Department of Resources, Recycling, and Recovery, the City has set aside invested cash (including pooled cash interest receivable) to equal the respective liabilities in each fund. The net position in each fund is zero with the exception of the allowance for fair value adjustment account. The market value of the invested cash at June 30, 2018 was \$7,449,025, and is available to provide for closure and postclosure costs. Total funds accumulated as of June 30, 2018, are comprised as follows:

Closure	\$	1,815,573
Postclosure		<u>5,633,452</u>
Total	\$	<u>7,449,025</u>



# City of Santa Cruz

## Notes to Basic Financial Statements For the year ended June 30, 2018

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### 12. COMMITMENTS AND CONTINGENCIES

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

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

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

The following is a list of major commitments and Contracts as of June 30, 2018:

Major Commitments and Contracts:

Newell Creek Dam Inlet/Outlet Pipeline	\$ 2,101,952
River Bank Filtration	1,076,916
Water Treatment Upgrades	993,456
Food Waste Collection and Conversion	822,890
WTP Concrete Tanks Replacement	745,959
Parking Equip. Repl - River Front Garage	645,494
Main Replacements-Engineering Section	635,518
Main Replacements-Eng Section-Transm	626,018
Water Project Management	520,748
City Residential & Collector Street Reconstruction	484,344
Total Commitments and Contracts:	<u>\$ 8,653,295</u>

# City of Santa Cruz

## Notes to Basic Financial Statements For the year ended June 30, 2018

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### 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, 2018, were \$259,332. 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, 2018, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 231,675
2020	88,601
2021	7,200
Total future minimum lease payments	<u>\$ 327,476</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, 2018, were \$1,405,250. The total cost of leased assets as of June 30, 2018, was \$37,037,821, and the accumulated depreciation of those assets that are depreciable amounted to \$14,551,252.

Future estimated revenues from these leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 1,557,171
2020	1,464,002
2021	1,286,622
2022	1,094,031
2023	907,262
2024-2028	3,783,325
2029-2033	2,854,245
2034-2038	2,273,107
2039-2043	366,209
2044-2048	204,015
Future years	339,781
Total	<u>\$ 16,129,770</u>

## City of Santa Cruz

### Notes to Basic Financial Statements For the year ended June 30, 2018

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#### 14. DEFICIT FUND BALANCE/NET POSITION

The General Capital Improvement Fund had a deficit net position of (\$299,113) as of June 30, 2018. This is largely due to a deficit spending for capital projects that will be reimbursed by grants in 2019. The City will likely to recover the deficit in the fiscal year 2019.

#### 15. FUND BALANCE

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

On June 11, 2013, the City Council adopted Resolution NS-28,655 which established an emergency contingency reserve equivalent to a minimum of two-months of the current fiscal year's Adopted Total General Fund Operating Expenditure Budget. City Council authorized the City Manager to maintain a minimum balance defined above through transfers of available ending Fund Balance after the Budget is adopted but before the end of the fiscal year. The reserve may be used for expenditures in the event of a declaration of a state or federal state of emergency or a local emergency as defined in the City Charter's Municipal Code Section 612. At June 30, 2018, the City had \$4,846,412 committed pursuant to Resolution NS-28,655.

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

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

## City of Santa Cruz

### Notes to Basic Financial Statements For the year ended June 30, 2018

#### 15. FUND BALANCE, Continued

The following table shows the classifications of the City's fund balances at the end of June 30, 2018:

Fund Balance Category	General Fund	Successor Agency - LMIH	General Capital Improvement	Other Governmental Funds	Total
Nonspendable:					
Interfund advances	\$ 3,523,793	\$ -	\$ -	\$ -	\$ 3,523,793
Long-term notes and loans receivable	3,623,452	-	-	-	3,623,452
Prepaid items	4,846,230	-	1,949	22,039	4,870,218
Restricted:					
Beaches education and preservation	-	-	-	1,503,925	1,503,925
DeAnza Mobile Home Park relocation hardship claims	258,677	-	-	-	258,677
Debt service	-	-	-	1,682,256	1,682,256
Housing	-	11,471,281	-	3,870,259	15,341,540
Parks & Recreation	-	-	-	1,283,774	1,283,774
Police programs	-	-	-	441,331	441,331
Streets, road construction and maintenance	-	-	-	2,391,414	2,391,414
Traffic impact mitigation	-	-	-	4,225,901	4,225,901
Retiree benefits	10,250,072	-	-	-	10,250,072
Committed:					
Stabilization Reserve	4,846,412	-	-	-	4,846,412
Capital projects	860,258	-	-	-	860,258
Unassigned	-	-	(301,062)	-	(301,062)
<b>Total Fund Balances</b>	<b>\$ 28,208,894</b>	<b>\$ 11,471,281</b>	<b>\$ (299,113)</b>	<b>\$ 15,420,899</b>	<b>\$ 54,801,961</b>

#### 16. SUCCESSOR AGENCY TRUST

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

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

City of Santa Cruz

Notes to Basic Financial Statements  
For the year ended June 30, 2018

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16. SUCCESSOR AGENCY TRUST, Continued

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

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

A. *Cash and Investments*

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

	<u>Amount</u>
Cash and investments pooled with the City	\$ 3,710,470
Cash and investments with fiscal agent	<u>29,553,854</u>
	<u>\$ 33,264,324</u>

B. *Loans Receivable*

At June 30, 2018, loans receivable consisted of \$336,111 to Artspace Tannery, LLC to repay the Sachs Foundation Loan; assist with financing construction of tenant improvements; and assist with financing the initial subleasing and marketing obligations necessary for the opening of the Digital Media Center. The interest rate on this loan is 3% simple.

City of Santa Cruz

Notes to Basic Financial Statements  
For the year ended June 30, 2018

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16. SUCCESSOR AGENCY TRUST, Continued

C. Capital Assets

An analysis of capital assets as of June 30, 2018, follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Nondepreciable Assets:				
Land - parking lot	\$ 902,621	\$ -	\$ -	\$ 902,621
Subtotal Nondepreciable Assets	<u>902,621</u>	<u>-</u>	<u>-</u>	<u>902,621</u>
Depreciable Assets:				
Land improvements	513,741	-	-	513,741
Buildings	10,209,815	-	-	10,209,815
Machinery and equipment	110,026	-	-	110,026
Lease improvements	240,268	-	-	240,268
Intangibles	10,966	-	-	10,966
Subtotal Depreciable Assets	<u>11,084,816</u>	<u>-</u>	<u>-</u>	<u>11,084,816</u>
Total Capital Assets	<u>11,987,437</u>	<u>-</u>	<u>-</u>	<u>11,987,437</u>
Less Accumulated Depreciation:				
Land improvements	(113,989)	(25,687)	-	(139,676)
Buildings	(2,149,496)	(348,213)	-	(2,497,709)
Machinery and equipment	(72,015)	(9,916)	-	(81,931)
Lease improvements	(172,575)	(11,767)	-	(184,342)
Intangibles	(10,966)	-	-	(10,966)
Subtotal Accumulated Depreciation	<u>(2,519,041)</u>	<u>(395,583)</u>	<u>-</u>	<u>(2,914,624)</u>
Net Capital Assets	<u>\$ 9,468,396</u>	<u>\$ (395,583)</u>	<u>\$ -</u>	<u>\$ 9,072,813</u>

City of Santa Cruz

Notes to Basic Financial Statements  
For the year ended June 30, 2018

16. SUCCESSOR AGENCY TRUST, Continued

D. Long-Term Debt

For the year ended June 30, 2018, long-term debt in the Successor Agency Trust consisted of the following amounts:

Description/Purpose	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Balance at June 30, 2018
<i>2004 Tax Allocation Bonds</i>					
Refinanced Redevelopment Agency earthquake recovery and reconstruction bonds	10/1/05-10/1/31	2.5%-4.625%	\$120,000-\$320,000	\$5,245,000	\$3,395,000
				Unamortized Premium	3,373
				Net Balance	\$3,398,373
<i>2011 Taxable Housing Tax Allocation Bonds, Series A</i>					
To fund housing-related projects in the Merged Earthquake Reconstruction Project Area ("Project Area")	10/1/11-10/1/24	6.59%	\$220,000-\$880,000	\$8,250,000	\$5,130,000
<i>2011 Taxable Non-Housing Tax Allocation Bonds, Series B</i>					
To fund non-housing redevelopment programs in the Project Area	10/1/11-10/1/26	6.65%	\$430,000-\$1,985,000	\$20,130,000	\$13,995,000
<i>2011 Tax-Exempt Non-Housing Tax Allocation Bonds, Series C</i>					
To fund non-housing redevelopment programs in the Project Area	10/1/11-10/1/26	4.79%	\$185,000-\$650,000	\$7,370,000	\$4,895,000
					\$27,418,373

The following table summarizes long-term debt activity for the year ended June 30, 2018:

	Balance	Transfers from		Balance	Amount	Amount
	July 1, 2017	Governmental Activities	Retirements	June 30, 2018	Due Within One Year	Due in More Than One Year
Tax allocation bonds	\$29,690,000	\$ -	\$(2,275,000)	\$27,415,000	\$2,415,000	\$25,000,000
Bond issuance premiums	4,874	-	(1,500)	3,374	1,500	1,874
Total tax allocation bonds	29,694,874	-	(2,276,500)	27,418,374	2,416,500	25,001,874
<b>Total</b>	<b>\$29,694,874</b>	<b>\$ -</b>	<b>\$(2,276,500)</b>	<b>\$27,418,374</b>	<b>\$2,416,500</b>	<b>\$25,001,874</b>

City of Santa Cruz

Notes to Basic Financial Statements  
For the year ended June 30, 2018

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16. SUCCESSOR AGENCY TRUST, Continued

D. Long-Term Debt, Continued

As of June 30, 2018, future debt service requirements to maturity for outstanding debt were:

For Year Ending June 30,	Tax Allocation Bonds	
	Principal	Interest
2019	\$ 2,415,000	\$ 1,580,391
2020	2,565,000	1,428,637
2021	2,720,000	1,267,215
2022	2,880,000	1,095,707
2023	3,065,000	913,283
2024-2028	12,575,000	1,772,594
2029-2033	1,195,000	113,659
	<u>27,415,000</u>	<u>8,171,486</u>
Unamortized Premiums	3,374	-
Totals	<u>\$ 27,418,374</u>	<u>\$ 8,171,486</u>

Pledged Revenue

The City pledged, as security for bonds issued, either directly or through the Financing Authority, a portion of tax increment revenue (including Low and Moderate Income Housing set-aside and pass through allocations) that it receives. The bonds issued were to provide financing for various capital projects, accomplish Low and Moderate Income Housing projects and to defease previously issued bonds. Assembly Bill 1X 26 provided that upon dissolution of the Redevelopment Agency, property taxes allocated to redevelopment agencies no longer are deemed tax increment but rather property tax revenues and will be allocated first to successor agencies to make payments on the indebtedness incurred by the dissolved redevelopment agency. Total principal and interest remaining on the debt is \$35,586,486, with annual debt service requirements as indicated above. For the current year, the total property tax revenue recognized by the City and Successor Agency for the payment of indebtedness incurred by the dissolved redevelopment agency was \$4,514,688, and the debt service obligation on the bonds was \$3,998,143.



# City of Santa Cruz

## Notes to Basic Financial Statements For the year ended June 30, 2018

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### 16. SUCCESSOR AGENCY TRUST, Continued

#### E. Insurance

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

### 17. SUBSEQUENT EVENTS

#### A. Rate Increases

Effective July 1, 2018, the City Council approved an update of Citywide User Fees which adopted master fee schedule adjustments to add and/or update specific Special Event and Police related citywide user fees.

Effective December 2018, the City Council approved an ordinance to amend cannabis business tax rates for specific industry sectors.

### 18. RESTATEMENT

As discussed under Note 1, the City implemented GASB Statement No. 75 *Accounting and Financial Reporting for Other Postemployment Benefits Liabilities*, effective July 1, 2017. Refer to Note 10 for further disclosures related to the plan and related balances. As a result of the implementation, the City restated beginning net position for governmental and business-type activities as noted below:

	Governmental Activities	Business-type Activities	Water	Wastewater	Refuse	Parking	Storm Water
Beginning of year, as previously reported							
Net Position	\$122,897,395	\$218,271,925	\$96,287,363	\$86,624,782	\$14,685,435	\$9,169,203	\$11,505,142
OPEB Deferred outflows of resources	719,400	240,086	89,921	54,844	76,645	18,322	353
OPEB Obligation	9,998,890	3,336,932	1,249,805	762,278	1,065,286	254,651	4,912
OPEB Liability	(28,051,521)	(9,361,641)	(3,506,282)	(2,138,543)	(2,988,621)	(714,414)	(13,780)
Beginning of year, as restated							
Net Position	\$105,564,164	\$212,487,302	\$94,120,807	\$85,303,361	\$12,838,745	\$8,727,762	\$11,496,627

# City of Santa Cruz

## Notes to Basic Financial Statements For the year ended June 30, 2018

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### 18. RESTATEMENT, Continued

Following is the pro forma effect of the retroactive application:

	June 30, 2017		June 30, 2017
	Previously		
	Reported	Restatement	Restated
<b>Governmental Activities</b>			
OPEB Obligation	\$ (9,998,890)	\$ 9,998,890	\$ -
OPEB Liability	-	(28,051,521)	(28,051,521)
Deferred outflows of resources	-	719,400	719,400
<b>Business-type Activities - Enterprise Funds</b>			
OPEB Obligation	(3,336,932)	3,336,932	-
OPEB Liability	-	(9,361,641)	(9,361,641)
Deferred outflows of resources	-	240,086	240,086
<b>Water</b>			
OPEB Obligation	(1,249,805)	1,249,805	-
OPEB Liability	-	(3,506,282)	(3,506,282)
Deferred outflows of resources	-	89,921	89,921
<b>Wastewater</b>			
OPEB Obligation	(762,278)	762,278	-
OPEB Liability	-	(2,138,543)	(2,138,543)
Deferred outflows of resources	-	54,844	54,844
<b>Refuse</b>			
OPEB Obligation	(1,065,286)	1,065,286	-
OPEB Liability	-	(2,988,621)	(2,988,621)
Deferred outflows of resources	-	76,645	76,645
<b>Parking</b>			
OPEB Obligation	(18,322)	18,322	-
OPEB Liability	-	(714,414)	(714,414)
Deferred outflows of resources	-	18,322	18,322
<b>Storm Water</b>			
OPEB Obligation	(4,912)	4,912	-
OPEB Liability	-	(13,780)	(13,780)
Deferred outflows of resources	-	353	353

### 19. SPECIAL ITEM

The City determined that certain costs capitalized for the Pilot Desalination Plant in the Water Fund in the amount of \$13,667,218 will not be placed in service. These capitalized costs are considered impaired and therefore, the amounts were removed from the financial statements

**REQUIRED SUPPLEMENTARY INFORMATION**

# City of Santa Cruz

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual General Fund For the year ended June 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
			(Budgetary)	Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 73,407,000	\$ 73,509,000	\$ 69,841,882	\$ (3,667,118)
Licenses and permits	5,541,200	5,541,200	1,449,842	(4,091,358)
Intergovernmental	349,000	952,564	492,888	(459,676)
Charges for services	18,727,261	18,897,736	18,351,158	(546,578)
Fines and forfeitures	2,086,390	2,086,390	1,689,605	(396,785)
Use of money and property	7,143,951	7,174,632	5,837,680	(1,336,952)
Other revenues	759,210	936,844	1,046,712	109,868
Total revenues	108,014,012	109,098,366	98,709,767	(10,388,599)
<b>Expenditures:</b>				
Current:				
General government	22,062,442	21,821,756	18,706,083	3,115,673
Public safety	49,496,715	49,220,999	46,335,392	2,885,607
Parks and recreation	17,198,159	17,468,135	15,045,740	2,422,395
Library	1,534,751	1,534,751	1,534,781	(30)
Public works	8,797,645	8,898,406	6,725,707	2,172,699
Community and economic development	3,336,793	4,627,855	2,278,811	2,349,044
Social services	1,874,827	1,974,827	2,159,544	(184,717)
Capital outlay	-	99,660	351,035	(251,375)
Debt service:				
Principal	3,774,178	3,774,178	3,750,545	23,633
Interest and fiscal charges	1,024,015	1,024,015	1,022,242	1,773
Total expenditures	109,099,525	110,444,582	97,909,880	12,534,702
Excess (deficiency) of revenues over (under) expenditures	(1,085,513)	(1,346,216)	799,887	2,146,103
<b>Other financing sources (uses):</b>				
Proceeds from sale of capital assets	27,000	27,000	584,367	557,367
Proceeds from long-term debt issued	377,038	377,038	-	(377,038)
Transfers in	2,548,299	3,227,018	1,011,274	(2,215,744)
Transfers out	(2,236,526)	(5,083,294)	(966,745)	4,116,549
Total other financing sources (uses)	715,811	(1,452,238)	628,896	2,081,134
Net change in fund balances	(369,702)	(2,798,454)	1,428,783	4,227,237
Fund balances, beginning of the year	26,674,127	26,674,127	26,674,127	-
<b>Fund balances, end of year</b>	<b>\$ 26,304,425</b>	<b>\$ 23,875,673</b>	<b>28,102,910</b>	<b>\$ 4,227,237</b>
<b>Reconciliation between actual GAAP amounts and actual budgetary amounts:</b>				
			Unrealized gain/loss in investments:	105,984
			Ending Fund Balance (GAAP)	\$ 28,208,894

City of Santa Cruz

**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual  
Low and Moderate Income Housing - Successor Agency  
For the year ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts (Budgetary)	Final Budget Positive (Negative)
<b>Revenues:</b>				
Charges for services	22,500	22,500	32,500	10,000
Use of money and property	37,610	37,610	285,093	247,483
Other revenues	5,000	6,005,000	5,374,348	(630,652)
<b>Total revenues</b>	<b>65,110</b>	<b>6,065,110</b>	<b>5,691,941</b>	<b>(373,169)</b>
<b>Expenditures:</b>				
Current:				
Community and economic development	89,440	307,275	239,316	67,959
Capital outlay	-	5,860,000	5,106,111	753,889
<b>Total expenditures</b>	<b>89,440</b>	<b>6,167,275</b>	<b>5,345,427</b>	<b>821,848</b>
Net change in fund balances	(24,330)	(102,165)	346,514	448,679
Fund balances, beginning of the year	11,123,868	11,123,868	11,123,868	-
<b>Fund balances, end of year</b>	<b>\$ 11,099,538</b>	<b>\$ 11,021,703</b>	<b>11,470,382</b>	<b>\$ 448,679</b>

**Reconciliation between actual GAAP amounts and actual budgetary amounts:**

Unrealized gain/loss in investments:	899
Ending Fund Balance (GAAP)	<b>\$ 11,471,281</b>

# City of Santa Cruz

## Miscellaneous Plan

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

	2018	2017	2016	2015
<b>Total Pension Liability</b>				
Service Cost	\$ 7,610,704	\$ 6,591,034	\$ 6,361,790	\$ 6,509,468
Interest on total pension liability	26,530,096	25,672,408	24,481,828	23,328,077
Differences between expected and actual experience	(3,403,096)	(1,235,979)	(1,976,012)	-
Changes in assumptions	21,609,175	-	(5,898,908)	-
Changes in benefit terms	-	-	-	-
Benefit payments, including refunds of employee contributions	(16,106,784)	(14,925,407)	(13,392,860)	(12,418,981)
Net change in total pension liability	36,240,095	16,102,056	9,575,838	17,418,564
Total pension liability - beginning	357,092,247	340,990,191	331,414,353	313,995,789
Total pension liability - ending	<u>\$ 393,332,342</u>	<u>\$ 357,092,247</u>	<u>\$ 340,990,191</u>	<u>\$ 331,414,353</u>
<b>Plan fiduciary net position</b>				
Contributions - employer	8,246,952	7,535,401	6,695,193	6,556,875
Contributions - employee	3,303,116	2,970,890	2,877,107	2,954,292
Net investment income	30,093,835	1,468,227	6,037,806	40,388,310
Plan to plan resource movement	244	1,381	(183,350)	-
Administrative expenses	(391,943)	(163,685)	(302,581)	-
Benefit payments	(16,106,784)	(14,925,407)	(13,392,860)	(12,418,981)
Net change in plan fiduciary net position	25,145,420	(3,113,193)	1,731,315	37,480,496
Plan fiduciary net position - beginning	265,465,893	268,579,086	266,847,771	229,367,275
Plan fiduciary net position - ending	<u>\$ 290,611,313</u>	<u>\$ 265,465,893</u>	<u>\$ 268,579,086</u>	<u>\$ 266,847,771</u>
Net pension liability - ending	<u>\$ 102,721,029</u>	<u>\$ 91,626,354</u>	<u>\$ 72,411,105</u>	<u>\$ 64,566,582</u>
Measurement dates:	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Plan fiduciary net position as a percentage of the total pension liability	73.88%	74.34%	78.76%	80.52%
Covered payroll	\$ 46,983,509	\$ 42,997,153	\$ 41,057,056	\$ 40,191,826
Net pension liability as percentage of covered payroll	218.63%	213.10%	176.37%	160.65%
<b>Significant changes in assumptions</b>				
Discount rate	7.15%	7.65%	7.65%	7.50%

(1) Historical information is available only when the pensions standards were applicable.

# City of Santa Cruz

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

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### Miscellaneous Plan

	2018	2017	2016	2015
Actuarially determined contribution	\$ 9,241,056	\$ 8,246,665	\$ 7,450,526	\$ 6,695,193
Contributions in relation to the actuarially determined contributions	(9,241,056)	(8,246,665)	(7,450,526)	(6,695,193)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 47,249,126	\$ 46,983,509	\$ 42,997,153	\$ 41,057,056
Contributions as a percentage of covered payroll	19.56%	17.55%	17.33%	16.31%

(1) Historical information is available only when the pensions standards were applicable.

City of Santa Cruz

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

<u>Safety Plan</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Measurement dates:	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Proportion of the collective net pension liability	0.6797%	0.6741%	0.6542%	0.6123%
Proportionate share of the collective net pension liability	\$ 67,411,262	\$ 58,326,239	\$ 44,902,753	\$ 38,137,949
Covered payroll	\$ 19,321,503	\$ 18,222,345	\$ 17,578,572	\$ 16,480,683
Proportionate Share of the net pension liability as a percentage of covered employee payroll	348.89%	320.08%	255.44%	231.41%
Plan fiduciary net position as a percentage of the total pension liability	75.39%	74.06%	78.40%	81.42%
<b>Significant changes in assumptions</b>				
Discount rate	7.15%	7.65%	7.65%	7.50%

(1) Historical information is available only when the pensions standards were applicable.



## City of Santa Cruz

### Cost Sharing Multiple Employer Benefit Plan Schedule of Pension Contributions As Of June 30, For The Last Ten Fiscal Years (1)

Safety Plan	2018	2017	2016	2015
Actuarially determined contribution	\$ 6,330,925	\$ 6,366,360	\$ 5,913,845	\$ 4,731,093
Contributions in relation to the actuarially determined contribution	<u>(6,330,925)</u>	<u>(6,366,360)</u>	<u>(5,913,845)</u>	<u>(4,731,093)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 18,450,275	\$ 19,321,503	\$ 18,222,345	\$ 17,578,572
Contributions as a percentage of covered payroll	34.31%	32.95%	32.45%	26.91%

(1) Historical information is available only when the pensions standards were applicable.

## City of Santa Cruz

### Schedule of Changes in Total Other Postemployment Benefits Liability As Of June 30, For The Last Ten Fiscal Years (1)

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	<u>2018</u>
Total OPEB Liability	
Service cost	\$ 1,758,129
Interest	1,156,132
Changes of benefit terms	-
Differences between expected and actual experience	-
Change of assumptions	-
Benefit payments, included refunds of employee contributions	<u>(959,486)</u>
Net change in total OPEB liability	1,954,775
Total OPEB liability - beginning of year	<u>37,413,162</u>
Total OPEB liability - end of year	<u>\$ 39,367,937</u>
Measurement dates:	6/30/2017
Covered employee payroll	\$62,434,938
Total OPEB liability as a percentage of covered-employee payroll	63.05%

(1) Historical information is available only when the OPEB standards were applicable.

**Notes to Required Supplementary  
Information for the year ended June 30, 2018**

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**BUDGETARY INFORMATION**

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

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

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

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

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

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

The City Charter requires the City Council, upon recommendation of the City Manager and after providing sufficient funds to meet debt service and operating needs, to annual 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, 2018. Budgets are adopted each year for all general, special revenue, debt service, and capital projects funds. These governmental fund budgets are prepared on a budgetary basis and therefore a reconciliation to GAAP is provided.

## **SUPPLEMENTARY INFORMATION**

## Non-Major Governmental Funds

### Special Revenue Funds:

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

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

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

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

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

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

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

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

**Debt Service Funds:**

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

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

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City of Santa Cruz

Combining Balance Sheet  
 Non-Major Governmental Funds  
 June 30, 2018

	Special Revenue Funds					
	Police	State Highway	Traffic Impact Fee	Clean River, Oceans, and Beaches	Parks and Recreation	Housing and Community Development
<b>Assets:</b>						
Cash and investments	\$ 629,354	\$ 988,190	\$ 4,157,644	\$ 1,536,076	\$ 1,278,322	\$ 1,916,987
Restricted cash and investments	-	124,204	-	-	-	-
Interest receivable	2,573	5,328	18,094	6,468	4,823	687,131
Taxes receivable	-	-	-	31,778	-	-
Accounts receivable - net	115	67,120	50,163	-	-	28,995
Intergovernmental receivable	-	1,013,448	-	-	629	606,728
Prepaid items	-	2,953	5,198	13,888	-	-
Notes receivable - net	-	-	-	-	-	75,000
Loans receivable - net	-	-	-	-	-	2,587,704
Total assets	<u>\$ 632,042</u>	<u>\$ 2,201,243</u>	<u>\$ 4,231,099</u>	<u>\$ 1,588,210</u>	<u>\$ 1,283,774</u>	<u>\$ 5,902,545</u>
<b>Liabilities:</b>						
Accounts payable and other current liabilities	\$ 851	\$ 273,525	\$ -	\$ 70,397	\$ -	\$ 684,916
Unearned revenue	189,860	-	-	-	-	-
Deposits payable	-	-	-	-	-	34
Advances from other funds	-	-	-	-	-	500,000
Total liabilities	<u>190,711</u>	<u>273,525</u>	<u>-</u>	<u>70,397</u>	<u>-</u>	<u>1,184,950</u>
<b>Deferred inflows of resources:</b>						
Unavailable revenue	-	151,821	-	-	-	847,336
<b>Fund Balances:</b>						
Non-spendable						
Prepaid items	-	2,953	5,198	13,888	-	-
Restricted:						
Clean rivers, oceans, and beaches	-	-	-	1,503,925	-	-
Debt service	-	-	-	-	-	-
Housing programs	-	-	-	-	-	3,870,259
Parks and recreation	-	-	-	-	1,283,774	-
Police programs	441,331	-	-	-	-	-
Streets and roads	-	1,772,944	-	-	-	-
Traffic impact	-	-	4,225,901	-	-	-
Total fund balances	<u>441,331</u>	<u>1,775,897</u>	<u>4,231,099</u>	<u>1,517,813</u>	<u>1,283,774</u>	<u>3,870,259</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 632,042</u>	<u>\$ 2,201,243</u>	<u>\$ 4,231,099</u>	<u>\$ 1,588,210</u>	<u>\$ 1,283,774</u>	<u>\$ 5,902,545</u>



Special Revenue Funds		Debt Service Funds			Total Other
Transportation Development Act	2016 Transportation Measure D	General Obligation Bond	Lease Revenue Bond		Governmental Funds
\$ -	\$ 618,470	\$ 1,328,480	\$ 393,391	\$	12,846,914
-	-	-	-		124,204
-	-	5,500	1,488		731,405
-	-	30,161	-		61,939
-	-	-	-		146,393
-	-	-	-		1,620,805
-	-	-	-		22,039
-	-	-	-		75,000
-	-	-	-		2,587,704
<u>\$ -</u>	<u>\$ 618,470</u>	<u>\$ 1,364,141</u>	<u>\$ 394,879</u>	<u>\$</u>	<u>18,216,403</u>
\$ -	\$ -	\$ -	\$ -	\$	1,029,689
-	-	-	-		189,860
-	-	-	-		34
-	-	-	76,764		576,764
-	-	-	76,764		1,796,347
-	-	-	-		999,157
-	-	-	-		22,039
-	-	-	-		1,503,925
-	-	1,364,141	318,115		1,682,256
-	-	-	-		3,870,259
-	-	-	-		1,283,774
-	-	-	-		441,331
-	618,470	-	-		2,391,414
-	-	-	-		4,225,901
-	618,470	1,364,141	318,115		15,420,899
<u>\$ -</u>	<u>\$ 618,470</u>	<u>\$ 1,364,141</u>	<u>\$ 394,879</u>	<u>\$</u>	<u>18,216,403</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, 2018**

	Special Revenue Funds					
	Police	State Highway	Traffic Impact Fee	Clean River, Oceans, and Beaches	Parks and Recreation	Housing and Community Development
<b>Revenues:</b>						
Taxes	\$ -	\$ -	\$ -	\$ 629,045	\$ 540,356	\$ -
Intergovernmental	186,041	3,678,689	-	4,390	-	1,362,234
Charges for services	19,488	-	-	-	-	12,603
Fines and forfeitures	34,139	-	-	-	-	-
Use of money and property	5,154	5,040	37,927	13,110	12,374	144,114
Other revenues	-	2,434	759,806	-	5,337	317,576
<b>Total revenues</b>	<b>244,822</b>	<b>3,686,163</b>	<b>797,733</b>	<b>646,545</b>	<b>558,067</b>	<b>1,836,527</b>
<b>Expenditures:</b>						
<b>Current</b>						
Public safety	110,000	-	-	-	-	-
Public works	-	1,103,541	43,083	510,844	-	-
Transit	-	-	-	-	-	-
Community and economic development	-	-	-	-	-	2,152,554
Capital outlay	-	595,643	-	-	-	-
<b>Debt service:</b>						
Principal	-	12,621	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
<b>Total expenditures</b>	<b>110,000</b>	<b>1,711,805</b>	<b>43,083</b>	<b>510,844</b>	<b>-</b>	<b>2,152,554</b>
<b>Revenues over (under) expenditures</b>	<b>134,822</b>	<b>1,974,358</b>	<b>754,650</b>	<b>135,701</b>	<b>558,067</b>	<b>(316,027)</b>
<b>Other financing sources (uses):</b>						
Transfers in	-	325,951	-	8,884	-	-
Transfers out	-	(599,079)	(325,951)	-	(352,443)	(35,000)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(273,128)</b>	<b>(325,951)</b>	<b>8,884</b>	<b>(352,443)</b>	<b>(35,000)</b>
<b>Net change in fund balances</b>	<b>134,822</b>	<b>1,701,230</b>	<b>428,699</b>	<b>144,585</b>	<b>205,624</b>	<b>(351,027)</b>
<b>Fund balances:</b>						
Beginning of year	306,509	74,667	3,802,400	1,373,228	1,078,150	4,221,286
<b>End of year</b>	<b>\$ 441,331</b>	<b>\$ 1,775,897</b>	<b>\$ 4,231,099</b>	<b>\$ 1,517,813</b>	<b>\$ 1,283,774</b>	<b>\$ 3,870,259</b>

Special Revenue Funds		Debt Service		
Transportation Development Act	2016 Transportation Measure D	General Obligation Bond	Lease Revenue Bond	Total Other Governmental Funds
\$ -	\$ -	\$ 498,275	\$ -	\$ 1,667,676
744,077	1,306,859	-	-	7,282,290
-	-	-	-	32,091
-	-	-	-	34,139
-	-	11,257	429,190	658,166
-	-	-	-	1,085,153
744,077	1,306,859	509,532	429,190	10,759,515
-	-	-	-	110,000
-	-	-	-	1,657,468
744,077	1,863	-	-	745,940
-	-	-	-	2,152,554
-	-	-	-	595,643
-	-	270,000	125,000	407,621
-	-	222,111	211,060	433,171
744,077	1,863	492,111	336,060	6,102,397
-	1,304,996	17,421	93,130	4,657,118
-	-	-	-	334,835
-	(686,526)	-	-	(1,998,999)
-	(686,526)	-	-	(1,664,164)
-	618,470	17,421	93,130	2,992,954
-	-	1,346,720	224,985	12,427,945
\$ -	\$ 618,470	\$ 1,364,141	\$ 318,115	\$ 15,420,899

City of Santa Cruz

**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual  
General Capital Improvement Fund  
For the year ended June 30, 2018**

	Budgeted Amounts		Actual Amounts (Budgetary)	Variance with Final Budget
	Original	Final		Positive
				(Negative)
<b>Revenues:</b>				
Taxes	\$ 2,000,000	\$ 2,000,000	\$ 2,271,485	\$ 271,485
Intergovernmental	5,215,000	12,367,251	569,214	(11,798,037)
Use of money and property	27,440	27,440	(5,452)	(32,892)
Other revenues	1,622,000	8,357,000	172,263	(8,184,737)
<b>Total revenues</b>	<b>8,864,440</b>	<b>22,751,691</b>	<b>3,007,510</b>	<b>(19,744,181)</b>
<b>Expenditures:</b>				
Capital outlay	12,714,989	52,381,478	12,551,117	39,830,361
Debt service:				
Principal	189,495	189,495	-	189,495
Interest and fiscal charges	91,822	91,822	138,668	(46,846)
<b>Total expenditures</b>	<b>12,996,306</b>	<b>52,662,795</b>	<b>12,689,785</b>	<b>39,973,010</b>
Excess (deficiency) of revenues over (under) expenditures	(4,131,866)	(29,911,104)	(9,682,275)	20,228,829
<b>Other financing sources (uses):</b>				
Proceeds from long-term debt issued	-	1,455,676	483,697	(971,979)
Transfers in	3,239,847	8,160,732	3,608,241	(4,552,491)
Transfers out	-	(53,719)	(53,719)	-
<b>Total other financing sources (uses)</b>	<b>3,239,847</b>	<b>9,562,689</b>	<b>4,038,219</b>	<b>(5,524,470)</b>
Net change in fund balances	(892,019)	(20,348,415)	(5,644,056)	14,704,359
Fund balances, beginning of the year	5,337,686	5,337,686	5,337,686	-
<b>Fund balances, end of year</b>	<b>\$ 4,445,667</b>	<b>\$ (15,010,729)</b>	<b>(306,370)</b>	<b>\$ 14,704,359</b>

**Reconciliation between actual GAAP amounts and actual budgetary amounts:**

Unrealized gain/loss in investments:	7,257
Ending Fund Balance (GAAP)	<u>\$ (299,113)</u>

City of Santa Cruz

**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual  
Police Fund  
For the year ended June 30, 2018**

	Budgeted Amounts		Actual Amounts (Budgetary)	Variance with Final Budget
	Original	Final		Positive
				(Negative)
<b>Revenues:</b>				
Intergovernmental	\$ 110,000	\$ 110,000	\$ 186,041	\$ 76,041
Charges for services	16,500	16,500	19,488	2,988
Fines and forfeitures	-	-	34,139	34,139
Use of money and property	4,070	4,070	2,164	(1,906)
Total revenues	130,570	130,570	241,832	111,262
<b>Expenditures:</b>				
Current:				
Public safety	110,000	110,000	110,000	-
Total expenditures	110,000	110,000	110,000	-
Net change in fund balances	20,570	20,570	131,832	111,262
Fund balances, beginning of the year	306,509	306,509	306,509	-
<b>Fund balances, end of year</b>	<b>\$ 327,079</b>	<b>\$ 327,079</b>	<b>438,341</b>	<b>\$ 111,262</b>

**Reconciliation between actual GAAP amounts and actual budgetary amounts:**

Unrealized gain/loss in investments:	2,990
Ending Fund Balance (GAAP)	<u>\$ 441,331</u>

City of Santa Cruz

**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual  
State Highway Fund  
For the year ended June 30, 2018**

	Budgeted Amounts		Actual Amounts (Budgetary)	Variance with Final Budget
	Original	Final		Positive (Negative)
	<b>Revenues:</b>			
Intergovernmental	3,967,776	20,632,375	3,678,689	(16,953,686)
Use of money and property	17,480	17,480	2,701	(14,779)
Other revenues	-	500,000	2,434	(497,566)
<b>Total revenues</b>	<b>3,985,256</b>	<b>21,149,855</b>	<b>3,683,824</b>	<b>(17,466,031)</b>
<b>Expenditures:</b>				
Current:				
Public works	719,538	803,295	1,103,541	(300,246)
Capital outlay	3,927,200	27,514,593	595,643	26,918,950
Debt service:				
Principal	-	-	12,621	(12,621)
<b>Total expenditures</b>	<b>4,646,738</b>	<b>28,317,888</b>	<b>1,711,805</b>	<b>26,606,083</b>
Excess (deficiency) of revenues over (under) expenditures	(661,482)	(7,168,033)	1,972,019	9,140,052
<b>Other financing sources (uses):</b>				
Transfers in	2,334,704	4,956,227	325,951	(4,630,276)
Transfers out	(1,850,000)	(1,881,558)	(599,079)	1,282,479
<b>Total other financing sources (uses)</b>	<b>484,704</b>	<b>3,074,669</b>	<b>(273,128)</b>	<b>(3,347,797)</b>
Net change in fund balances	(176,778)	(4,093,364)	1,698,891	5,792,255
Fund balances, beginning of the year	74,667	74,667	74,667	-
<b>Fund balances, end of year</b>	<b>\$ (102,111)</b>	<b>\$ (4,018,697)</b>	<b>1,773,558</b>	<b>\$ 5,792,255</b>

**Reconciliation between actual GAAP amounts and actual budgetary amounts:**

Unrealized gain/loss in investments:	2,339
Ending Fund Balance (GAAP)	<u>\$ 1,775,897</u>

City of Santa Cruz

**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual  
Traffic Impact Fee Fund  
For the year ended June 30, 2018**

	Budgeted Amounts		Actual Amounts (Budgetary)	Variance with Final Budget
	Original	Final		Positive
				(Negative)
<b>Revenues:</b>				
Use of money and property	\$ 35,910	\$ 35,910	\$ 14,302	\$ (21,608)
Other revenues	500,000	500,000	759,806	259,806
<b>Total revenues</b>	<b>535,910</b>	<b>535,910</b>	<b>774,108</b>	<b>238,198</b>
<b>Expenditures:</b>				
Current:				
Public works	59,690	59,690	43,083	16,607
<b>Total expenditures</b>	<b>59,690</b>	<b>59,690</b>	<b>43,083</b>	<b>16,607</b>
Excess (deficiency) of revenues over (under) expenditures	476,220	476,220	731,025	254,805
<b>Other financing sources (uses):</b>				
Transfers out	(2,334,704)	(4,956,227)	(325,951)	4,630,276
<b>Total other financing sources (uses)</b>	<b>(2,334,704)</b>	<b>(4,956,227)</b>	<b>(325,951)</b>	<b>4,630,276</b>
Net change in fund balances	(1,858,484)	(4,480,007)	405,074	4,885,081
Fund balances, beginning of the year	3,802,400	3,802,400	3,802,400	-
<b>Fund balances, end of year</b>	<b>\$ 1,943,916</b>	<b>\$ (677,607)</b>	<b>4,207,474</b>	<b>\$ 4,885,081</b>

**Reconciliation between actual GAAP amounts and actual budgetary amounts:**

Unrealized gain/loss in investments:	23,625
Ending Fund Balance (GAAP)	<u>\$ 4,231,099</u>

City of Santa Cruz

**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual  
Clean River, Oceans, and Beaches Fund  
For the year ended June 30, 2018**

	Budgeted Amounts		Actual Amounts (Budgetary)	Variance with Final Budget
	Original	Final		Positive
				(Negative)
<b>Revenues:</b>				
Taxes	\$ 635,658	\$ 635,658	\$ 629,045	\$ (6,613)
Intergovernmental	-	-	4,390	4,390
Use of money and property	9,490	9,490	5,077	(4,413)
<b>Total revenues</b>	<b>645,148</b>	<b>645,148</b>	<b>638,512</b>	<b>(6,636)</b>
<b>Expenditures:</b>				
Current:				
Public works	684,227	919,927	510,844	409,083
<b>Total expenditures</b>	<b>684,227</b>	<b>919,927</b>	<b>510,844</b>	<b>409,083</b>
Excess (deficiency) of revenues over (under) expenditures	(39,079)	(274,779)	127,668	402,447
<b>Other financing sources (uses):</b>				
Transfers in	-	8,884	8,884	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>8,884</b>	<b>8,884</b>	<b>-</b>
Net change in fund balances	(39,079)	(265,895)	136,552	402,447
Fund balances, beginning of the year	1,373,228	1,373,228	1,373,228	-
<b>Fund balances, end of year</b>	<b>\$ 1,334,149</b>	<b>\$ 1,107,333</b>	<b>1,509,780</b>	<b>\$ 402,447</b>

**Reconciliation between actual GAAP amounts and actual budgetary amounts:**

Unrealized gain/loss in investments:	8,033
Ending Fund Balance (GAAP)	<u>\$ 1,517,813</u>



City of Santa Cruz

**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual  
Parks and Recreation Fund  
For the year ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts (Budgetary)	Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 1,347,000	\$ 1,347,000	\$ 540,356	\$ (806,644)
Use of money and property	7,000	7,000	5,446	(1,554)
Other revenues	-	-	5,337	5,337
<b>Total revenues</b>	<b>1,354,000</b>	<b>1,354,000</b>	<b>551,139</b>	<b>(802,861)</b>
<b>Other financing sources (uses):</b>				
Transfers out	-	(596,668)	(352,443)	244,225
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(596,668)</b>	<b>(352,443)</b>	<b>244,225</b>
Net change in fund balances	1,354,000	757,332	198,696	(558,636)
Fund balances, beginning of the year	1,078,150	1,078,150	1,078,150	-
<b>Fund balances, end of year</b>	<b>\$ 2,432,150</b>	<b>\$ 1,835,482</b>	<b>1,276,846</b>	<b>\$ (558,636)</b>

**Reconciliation between actual GAAP amounts and actual budgetary amounts:**

Unrealized gain/loss in investments:	6,928
Ending Fund Balance (GAAP)	<b>\$ 1,283,774</b>

City of Santa Cruz

**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual  
Housing and Community Development Fund  
For the year ended June 30, 2018**

	Budgeted Amounts		Actual Amounts (Budgetary)	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>Revenues:</b>				
Intergovernmental	\$ 745,000	\$ 847,830	\$ 1,362,234	\$ 514,404
Charges for services	5,000	5,000	12,603	7,603
Use of money and property	24,390	24,390	133,117	108,727
Other revenues	-	-	317,576	317,576
<b>Total revenues</b>	<b>774,390</b>	<b>877,220</b>	<b>1,825,530</b>	<b>948,310</b>
<b>Expenditures:</b>				
Community and economic development	1,331,900	3,409,306	2,152,554	1,256,752
<b>Total expenditures</b>	<b>1,331,900</b>	<b>3,409,306</b>	<b>2,152,554</b>	<b>1,256,752</b>
Excess (deficiency) of revenues over (under) expenditures	(557,510)	(2,532,086)	(327,024)	2,205,062
<b>Other financing sources (uses):</b>				
Transfers out	(35,000)	(35,000)	(35,000)	-
<b>Total other financing sources (uses)</b>	<b>(35,000)</b>	<b>(35,000)</b>	<b>(35,000)</b>	<b>-</b>
Net change in fund balances	(592,510)	(2,567,086)	(362,024)	2,205,062
Fund balances, beginning of the year	4,221,286	4,221,286	4,221,286	-
<b>Fund balances, end of year</b>	<b>\$ 3,628,776</b>	<b>\$ 1,654,200</b>	<b>3,859,262</b>	<b>\$ 2,205,062</b>

**Reconciliation between actual GAAP amounts and actual budgetary amounts:**

Unrealized gain/loss in investments:	10,997
Ending Fund Balance (GAAP)	<u>\$ 3,870,259</u>

City of Santa Cruz

**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual  
Transportation Development Act Fund  
For the year ended June 30, 2018**

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

City of Santa Cruz

**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual  
Measure D Fund  
For the year ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts (Budgetary)	Final Budget Positive (Negative)
<b>Revenues:</b>				
Intergovernmental	\$ -	\$ -	\$ 1,306,859	\$ 1,306,859
Total revenues	-	-	1,306,859	1,306,859
<b>Other financing sources (uses):</b>				
Transfers out	-	-	(686,526)	(686,526)
Total other financing sources (uses)	-	-	(686,526)	(686,526)
Net change in fund balances	-	-	618,470	618,470
Fund balances, beginning of the year	-	-	-	-
<b>Fund balances, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 618,470</b>	<b>\$ 618,470</b>

City of Santa Cruz

**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual  
General Obligation Bond Fund  
For the year ended June 30, 2018**

	Budgeted Amounts		Actual Amounts (Budgetary)	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ -	\$ 480,000	\$ 498,275	\$ 18,275
Use of money and property	-	9,670	4,830	(4,840)
Total revenues	-	489,670	503,105	13,435
<b>Expenditures:</b>				
Debt service:				
Principal	-	270,000	270,000	-
Interest and fiscal charges	-	222,126	222,111	15
Total expenditures	-	492,126	492,111	15
Net change in fund balances	-	(2,456)	10,994	13,450
Fund balances, beginning of the year	1,346,720	1,346,720	1,346,720	-
<b>Fund balances, end of year</b>	<b>\$ 1,346,720</b>	<b>\$ 1,344,264</b>	<b>1,357,714</b>	<b>\$ 13,450</b>

**Reconciliation between actual GAAP amounts and actual budgetary amounts:**

Unrealized gain/loss in investments:	6,427
Ending Fund Balance (GAAP)	<u>\$ 1,364,141</u>

City of Santa Cruz

**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual  
Lease Revenue Bond Fund  
For the year ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts (Budgetary)	Final Budget Positive (Negative)
<b>Revenues:</b>				
Use of money and property	\$ 428,433	\$ 428,433	\$ 427,220	\$ (1,213)
Total revenues	428,433	428,433	427,220	(1,213)
<b>Expenditures:</b>				
Debt service:				
Principal	-	-	125,000	(125,000)
Interest and fiscal charges	105,679	105,679	211,060	(105,381)
Total expenditures	105,679	105,679	336,060	(230,381)
Excess (deficiency) of revenues over (under) expenditures	322,754	322,754	91,160	(231,594)
<b>Other financing sources (uses):</b>				
Payment to refunded bonds escrow agent	(145,000)	(145,000)	-	145,000
Total other financing sources (uses)	(145,000)	(145,000)	-	145,000
Net change in fund balances	177,754	177,754	91,160	(86,594)
Fund balances, beginning of the year	224,985	224,985	224,985	-
<b>Fund balances, end of year</b>	<b>\$ 402,739</b>	<b>\$ 402,739</b>	<b>316,145</b>	<b>\$ (86,594)</b>

**Reconciliation between actual GAAP amounts and actual budgetary amounts:**

Unrealized gain/loss in investments:	1,970
Ending Fund Balance (GAAP)	<u>\$ 318,115</u>

## **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.

*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
- Group Health
- Unemployment Insurance

# City of Santa Cruz

## Combining Statement of Net Position Internal Service Funds June 30, 2018

	Equipment Operations	Risk Management	Total
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 153,516	\$ 16,419,108	\$ 16,572,624
Interest receivable	(3,662)	79,710	76,048
Accounts receivable	4,219	11,678	15,897
Prepaid items	90,839	71,805	162,644
Inventories	165,255	-	165,255
Deposits	2,029	2,850,803	2,852,832
Total current assets	412,196	19,433,104	19,845,300
Noncurrent assets:			
Advances to other funds	-	7,844,531	7,844,531
Capital assets:			
Machinery and equipment	2,862,371	8,160	2,870,531
Less accumulated depreciation	(907,821)	(8,160)	(915,981)
Total capital assets (net of accumulated depreciation)	1,954,550	-	1,954,550
Total noncurrent assets	1,954,550	7,844,531	9,799,081
Total assets	2,366,746	27,277,635	29,644,381
<b>Deferred outflows of resources:</b>			
Deferred outflows related to total other postemployment benefits	10,488	-	10,488
Deferred outflows related to pension	456,266	402,901	859,167
Total deferred outflows of resources	466,754	402,901	869,655
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable and other current liabilities	323,934	343,260	667,194
Due to other funds	415,029	-	415,029
Claims and judgments payable	-	3,472,074	3,472,074
Compensated absences payable	25,340	-	25,340
Total current liabilities	764,303	3,815,334	4,579,637
Noncurrent liabilities:			
Advances from other funds	762,337	-	762,337
Claims and judgments payable	-	9,931,581	9,931,581
Total other postemployment benefits	426,464	139,807	566,271
Net pension liability	1,930,144	1,123,092	3,053,236
Compensated absences payable	12,670	-	12,670
Total noncurrent liabilities	3,131,615	11,194,480	14,326,095
Total liabilities	3,895,918	15,009,814	18,905,732
<b>Deferred inflows of resources:</b>			
Deferred inflows related to pension activities	95,192	(58,810)	36,382
<b>Net position:</b>			
Net investment in capital assets	1,954,550	-	1,954,550
Unrestricted	(3,112,160)	12,729,532	9,617,372
Total net position (deficit)	\$ (1,157,610)	\$ 12,729,532	\$ 11,571,922



# City of Santa Cruz

## Combining Statement of Revenues, Expenses and Changes in Net Position Internal Service Funds For the year ended June 30, 2018

	Equipment Operations	Risk Management	Total
<b>Operating revenues:</b>			
Charges for services - internal	\$ 3,928,284	\$ 10,041,489	\$ 13,969,773
Charges for services - external	93,904	37,442	131,346
Other revenues	9,456	553,126	562,582
Total operating revenues	<u>4,031,644</u>	<u>10,632,057</u>	<u>14,663,701</u>
<b>Operating expenses:</b>			
Personnel services	1,159,917	1,318,200	2,478,117
Services, supplies, and other charges	2,382,635	6,855,240	9,237,875
Depreciation and amortization	207,515	-	207,515
Total operating expenses	<u>3,750,067</u>	<u>8,173,440</u>	<u>11,923,507</u>
Operating income	<u>281,577</u>	<u>2,458,617</u>	<u>2,740,194</u>
<b>Nonoperating revenues (expenses):</b>			
Intergovernmental	-	70,400	70,400
Investment earnings (loss)	(5,752)	288,335	282,583
Interest expense and fiscal charges	(54,924)	-	(54,924)
Total nonoperating revenues (expenses)	<u>(60,676)</u>	<u>358,735</u>	<u>298,059</u>
Income (loss) before contributions and transfers			
Transfers in	250,000	45,325	295,325
Transfers out	(455,297)	(783,975)	(1,239,272)
Total transfers	<u>(205,297)</u>	<u>(738,650)</u>	<u>(943,947)</u>
Change in net position	<u>15,604</u>	<u>2,078,702</u>	<u>2,094,306</u>
<b>Net position (deficit):</b>			
Beginning of year as previously reported	(921,901)	10,739,328	9,817,427
Change in accounting principle	(251,313)	(88,498)	(339,811)
Net Position, beginning of year, as restated	<u>(1,173,214)</u>	<u>10,650,830</u>	<u>9,477,616</u>
Net Position (deficit), end of year	<u>\$ (1,157,610)</u>	<u>\$ 12,729,532</u>	<u>\$ 11,571,922</u>

# City of Santa Cruz

## Combining Statement of Cash Flows All Internal Service Funds June 30, 2018

	Equipment Operations	Risk Management	Total Internal Service Funds
<b>Cash flows from operating activities:</b>			
Cash received from customers and users	\$ 93,904	\$ 37,442	\$ 131,346
Cash received from interfund services provided	3,951,737	10,041,250	13,992,987
Cash payments to suppliers for goods and services	(2,550,193)	(6,939,379)	(9,489,572)
Cash payments for employee services and pensions	(1,046,265)	(1,269,470)	(2,315,735)
Cash received from others	9,456	553,126	562,582
Net cash provided (used) by operating activities	458,639	2,422,969	2,881,608
<b>Cash flows from noncapital financing activities:</b>			
Transfers from other funds	448,640	45,325	493,965
Transfers to other funds	(455,297)	(5,628,506)	(6,083,803)
Receipts from other governments	-	70,400	70,400
Net cash provided (used) by noncapital financing activities	(6,657)	(5,512,781)	(5,519,438)
<b>Cash flows from capital and related financing activities:</b>			
Purchase/construction of capital assets	(753,348)	-	(753,348)
Net cash provided (used) by capital and related financing activities	(753,348)	-	(753,348)
<b>Cash flows from investing activities:</b>			
Interest charges on cash loans	(54,924)	-	(54,924)
Interest income received	(2,090)	256,342	254,252
Net cash provided (used) by investing activities	(57,014)	256,342	199,328
Net increase (decrease) in cash and cash equivalents	(358,380)	(2,833,470)	(3,191,850)
Cash and cash equivalents, beginning of year	511,896	19,252,578	19,764,474
Cash and cash equivalents, end of year	\$ 153,516	\$ 16,419,108	\$ 16,572,624
<b>Reconciliation of operating income/(loss) to net cash provided by operating activities:</b>			
Operating income	\$ 281,577	\$ 2,458,617	\$ 2,740,194
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	207,515	-	207,515
Changes in current assets and liabilities:			
Accounts receivable	23,453	(239)	23,214
Prepaid items	(64,096)	(71,805)	(135,901)
Inventories	(63)	-	(63)
Deposits	471	(569)	(98)
Accounts payable and other current liabilities	(103,870)	(11,683)	(115,553)
Claims and judgments payable	-	(82)	(82)
Total other postemployment benefits liability and related deferrals	19,690	1,475	21,165
Net pension liability and related deferrals	88,754	47,255	136,009
Compensated absences payable	5,208	-	5,208
Total adjustments	177,062	(35,648)	141,414
<b>Net cash provided (used) by operating activities</b>	<b>\$ 458,639</b>	<b>\$ 2,422,969</b>	<b>\$ 2,881,608</b>

## **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.

*Finkeldey Trust* - This fund is restricted in purpose to acquire musical literature. The principal and income benefit the Library Joint Powers Authority.

*Whalen Estate – Felton Branch Trust* - This fund is restricted in purpose to benefit the Felton Branch of the Santa Cruz Library for capital improvements and/or new books as the library administrators shall determine.

*Robert Leet – Corday Estate Trust* - This fund is restricted in purpose to benefit the Santa Cruz Main Library (Central Branch).

*Morley Estate – La Selva Branch Trust* - This fund is restricted in purpose to benefit the La Selva Beach branch of the Santa Cruz Library system.

*Hale - Scotts Valley Branch Trust* - This fund is restricted in purpose to benefit the Scotts Valley branch of the Santa Cruz Library system.

*Anna Gruber Living Trust* - This fund is restricted in purpose to benefit the Branciforte branch of the Santa Cruz Library system.

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

City of Santa Cruz

**Combining Statement of Fiduciary Net Position  
Private-Purpose Trust Funds  
For the year ended June 30, 2018**

	Library Trust Funds	Redevelopment Successor Agency Trust	Total Private-Purpose Trust Funds
<b>Assets:</b>			
Cash and cash investments	\$ 694,094	\$ 3,710,470	\$ 4,404,564
Restricted cash and equivalent	-	29,553,854	29,553,854
Interest receivable	2,717	9,262	11,979
Notes receivable	-	336,111	336,111
Nondepreciable capital assets	-	902,621	902,621
Depreciable capital assets	-	8,170,192	8,170,192
Total assets	<u>696,811</u>	<u>42,682,510</u>	<u>43,379,321</u>
<b>Liabilities:</b>			
Interest payable	-	413,485	413,485
Bonds, notes, loans and leases payable - due in one year	-	2,416,500	2,416,500
Bonds, notes, loans and leases payable - due in more than one year	-	25,001,874	25,001,874
Total liabilities	<u>-</u>	<u>27,831,859</u>	<u>27,831,859</u>
<b>Net Position:</b>			
Held in trust for Library programs	696,811	-	696,811
Held in trust for RDA Successor Agency	-	14,850,651	14,850,651
Total held in trust	<u>\$ 696,811</u>	<u>\$ 14,850,651</u>	<u>\$ 15,547,462</u>

City of Santa Cruz

**Combining Statement of Changes in Fiduciary Net Position  
Private-Purpose Trust Funds  
For the year ended June 30, 2018**

	Library Trust Funds	Redevelopment Successor Agency Trust	Total Private-Purpose Trust Funds
<b>Additions:</b>			
Taxes	\$ -	\$ 4,764,688	\$ 4,764,688
Use of money and property	6,102	319,091	325,193
<b>Total additions</b>	<u>6,102</u>	<u>5,083,779</u>	<u>5,089,881</u>
<b>Deductions:</b>			
Administrative expenses	-	250,000	250,000
Interest expense	-	2,136,686	2,136,686
Depreciation Expense	-	395,583	395,583
Contractual services	19,763	5,302,985	5,322,748
<b>Total deductions</b>	<u>19,763</u>	<u>8,085,254</u>	<u>8,105,017</u>
<b>Change in net position</b>	(13,661)	(3,001,475)	(3,015,136)
<b>Net Position:</b>			
Beginning of year	710,472	17,852,126	18,562,598
End of year	<u>\$ 696,811</u>	<u>\$ 14,850,651</u>	<u>\$ 15,547,462</u>

## **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.

***Baker/Butler Scholarship Fund*** - This fund was established to accept donations for the families of fallen police officers.

***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 Assets and Liabilities Agency Funds June 30, 2018

	Library Joint Powers Authority	Trust Deposit Holding	Payroll Payables	Special Assessments	Total Agency Funds
<b>Assets:</b>					
Cash and investments	\$ 4,019,260	\$ 359,787	\$ 5,281,104	\$ -	\$ 9,660,151
Receivables:					
Accounts receivable	475,145	-	3,381	-	478,526
Interest receivable	19,976	279	12,479	-	32,734
Taxes receivable	654,699	-	-	-	654,699
Prepaid expenses	689,911	-	-	-	689,911
Total assets	<u>\$ 5,858,991</u>	<u>\$ 360,066</u>	<u>\$ 5,296,964</u>	<u>\$ -</u>	<u>\$ 11,516,021</u>
<b>Liabilities</b>					
Accounts payable and other current liabilities	281,470	12,372	5,296,964	-	5,590,806
Due to other governments	5,577,521	-	-	-	5,577,521
Deposits payable	-	347,694	-	-	347,694
Total liabilities	<u>\$ 5,858,991</u>	<u>\$ 360,066</u>	<u>\$ 5,296,964</u>	<u>\$ -</u>	<u>\$ 11,516,021</u>

# City of Santa Cruz

## Combining Statement of Changes in Assets and Liabilities Agency Funds For the year ended June 30, 2018

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
<b><u>Library Joint Powers Authority</u></b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 4,503,740	\$ 17,352,572	\$ 17,837,052	\$ 4,019,260
Receivables:				
Accounts receivable	544,866	5,598,028	5,667,749	475,145
Interest receivable	12,249	32,003	24,276	19,976
Taxes receivable	706,484	8,086,117	8,137,902	654,699
Prepaid items	-	1,379,823	689,912	689,911
Total assets	<u>\$ 5,767,339</u>	<u>\$ 32,448,543</u>	<u>\$ 32,356,891</u>	<u>\$ 5,858,991</u>
<b>Liabilities:</b>				
Accounts payable and other current liabilities	547,853	3,583,103	3,849,486	281,470
Due to other governments	5,219,486	358,035	-	5,577,521
Total liabilities	<u>\$ 5,767,339</u>	<u>\$ 3,941,138</u>	<u>\$ 3,849,486</u>	<u>\$ 5,858,991</u>
<b><u>Trust Deposit Holding</u></b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 443,881	\$ 961,027	\$ 1,045,121	\$ 359,787
Interest receivable	176	280	177	279
Total assets	<u>\$ 444,057</u>	<u>\$ 961,307</u>	<u>\$ 1,045,298</u>	<u>\$ 360,066</u>
<b>Liabilities:</b>				
Accounts payable and other current liabilities	15,145	846,521	849,294	12,372
Deposits payable	428,912	911,274	992,492	347,694
Total liabilities	<u>\$ 444,057</u>	<u>\$ 1,757,795</u>	<u>\$ 1,841,786</u>	<u>\$ 360,066</u>
<b><u>Payroll Payables</u></b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 4,880,717	\$ 113,974,557	\$ 113,574,170	\$ 5,281,104
Interest receivable	-	12,479	-	12,479
Accounts receivable	2,103	5,326	4,048	3,381
Total assets	<u>\$ 4,882,820</u>	<u>\$ 113,992,362</u>	<u>\$ 113,578,218</u>	<u>\$ 5,296,964</u>
<b>Liabilities:</b>				
Accounts payable and other current liabilities	4,882,820	114,587,195	114,173,051	5,296,964
Total liabilities	<u>\$ 4,882,820</u>	<u>\$ 114,587,195</u>	<u>\$ 114,173,051</u>	<u>\$ 5,296,964</u>
<b><u>Special Assessments</u></b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ (2,291)	\$ 2,389	\$ 98	\$ -
Interest receivable	(6)	12	6	-
Total assets	<u>\$ (2,297)</u>	<u>\$ 2,401</u>	<u>\$ 104</u>	<u>\$ -</u>
<b>Liabilities:</b>				
Payable to bondholders	(2,206)	2,206	-	-
Total liabilities	<u>\$ (2,206)</u>	<u>\$ 2,206</u>	<u>\$ -</u>	<u>\$ -</u>



## **STATISTICAL SECTION**

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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.

### Contents

#### Financial Trends

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

#### Revenue Capacity

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

#### Debt Capacity

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

#### Demographic and Economic Information Operating Information

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

#### Operating Information

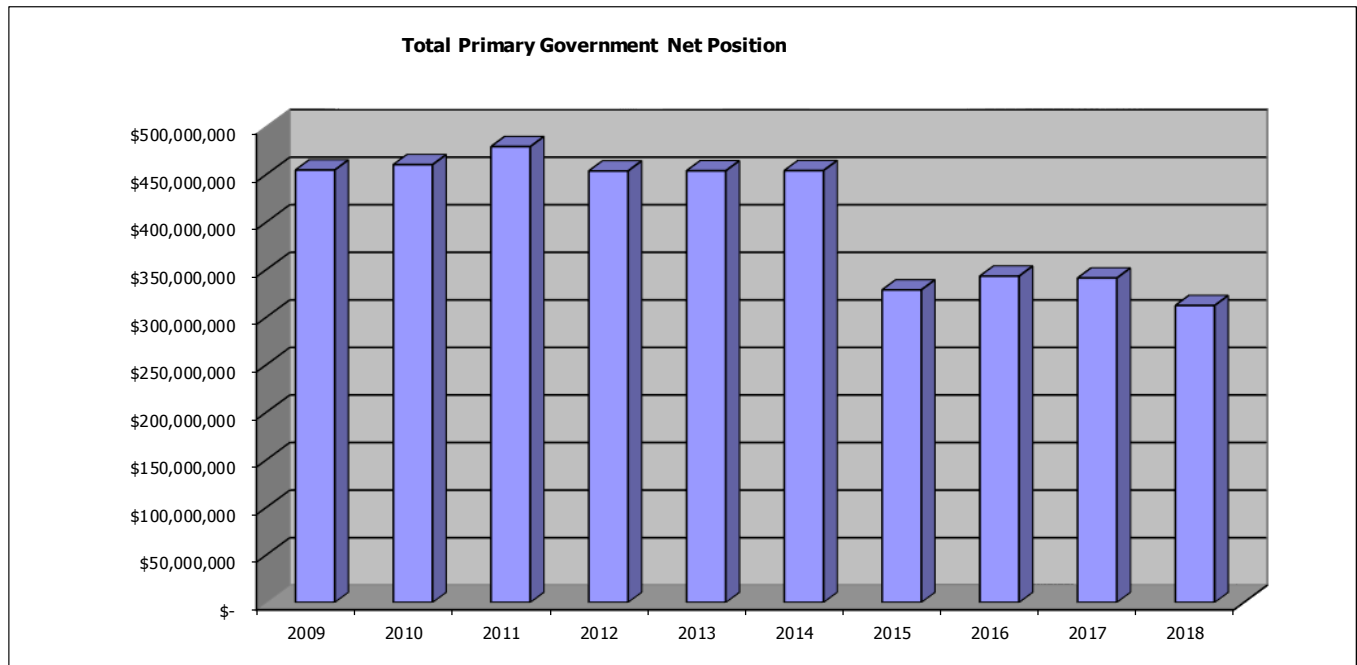
*These tables contain service and infrastructure data to help the reader understand how the information in the city's financial report relates to the services the city provides and the activities it performs.*

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

# City of Santa Cruz

## Net Position By Component Last Ten Fiscal Years

	Fiscal Year Ended June 30				
	2009	2010	2011	2012	2013
<b>Governmental activities:</b>					
Net investment in capital assets	\$ 173,062,939	\$ 171,223,103	\$ 178,969,796	\$ 173,032,837	\$ 168,679,595
Restricted	13,266,222	35,549,652	64,204,364	26,810,790	26,560,061
Unrestricted	31,019,984	12,815,139	(10,615,360)	3,719,223	9,174,380
<b>Total governmental activities net position</b>	<b>\$ 217,349,145</b>	<b>\$ 219,587,894</b>	<b>\$ 232,558,800</b>	<b>\$ 203,562,850</b>	<b>\$ 204,414,036</b>
<b>Business-type activities:</b>					
Net investment in capital assets	\$ 157,133,804	\$ 163,932,427	\$ 166,037,035	\$ 172,502,705	\$ 184,194,513
Unrestricted	80,194,693	76,794,865	80,700,421	77,577,485	65,222,752
<b>Total business-type activities net position</b>	<b>\$ 237,328,497</b>	<b>\$ 240,727,292</b>	<b>\$ 246,737,456</b>	<b>\$ 250,080,190</b>	<b>\$ 249,417,265</b>
<b>Primary government:</b>					
Net investment in capital assets	\$ 330,196,743	\$ 335,155,530	\$ 345,006,831	\$ 345,535,542	\$ 352,874,108
Restricted	13,266,222	35,549,652	64,204,364	26,810,790	26,560,061
Unrestricted	111,214,677	89,610,004	70,085,061	81,296,708	74,397,132
<b>Total primary government net position</b>	<b>\$ 454,677,642</b>	<b>\$ 460,315,186</b>	<b>\$ 479,296,256</b>	<b>\$ 453,643,040</b>	<b>\$ 453,831,301</b>



Fiscal Year Ended June 30				
2014	2015	2016	2017	2018
\$ 168,718,849	\$ 174,861,173	\$ 170,874,890	\$ 170,120,986	\$ 174,499,307
27,924,402	32,780,047	36,509,334	32,106,963	37,100,853
8,836,070	(85,451,031)	(78,202,386)	(79,330,554)	(108,356,521)
<u>\$ 205,479,321</u>	<u>\$ 122,190,189</u>	<u>\$ 129,181,838</u>	<u>\$ 122,897,395</u>	<u>\$ 103,243,639</u>
\$ 191,011,006	\$ 202,323,678	\$ 207,622,283	\$ 190,911,518	\$ 185,244,609
57,607,654	4,087,360	6,281,769	27,360,407	23,709,249
<u>\$ 248,618,660</u>	<u>\$ 206,411,038</u>	<u>\$ 213,904,052</u>	<u>\$ 218,271,925</u>	<u>\$ 208,953,858</u>
\$ 359,729,855	\$ 377,184,851	\$ 378,497,173	\$ 361,032,504	\$ 359,743,916
27,924,402	32,780,047	36,509,334	32,106,963	37,100,853
66,443,724	(81,363,671)	(71,920,617)	(51,970,147)	(84,647,272)
<u>\$ 454,097,981</u>	<u>\$ 328,601,227</u>	<u>\$ 343,085,890</u>	<u>\$ 341,169,320</u>	<u>\$ 312,197,497</u>

Unrestricted net position was restated in 2015 for the implementation of GASB Statement 68 for \$83,960,828 and \$41,995,719 in the governmental activities and business type activities, respectively.

Unrestricted net position was restated in 2018 for the implementation of GASB Statement 75 for \$17,333,231 and \$5,784,623 in the governmental activities and business type activities, respectively.

# City of Santa Cruz

## Changes in Net Position Last Ten Fiscal Years

	Fiscal Year Ended June 30				
	2009	2010	2011	2012	2013
<b>Expenses</b>					
Governmental activities:					
General government	\$ 14,034,816	\$ 17,928,110	\$ 14,736,737	\$ 14,868,384	\$ 16,521,801
Public safety	36,639,798	34,523,282	34,376,692	33,966,518	34,924,999
Parks and recreation	11,821,434	10,250,951	10,116,486	11,077,833	11,477,040
Library	9,822,845	9,081,071	9,269,135	1,651,069	1,550,322
Public works	16,169,682	9,027,258	9,647,529	10,666,968	12,041,338
Transit	629,555	594,976	543,153	576,640	605,772
Community and economic development	11,830,169	13,829,383	11,353,101	6,392,899	2,081,563
Social services	1,863,587	1,258,798	1,296,584	1,027,172	1,438,278
Interest and fiscal charges on long-term debt	1,230,394	1,111,754	2,262,446	3,330,309	1,748,528
Total governmental activities expenses	104,042,280	97,605,583	93,601,863	83,557,792	82,389,641
Business-type activities:					
Water	22,507,116	21,121,067	20,630,111	22,661,597	23,097,992
Wastewater	17,649,321	17,324,157	16,988,403	17,755,415	18,734,344
Refuse	12,367,327	14,884,490	14,674,758	15,495,244	16,554,729
Parking	3,325,271	3,182,994	3,703,325	3,419,668	3,693,854
Storm Water	1,590,808	1,575,223	1,428,044	1,626,366	1,446,463
Golf course	2,525,758	2,133,914	2,002,008	1,824,698	1,989,726
Total business-type activities expenses	59,965,601	60,221,845	59,426,649	62,782,988	65,517,108
Total primary government expenses	164,007,881	157,827,428	153,028,512	146,340,780	147,906,749
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
General government	7,099,183	11,278,221	10,826,320	10,578,724	10,761,301
Public safety	1,846,123	1,633,242	1,844,641	1,799,363	2,315,985
Parks and recreation	2,965,592	2,944,329	3,135,504	3,390,568	3,463,516
Library	9,413,959	8,046,305	8,058,472	553,911	551,651
Public works	7,287,234	5,312,671	5,181,220	4,526,861	4,908,499
Community and economic development	2,055,595	2,228,704	1,963,487	262,134	142,129
Operating grants and contributions	8,161,308	3,869,022	4,526,405	5,003,822	2,752,597
Capital grants and contributions	4,191,941	4,602,942	10,683,790	10,427,261	3,523,019
Total governmental activities program revenues	43,020,935	39,915,436	46,219,839	36,542,644	28,418,697
Business-type activities:					
Charges for services:					
Water	25,351,854	23,036,392	23,686,923	24,643,888	25,490,105
Wastewater	14,577,440	14,034,810	15,412,062	16,648,708	16,368,427
Refuse	15,766,490	15,700,703	16,138,918	15,729,547	15,800,954
Parking	2,541,330	2,660,323	3,186,801	3,176,342	3,399,187
Storm Water	883,145	887,959	886,975	890,059	883,384
Golf course	1,846,399	1,624,931	1,437,154	1,524,190	1,597,442
Operating grants and contributions	1,348,519	1,636,411	401,760	459,166	963,585
Capital grants and contributions	1,436,784	2,244,283	1,162,777	1,567,286	332,823
Total business-type activities program revenues	63,751,961	61,825,812	62,313,370	64,639,186	64,835,907
Total primary government program revenues	106,772,896	101,741,248	108,533,209	101,181,830	93,254,604
Net (expense)/revenue:					
Governmental activities	(61,021,345)	(57,690,147)	(47,382,024)	(47,015,148)	(53,970,944)
Business-type activities	3,786,360	1,603,967	2,886,721	1,856,198	(681,201)
Total primary government net (expense)/revenue	\$ (57,234,985)	\$ (56,086,180)	\$ (44,495,303)	\$ (45,158,950)	\$ (54,652,145)

Fiscal Year Ended June 30

	2014	2015	2016	2017	2018
\$	16,103,854	\$ 17,104,364	\$ 12,974,400	\$ 18,898,202	\$ 19,350,479
	37,597,008	40,273,833	42,167,371	47,939,341	51,394,586
	13,981,398	12,854,772	13,509,643	16,516,857	17,650,040
	1,354,687	1,347,161	1,207,356	1,552,010	1,559,242
	12,182,288	16,430,725	13,408,682	18,578,171	15,609,565
	686,510	707,736	701,935	748,134	745,940
	3,240,446	3,431,560	6,108,539	4,627,227	10,516,746
	1,485,470	1,378,574	1,371,129	1,436,421	2,159,544
	2,042,943	1,975,129	2,354,508	1,950,851	1,581,810
	88,674,604	95,503,854	93,803,563	112,247,214	120,567,952
	27,020,304	25,219,745	25,319,800	28,375,996	33,284,532
	18,349,702	19,164,660	18,426,042	20,760,433	21,785,697
	15,715,226	15,991,886	15,360,501	17,099,090	18,451,537
	4,232,851	4,344,177	4,231,893	4,853,232	5,226,564
	1,512,850	1,782,683	1,990,558	1,761,243	1,673,093
	2,096,483	2,259,995	1,983,470	-	-
	68,927,416	68,763,146	67,312,264	72,849,994	80,421,423
	157,602,020	164,267,000	161,115,827	185,097,208	200,989,375
	8,755,621	10,347,805	9,110,127	10,188,422	10,985,577
	2,241,926	3,711,308	5,785,089	5,492,880	6,583,350
	3,601,559	3,538,225	3,376,136	5,384,041	5,294,923
	631,305	623,334	518,681	440,100	462,438
	5,088,698	5,291,833	6,699,865	5,126,400	6,023,639
	455,537	377,862	514,499	336,016	980,009
	4,317,013	4,112,975	3,495,313	6,029,003	4,239,889
	6,663,071	6,157,091	3,109,623	2,099,106	8,697,888
	31,754,730	34,160,433	32,609,333	35,095,968	43,267,713
	25,327,920	24,560,507	27,798,717	30,920,646	41,061,955
	17,676,130	17,244,371	18,558,775	20,100,738	21,018,559
	15,816,452	16,944,604	18,642,441	19,750,388	20,664,437
	3,990,041	4,444,322	4,950,879	5,102,475	5,456,159
	857,649	899,925	896,171	897,693	895,130
	1,562,952	1,570,590	1,486,366	-	-
	1,218,151	1,314,782	1,211,419	613,711	1,543,354
	440,849	-	-	-	-
	66,890,144	66,979,101	73,544,768	77,385,651	90,639,594
	98,644,874	101,139,534	106,154,101	112,481,619	133,907,307
	(56,919,874)	(61,343,421)	(61,194,230)	(77,151,246)	(77,300,239)
	(2,037,272)	(1,784,045)	6,232,504	4,535,657	10,218,171
\$	(58,957,146)	\$ (63,127,466)	\$ (54,961,726)	\$ (72,615,589)	\$ (67,082,068)

# City of Santa Cruz

## Changes in Net Position Last Ten Fiscal Years

	Fiscal Year Ended June 30				
	2009	2010	2011	2012	2013
<b>General Revenues and Other Changes in Net Assets</b>					
Governmental activities:					
Taxes					
Property taxes	\$ 27,270,166	\$ 26,385,089	\$ 26,666,953	\$ 20,872,175	\$ 16,698,020
Sales and use taxes	13,513,829	12,668,746	13,649,822	13,838,216	14,925,305
Franchise taxes	2,972,281	2,919,351	2,905,127	3,017,332	2,949,193
Transient occupancy taxes	3,723,788	3,860,757	4,227,710	4,739,362	5,558,666
Utility users taxes	9,213,119	8,694,665	9,581,147	10,731,997	10,729,366
Admission taxes	1,877,431	1,922,757	2,029,176	2,126,484	2,298,767
Other taxes	1,576,305	2,074,298	2,203,232	2,600,429	2,767,513
Unrestricted Investment earnings	1,477,491	841,680	979,426	1,002,709	458,917
Gain (loss) on sale of assets	18,845	349,687	(226,936)	13,486	235,695
Extraordinary items	-	-	-	(18,017,623)	-
Miscellaneous	279,160	-	-	-	-
Transfers	68,423	205,712	(2,183,737)	(259,328)	(362,872)
Total governmental activities	<u>61,990,838</u>	<u>59,922,742</u>	<u>59,831,920</u>	<u>40,665,239</u>	<u>56,258,570</u>
Business-type activities:					
Taxes					
Property taxes	-	-	32,274	32,143	142,105
Unrestricted Investment earnings	2,573,953	1,403,371	939,980	1,141,421	497,416
Gain (loss) on sale of assets	15,431	32,896	(32,548)	53,644	92,565
Miscellaneous	630,078	564,273	-	-	-
Transfers	(68,423)	(205,712)	2,183,737	259,328	362,872
Special Item	-	-	-	-	-
Total business-type activities	<u>3,151,039</u>	<u>1,794,828</u>	<u>3,123,443</u>	<u>1,486,536</u>	<u>1,094,958</u>
Total primary government	<u>65,141,877</u>	<u>61,717,570</u>	<u>62,955,363</u>	<u>42,151,775</u>	<u>57,353,528</u>
<b>Change in Net Position</b>					
Governmental activities	969,493	2,232,595	12,449,896	(6,349,909)	2,287,626
Business-type activities	6,937,399	3,398,795	6,010,164	3,342,734	413,757
Total primary government	<u>\$ 7,906,892</u>	<u>\$ 5,631,390</u>	<u>\$ 18,460,060</u>	<u>\$ (3,007,175)</u>	<u>\$ 2,701,383</u>

(Continued on next page)



Fiscal Year Ended June 30					
	2014	2015	2016	2017	2018
\$	16,376,027	\$ 17,364,174	\$ 18,720,421	\$ 19,890,236	\$ 20,681,464
	15,679,768	16,572,267	17,934,333	17,361,753	17,400,320
	2,875,933	3,148,619	3,369,016	3,538,252	3,678,560
	7,096,947	8,255,379	9,027,506	9,282,551	10,185,738
	10,465,335	10,671,804	11,028,860	11,314,374	11,568,654
	2,274,117	2,394,716	2,523,654	2,483,608	2,679,859
	2,782,903	3,263,780	3,718,803	4,958,113	6,930,592
	603,037	815,789	686,914	419,090	279,220
	171,972	16,446	1,551,578	33,487	584,367
	-	-	-	-	-
	-	-	-	-	-
	(340,880)	(487,857)	(375,206)	404,783	990,940
	57,985,159	62,015,117	68,185,879	69,686,247	74,979,714
	105,316	68,070	68,070	112,754	128,614
	710,529	678,166	557,824	254,678	730,023
	81,942	338,049	259,410	6,840	47,906
	-	-	-	-	-
	340,880	487,857	375,206	(404,783)	(990,940)
	-	-	-	-	(13,667,218)
	1,238,667	1,572,142	1,260,510	(30,511)	(13,751,615)
	59,223,826	63,587,259	69,446,389	69,655,736	61,228,099
	1,065,285	671,696	6,991,649	(7,464,999)	(2,320,525)
	(798,605)	(211,903)	7,493,014	4,505,146	(3,533,444)
\$	266,680	\$ 459,793	\$ 14,484,663	\$ (2,959,853)	\$ (5,853,969)

# City of Santa Cruz

## Fund Balances of Governmental Funds Last Ten Fiscal Years

	Fiscal Year Ended June 30				
	2009	2010	2011	2012	2013
<b>General Fund</b>					
Reserved	\$ 8,938,344	\$ 7,426,665	\$ -	\$ -	\$ -
Unreserved, designated	4,709,120	6,240,772	-	-	-
Unreserved, undesignated	6,877,197	9,931,127	-	-	-
Non-spendable	-	-	3,109,265	3,137,315	6,827,901
Restricted	-	-	306,299	274,091	269,242
Committed	-	-	6,219,767	5,652,554	1,663,978
Assigned	-	-	2,861,159	3,120,928	3,978,567
Unassigned	-	-	13,035,365	18,020,657	21,989,130
<b>Total General Fund</b>	<b>20,524,661</b>	<b>23,598,564</b>	<b>25,531,855</b>	<b>30,205,545</b>	<b>34,728,818</b>
<b>All other governmental funds</b>					
Reserved	13,904,258	15,310,431	-	-	-
Unreserved, designated, reported in:					
Redevelopment Agency fund	12,342,630	9,141,070	-	-	-
Special revenue funds	5,511,039	7,742,487	-	-	-
Debt service funds	1,760,644	2,940,481	-	-	-
Unreserved, undesignated, reported in:					
Special revenue funds	(86,750)	-	-	-	-
Capital projects funds	(5,842,975)	(5,696,023)	-	-	-
Non-spendable					
Redevelopment Agency fund	-	-	9,253,778	8,938,854	-
General Capital Improvement fund	-	-	-	-	-
Special revenue funds	-	-	3,077,319	3,238,759	10,373,014
Restricted					
Redevelopment Agency fund	-	-	49,524,621	-	-
Special revenue funds	-	-	9,199,195	12,624,507	14,195,882
Capital projects funds	-	-	-	273,187	270,454
Debt service funds	-	-	1,739,169	1,737,754	1,720,249
Unassigned					
Special revenue funds	-	-	(161,269)	-	-
Capital projects funds	-	-	(4,008,435)	(5,862,766)	(5,867,781)
<b>Total all other governmental funds</b>	<b>\$ 27,588,846</b>	<b>\$ 29,438,446</b>	<b>\$ 68,624,378</b>	<b>\$ 20,950,295</b>	<b>\$ 20,691,818</b>

The City implemented GASB 54, "Fund Balance Reporting and Governmental Fund Type Definitions," beginning fiscal year 2011. Certain data required by GASB 54 was not readily available for years prior to 2010.

Source: City of Santa Cruz Finance Department

Fiscal Year Ended June 30				
2014	2015	2016	2017	2018
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
7,581,024	7,456,064	6,905,534	8,432,086	11,993,475
270,196	257,893	256,229	256,329	10,508,749
2,342,099	14,450,622	17,153,279	17,985,712	5,706,670
18,579,309	5,831,522	5,991,161	-	-
656,776	(1,361,952)	654,129	-	-
<u>29,429,404</u>	<u>26,634,149</u>	<u>30,960,332</u>	<u>26,674,127</u>	<u>28,208,894</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	10,952,599	11,533,360	-	-
-	-	-	-	1,949
-	2,900,207	2,889,311	-	22,039
-	15,253	-	11,123,868	11,471,281
25,668,781	8,948,513	9,395,720	10,856,240	13,716,604
269,833	10,888,867	9,663,216	5,337,686	-
1,715,592	1,716,922	1,728,900	1,571,705	1,682,256
-	-	(472,996)	-	(301,062)
(1,362,541)	-	-	-	-
<u>\$ 26,291,665</u>	<u>\$ 35,422,361</u>	<u>\$ 34,737,511</u>	<u>\$ 28,889,499</u>	<u>\$ 26,593,067</u>

# City of Santa Cruz

## Changes in Fund Balances of Governmental Funds Last Ten Fiscal Years

	Fiscal Year Ended June 30				
	2009	2010	2011	2012	2013
<b>Revenues</b>					
Taxes	\$ 60,146,919	\$ 58,525,663	\$ 61,263,165	\$ 57,925,996	\$ 55,926,830
Licenses and permits	648,785	540,411	585,203	676,571	886,624
Intergovernmental	10,180,985	8,027,826	14,480,708	13,199,139	6,080,208
Charges for services	22,534,467	21,208,258	21,070,349	12,446,605	13,890,562
Fines and forfeitures	2,243,843	2,323,831	2,110,367	1,910,212	1,818,773
Use of money and property	3,622,287	5,367,701	5,588,449	5,702,503	5,086,850
Other revenues	5,978,130	2,300,685	1,453,422	3,425,067	782,281
Total revenues	105,355,416	98,294,375	106,551,663	95,286,093	84,472,128
<b>Expenditures</b>					
General government	14,571,766	13,765,834	13,562,217	14,468,366	15,453,481
Public safety	36,586,072	33,911,383	32,884,543	32,791,088	33,998,273
Parks and recreation	9,906,360	8,309,864	8,046,410	8,739,970	9,575,209
Library	10,193,470	8,912,467	8,906,153	1,394,751	1,394,751
Public works	6,757,224	5,063,048	5,361,046	5,538,535	5,953,127
Transit	629,555	594,976	543,153	576,640	605,772
Community and economic development	12,413,792	12,667,881	11,378,345	5,819,128	1,915,903
Social services	1,863,587	1,258,798	1,296,584	1,027,172	1,438,278
Capital outlay	12,441,195	5,976,322	14,078,633	13,833,567	6,784,481
Debt service:					
Principal	1,983,183	2,492,713	1,563,973	3,145,674	1,985,754
Interest and fiscal charges	1,096,330	1,314,084	1,667,523	3,011,185	1,748,987
Bond issuance costs	-	-	1,563,315	-	-
Total expenditures	108,442,534	94,267,370	100,851,895	90,346,076	80,854,016
<b>Excess of revenues over (under) expenditures</b>	<b>(3,087,118)</b>	<b>4,027,005</b>	<b>5,699,768</b>	<b>4,940,017</b>	<b>3,618,112</b>
<b>Other financing sources (uses)</b>					
Proceeds from asset dispositions	18,845	372,514	15,000	13,486	235,695
Proceeds from long-term debt issued	872,369	6,995,000	63,710,000	-	249,526
Payment of pension UAAL	-	-	(22,989,831)	-	-
Payment to refunded bond escrow agent	-	(6,776,051)	(3,682,602)	-	-
Premiums on bonds sold	-	30,757	4,070	-	-
Interagency transfers out	-	-	(372,059)	-	-
Transfers in	3,986,697	4,695,468	9,029,883	4,201,330	3,298,296
Transfers out	(3,875,545)	(4,421,190)	(11,159,806)	(4,146,292)	(3,136,833)
Total other financing sources (uses)	1,002,366	896,498	34,554,655	68,524	646,684
<b>Extraordinary items</b>					
Extraordinary (loss) on dissolution of					
Redevelopment Agency	-	-	-	(48,008,934)	-
Net change in fund balances	\$ (2,084,752)	\$ 4,923,503	\$ 40,254,423	\$ (43,000,393)	\$ 4,264,796
Total Expenditures	\$ 108,442,534	\$ 94,267,370	\$ 100,851,895	\$ 90,346,076	\$ 80,854,016
Capitalized Portion of Capital Outlay	5,893,403	3,301,244	13,482,741	10,764,058	4,614,839
Total Non-Capitalized Expenditures	\$ 102,549,131	\$ 90,966,126	\$ 87,369,154	\$ 79,582,018	\$ 76,239,177
Debt Service: Principal & Interest	\$ 3,079,513	\$ 3,806,797	\$ 3,231,496	\$ 6,156,859	\$ 3,734,741
Debt service as a percentage of noncapital expenditures	3.0%	4.2%	3.7%	7.7%	4.9%

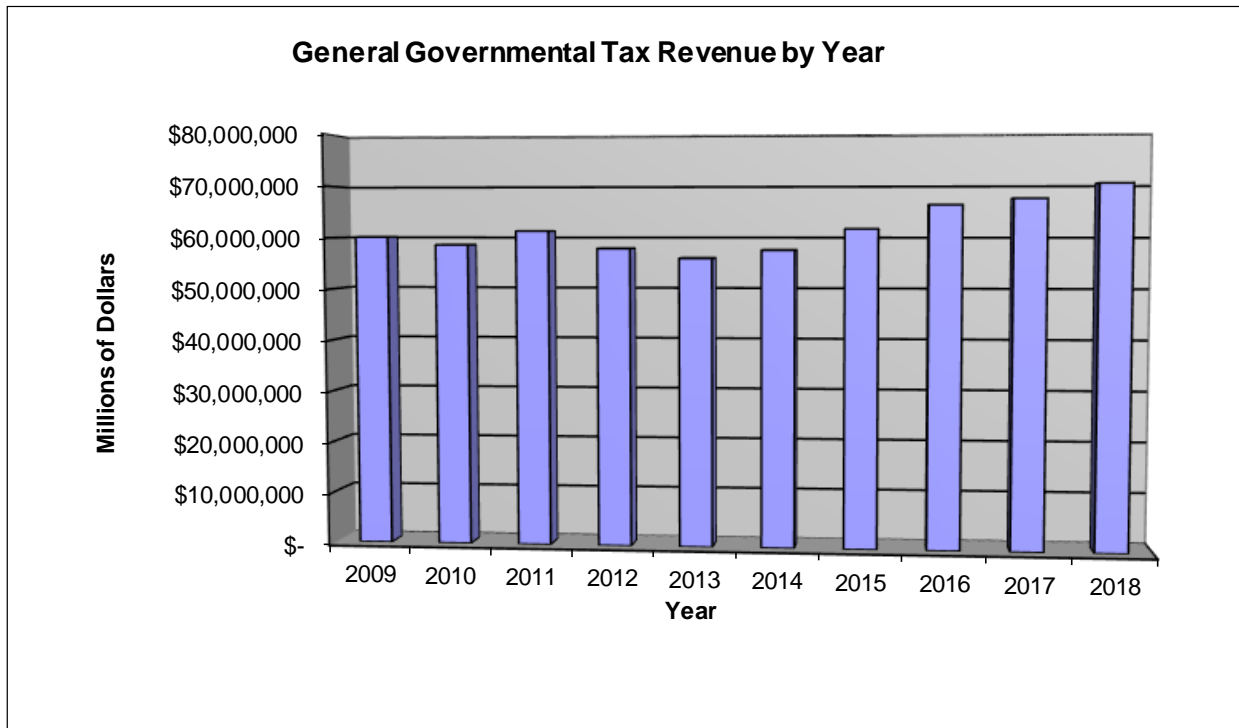
Source: City of Santa Cruz Finance Department

Fiscal Year Ended June 30					
	2014	2015	2016	2017	2018
\$	57,551,029	\$ 61,670,739	\$ 66,322,593	\$ 68,828,889	\$ 73,781,043
	846,682	956,587	1,237,340	1,059,040	1,449,842
	9,766,514	6,415,667	6,464,559	6,086,088	8,344,392
	12,279,247	13,873,068	15,759,647	16,765,767	18,415,749
	1,985,697	1,947,157	1,943,034	1,821,418	1,723,744
	5,473,973	5,774,210	6,063,555	5,768,075	6,889,627
	2,008,232	4,914,494	3,177,854	1,829,894	7,678,476
	89,911,374	95,551,922	100,968,582	102,159,171	118,282,873
	15,486,989	16,772,766	16,422,406	18,118,532	18,706,083
	36,713,253	40,423,564	43,100,322	45,715,309	46,445,392
	10,874,354	11,371,378	12,009,683	14,270,030	15,045,740
	1,394,751	1,394,751	1,394,751	1,464,751	1,534,781
	6,939,421	8,255,477	8,677,836	7,858,508	8,383,175
	686,510	707,736	701,935	748,134	745,940
	2,379,854	4,389,168	5,071,783	3,417,657	4,670,681
	1,485,470	1,378,574	1,371,129	1,436,421	2,159,544
	10,637,976	14,394,876	4,253,195	12,332,342	18,603,906
	2,135,072	2,299,080	3,779,157	4,042,493	4,158,166
	1,693,341	1,647,830	1,935,405	1,695,100	1,594,081
	-	-	-	135,322	-
	90,426,991	103,035,200	98,717,602	111,234,599	122,047,489
	(515,617)	(7,483,278)	2,250,980	(9,075,428)	(3,764,616)
	831,539	16,446	1,762,040	33,487	584,367
	-	14,130,000	-	7,685,000	483,697
	-	-	-	-	-
	-	-	-	(8,665,624)	-
	-	-	-	384,292	-
	-	-	-	-	-
	9,448,854	6,321,861	1,715,874	4,484,501	4,954,350
	(9,464,343)	(6,649,588)	(2,087,561)	(4,980,445)	(3,019,463)
	816,050	13,818,719	1,390,353	(1,058,789)	3,002,951
	-	-	-	-	-
\$	300,433	\$ 6,335,441	\$ 3,641,333	\$ (10,134,217)	\$ (761,665)
\$	90,426,991	\$ 103,035,200	\$ 98,717,602	\$ 111,234,599	\$ 122,047,489
	6,756,244	12,362,613	1,560,817	4,039,289	9,630,958
\$	83,670,747	\$ 90,672,587	\$ 97,156,785	\$ 107,195,310	\$ 112,416,531
\$	3,828,413	\$ 3,946,910	\$ 5,714,562	\$ 5,737,593	\$ 5,752,247
	4.6%	4.4%	5.9%	5.4%	5.1%

# City of Santa Cruz

## General Governmental Tax Revenues by Source<sup>1</sup> Last Ten Fiscal Years

Fiscal Year Ended June 30	Property	Sales and Use	Franchise	Transient Occupancy	Utility Users	Admission	Clean River, Beaches & Ocean
2009	\$ 27,270,166	\$ 13,513,829	\$ 2,972,281	\$ 3,723,788	\$ 9,213,119	\$ 1,877,431	\$ -
2010	26,385,089	12,668,746	2,919,351	3,860,757	8,694,665	1,922,757	618,752 <sup>5</sup>
2011	26,699,227	13,649,822	2,905,127	4,227,710	9,581,147	2,029,176	619,663
2012	20,950,329 <sup>2</sup>	13,838,216	3,017,332	4,739,362	10,731,900	2,126,484	621,670
2013	16,840,125	14,925,305	2,949,193	5,558,666	10,729,366	2,298,767	621,051
2014	16,481,343	15,679,768	2,875,933	7,096,947	10,465,335	2,274,117	625,544
2015	17,432,244	16,572,267	3,148,619	8,255,379	10,671,804	2,394,716	627,144
2016	18,720,421	17,934,333	3,369,016	9,027,506	11,028,860	2,523,654	628,787
2017	19,890,236	17,361,753	3,538,252	9,282,551	11,314,374	2,483,608	629,206
2018	20,681,464	17,400,320	3,678,560	10,185,738	11,568,654	2,679,859	629,045



	Parking	Business Improvement <sup>2</sup>	Property Transfer	Business License	Parks and Recreation Facilities	Tourism Marketing District Assessment (Less payout)	Cannabis	Total
\$	266,581	\$ 318,299	\$ - <sup>4</sup>	\$ 769,232	\$ 222,193	\$ -	\$ -	\$ 60,146,919
	286,489	310,609	- <sup>4</sup>	748,672	196,254	-	-	58,612,141
	326,471	355,556	- <sup>4</sup>	723,897	158,304	19,341 <sup>6</sup>	-	61,295,441
	422,104	358,682	60,079	870,708	75,261	124,120	-	57,936,247
	450,191	379,537	269,340	871,329	163,690	12,375	-	56,068,935
	489,792	390,025	261,343	885,892	285,743	(155,436)	-	57,656,346
	563,399	458,073	272,855	871,672	259,307	56,144	155,186	61,738,809
	633,183	456,562	279,942	856,783	493,034	60,918	309,596 <sup>3</sup>	66,322,595
	615,555	464,879	327,391	885,021	291,940	57,801	354,205	67,496,772
	685,552	459,033	362,690	848,580	540,356	(33,504)	669,080	70,355,427

Notes:

1 This table includes all governmental fund types.

2 Property tax decline due to Redevelopment Agency dissolution

3 Cannabis tax new to fiscal year 2015.

4 The County of Santa Cruz overpaid Property Transfer Taxes to the City in fiscal year 2007. The County will not remit Property Transfer Tax to the City until they recoup the overpaid portion which will be approximately 2011 or 2012, depending on taxes received on Real Property Sales.

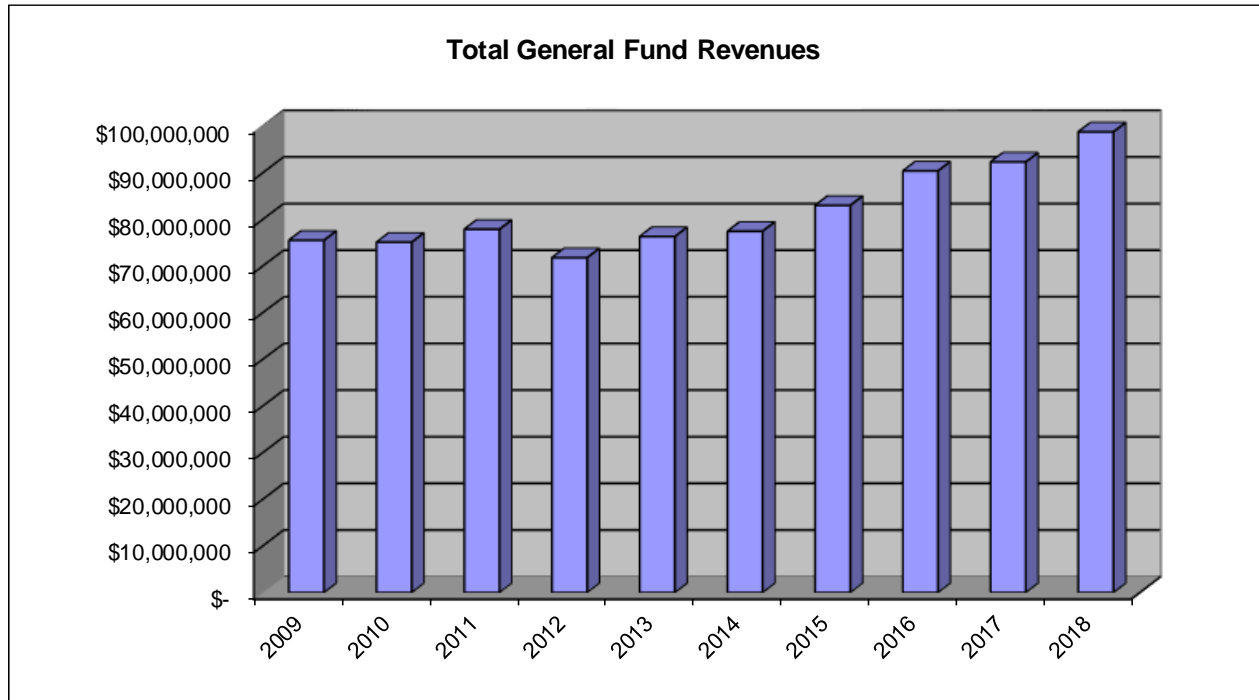
5 Clean River, Beaches & Ocean Parcel tax is new to fiscal year 2010.

6 Tourism Marketing District Assessment tax is new to fiscal year 2011.

# City of Santa Cruz

## General Fund Revenues by Source Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes	Licenses and Permits	Inter- Governmental	Charges for Services	Fines and Forfeitures	Use of Money and Property	Other Revenues	Total
2009	\$ 45,830,628	\$ 648,785	\$ 580,477	\$ 21,574,770	\$ 2,243,843	\$ 2,772,858	\$ 646,573	\$ 75,543,491
2010	44,317,335	540,411	1,363,794	21,044,223	2,321,756	4,853,186	698,526	75,139,231
2011	47,258,855	585,203	1,690,519	20,856,471	2,094,246	4,950,464	477,169	77,912,927
2012	49,513,758	676,571	1,880,388	12,403,522	1,892,336	5,084,755	377,081	71,828,411
2013	54,713,203	886,624	493,617	13,569,748	1,818,773	4,541,253	340,839	76,364,057
2014	56,196,870	846,682	989,769	12,214,540	1,985,697	4,810,654	441,432	77,485,644
2015	60,325,657	956,587	346,773	13,818,324	1,947,157	5,106,451	535,425	83,036,374
2016	64,729,972	1,237,340	588,460	15,705,991	1,943,034	5,216,813	1,002,839	90,424,449
2017	66,079,290	1,059,040	354,279	16,673,446	1,820,941	5,090,589	1,264,153	92,341,738
2018	69,841,882	1,449,842	492,888	18,351,158	1,689,605	5,943,664	1,046,712	98,815,751





# City of Santa Cruz

## Assessed Value of Taxable Property Last Ten Fiscal Years

Fiscal Year Ended June 30	Real Property				Personal Property	Total Assessed Value	Total Direct Tax Rate
	Residential	Commercial	Other	Total			
2009	\$ 5,697,835,412	\$ 905,963,091	\$ 91,806,266	\$ 6,695,604,769	\$ 219,837,712	\$ 6,915,442,481	0.009%
2010	5,651,710,121	945,600,128	69,156,139	6,666,466,388	236,636,812	6,903,103,200	0.009%
2011	5,560,892,100	1,110,098,837	70,310,658	6,741,301,595	212,766,323	6,954,067,918	0.006%
2012	5,588,544,103	1,136,631,529	71,720,126	6,796,895,758	195,024,831	6,991,920,589	0.006%
2013	5,601,358,465	1,114,615,266	71,691,147	6,787,664,878	192,825,384	6,980,490,262	0.006%
2014	5,807,549,689	886,173,344	356,652,877	7,050,375,910	193,487,470	7,243,863,380	0.006%
2015	6,263,167,155	895,240,618	355,088,792	7,513,496,565	212,839,210	7,726,335,775	0.006%
2016	6,679,113,621	949,045,750	364,381,608	7,992,540,979	260,412,664	8,252,953,643	0.006%
2017	7,008,164,159	1,017,940,619	391,194,339	8,417,299,117	253,665,905	8,670,965,022	0.006%
2018	7,449,222,934	1,104,556,139	383,212,771	8,936,991,844	263,601,080	9,200,592,924	0.005%

# City of Santa Cruz

## Direct and Overlapping Property Tax Rates Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Direct Rates:										
General Obligation Bonds	0.009	0.006	0.006	0.006	0.006	0.006	0.006	0.006	0.005	0.005
<b>Total Direct Rate</b>	<b>0.009</b>	<b>0.006</b>	<b>0.006</b>	<b>0.006</b>	<b>0.006</b>	<b>0.006</b>	<b>0.006</b>	<b>0.006</b>	<b>0.005</b>	<b>0.005</b>
Overlapping Rates <sup>2</sup> :										
County <sup>3</sup>	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
School Districts:										
Cabrillo College	0.033	0.036	0.036	0.039	0.040	0.040	0.037	0.037	0.033	0.024
Santa Cruz Schools	0.044	0.061	0.047	0.052	0.053	0.047	0.042	0.040	0.038	0.090
Bonny Doon Schools	0.023	0.029	0.026	0.025	0.026	0.025	0.000	0.000	0.000	0.000
Live Oak Schools	0.048	0.049	0.052	0.053	0.055	0.054	0.053	0.046	0.036	0.020
Scotts Valley Schools	0.043	0.045	0.046	0.046	0.048	0.046	0.041	0.075	0.051	0.084
<b>Total Overlapping Rate</b>	<b>1.191</b>	<b>1.220</b>	<b>1.208</b>	<b>1.215</b>	<b>1.223</b>	<b>1.212</b>	<b>1.172</b>	<b>1.198</b>	<b>1.157</b>	<b>1.218</b>
<b>Total Direct and Overlapping Rate</b>	<b>1.200</b>	<b>1.226</b>	<b>1.213</b>	<b>1.221</b>	<b>1.229</b>	<b>1.218</b>	<b>1.178</b>	<b>1.203</b>	<b>1.162</b>	<b>1.223</b>

Notes:

1 Rates are per \$100.00 of assessed value.

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

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

Source: California Municipal Statistics, Inc.

# City of Santa Cruz

## Principal Property Tax Owners Current Year and Nine Years Ago

Tax Owner	2018			2009		
	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Santa Cruz Seaside Company	\$ 72,472,650	1	0.79%	\$ 58,334,486	1	0.88%
Cypress Point Re Investors LLC	47,502,072	2	0.52%	41,404,723	2	0.62%
Selby Development Group LLC	41,434,440	3	0.45%			
Santa Cruz Shaffer Road Investors	38,066,943	4	0.41%	33,097,008	4	0.50%
S C Beach Hotel Partners LLC	29,311,875	5	0.32%	40,335,205	3	0.61%
1010 Pacific Investors	25,989,077	6	0.28%	22,576,478	7	0.34%
Essex Chestnut Apartments LP	24,955,547	7	0.27%			
Cooper House, LLC	23,812,867	8	0.26%	20,627,728	9	0.31%
University Business Park LLC	23,612,336	9	0.26%	19,980,731	10	0.30%
Sunshine Villa Owner LLC	22,727,492	10	0.25%			
Costco Wholesale Corporation <sup>1</sup>			0.00%	23,640,309	5	0.36%
Frederick Electronics Corporation <sup>1</sup>			0.00%	22,175,030	6	0.33%
CRRRI/Seagate Ocean Street LLC <sup>1</sup>			-	20,987,450	8	0.32%
Totals	<u>\$ 349,885,299</u>		<u>3.80%</u>	<u>\$ 303,159,148</u>		<u>4.574%</u>
Total assessed value	<u>\$ 9,200,592,924</u>			<u>\$ 6,627,555,075</u>		

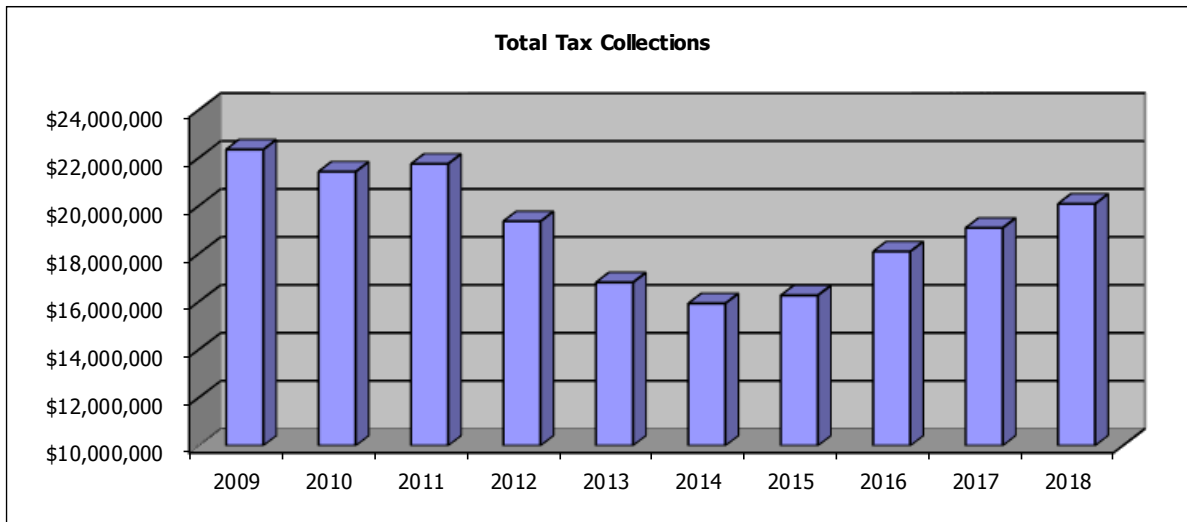
Notes:

<sup>1</sup> The listed tax owners were not ranked in the top 10 during 2018.

# City of Santa Cruz

## Property Tax Levies and Collections<sup>1</sup> Last Ten Fiscal Years

Fiscal Year Ended June 30	Total Tax Levy <sup>2</sup>	Current Tax Collections <sup>2</sup>	Percent of Levy Collected	Delinquent Tax Collections <sup>3</sup>	Total Tax Collections	Total Collections as Percent of Current Levy	Outstanding Delinquent Taxes <sup>3</sup>	Outstanding Delinquent Taxes as Percent of Current Levy
2009	\$ 22,350,357	\$ 22,350,357	100.0%	\$ -	\$ 22,350,357	100.0%	\$ -	\$ -
2010	21,428,058	21,428,058	100.0%	-	21,428,058	100.0%	-	-
2011	21,752,605	21,752,605	100.0%	-	21,752,605	100.0%	-	-
2012	19,356,723	19,356,723	100.0%	-	19,356,723	100.0%	-	-
2013	16,806,695	16,806,695	100.0%	-	16,806,695	100.0%	-	-
2014	15,933,154	15,933,154	100.0%	-	15,933,154	100.0%	-	-
2015	16,266,137	16,266,137	100.0%	-	16,266,137	100.0%	-	-
2016	18,095,927	18,095,927	100.0%	-	18,095,927	100.0%	-	-
2017	19,080,127	19,080,127	100.0%	-	19,080,127	100.0%	-	-
2018	20,085,027	20,085,027	100.0%	-	20,085,027	100.0%	-	-



Notes:

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

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

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# City of Santa Cruz

## Ratios of Outstanding Debt By Type Last Ten Fiscal Years

	Fiscal Year Ended June 30				
	2009	2010	2011	2012	2013
<b>Governmental Activities:</b>					
General obligation bonds	\$ 6,875,031	\$ 6,995,000	\$ 6,760,000	\$ 6,580,000	\$ 6,390,000
Pension obligation bonds	-	-	23,340,000	21,870,000	20,425,000
Lease revenue bonds payable	6,755,000	6,625,000	10,175,000	9,890,000	9,600,000
Certificates of participation	3,791,577	3,630,000	-	-	-
Capital leases	668,306	511,525	474,844	436,460	390,784
Notes	293,055	20,000	14,157	-	234,449
Other	161,526	110,519	57,385	-	-
Premiums	-	1,688	47,708	32,020	30,201
<b>Total Governmental Activities</b>	<b>18,544,495</b>	<b>17,893,732</b>	<b>40,869,094</b>	<b>38,808,480</b>	<b>37,070,434</b>
<b>Business-type Activities:</b>					
Wastewater revenue bonds	4,100,000	3,890,000	3,670,000	3,445,000	3,215,000
Storm water revenue bonds	5,595,000	5,410,000	5,220,000	5,025,000	4,825,000
Water revenue bonds	11,700,000	11,460,000	11,210,000	10,950,000	10,680,000
Refuse revenue bonds	-	-	3,755,000	3,490,000	3,185,000
Parking revenue bonds	-	-	5,180,000	4,940,000	4,695,000
Golf course revenue bonds	-	-	-	-	-
Certificates of participation	16,078,423	6,555,000	3,110,000	3,000,000	-
Leases	1,685,427	7,762,701	1,415,217	862,197	521,060
Notes	30,158,849	30,364,576	27,436,062	24,601,653	24,285,784
Premiums	29,682	42,397	125,523	115,165	104,807
<b>Total Business-type Activities</b>	<b>69,347,381</b>	<b>65,442,277</b>	<b>61,121,802</b>	<b>56,429,015</b>	<b>51,511,651</b>
<b>Successor Agency Trust:</b>					
Tax allocation bonds	4,750,000	4,620,000	40,235,000	39,260,000	37,560,000
Premiums	16,871	15,371	13,872	12,372	10,872
<b>Total Successor Agency Trust</b>	<b>4,766,871</b>	<b>4,635,371</b>	<b>40,248,872</b>	<b>39,272,372</b>	<b>37,570,872</b>
<b>Total Primary Government</b>	<b>\$ 92,658,747</b>	<b>\$ 87,971,380</b>	<b>\$ 142,239,768</b>	<b>\$ 134,509,867</b>	<b>\$ 126,152,957</b>
Personal income <sup>1</sup>	\$ 2,851,012,934	\$ 3,052,239,760	\$ 2,946,046,170	\$ 2,937,224,595	\$ 3,048,930,476
Debt as percentage of personal income	3.25%	2.88%	4.83%	4.58%	4.14%
Population <sup>2</sup>	58,982	59,684	59,946	61,955	61,955
Debt per capita	1,571	1,474	2,373	2,171	2,036
Assessed value <sup>3</sup>	6,915,442,481	6,903,103,200	6,954,067,918	6,991,920,589	6,991,920,559
Debt as percentage of assessed value	1.34%	1.27%	2.05%	1.92%	1.80%

### Notes:

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

Source:

<sup>2</sup> California Department of Finance

<sup>3</sup> California Municipal Statistics, Inc.

City of Santa Cruz Finance Department

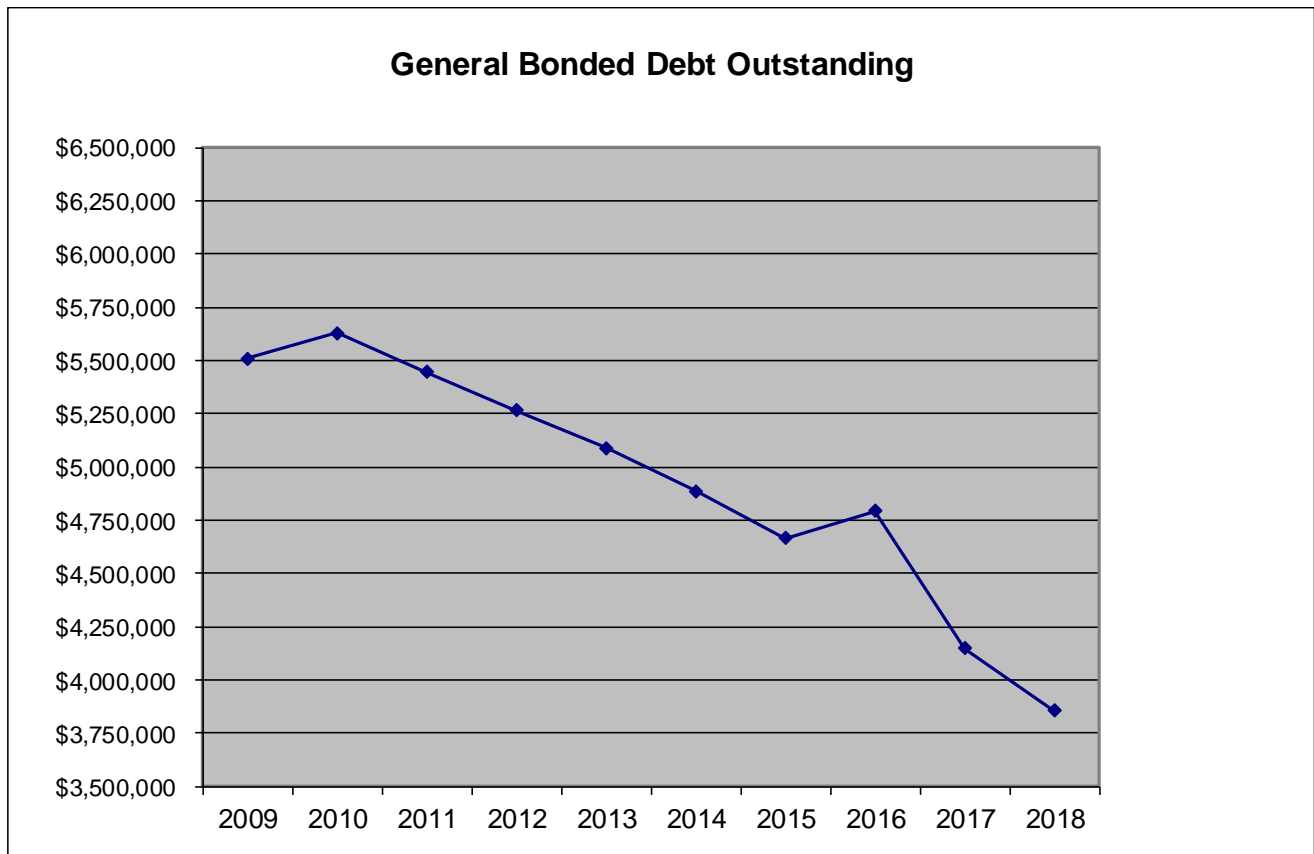
Fiscal Year Ended June 30

	2014	2015	2016	2017	2018
\$	6,185,000	\$ 5,965,000	\$ 5,730,000	\$ 5,475,000	\$ 5,205,000
	18,860,000	17,160,000	15,310,000	13,295,000	11,100,000
	9,300,000	8,995,000	8,680,000	7,685,000	7,560,000
	-	-	-	-	-
	344,427	297,379	249,630	201,170	152,536
	215,735	14,318,705	12,987,297	13,920,402	12,871,003
	-	-	-	-	-
	28,832	26,565	24,747	399,607	376,258
	34,933,993	46,762,649	42,981,674	40,976,180	37,264,797
	18,701,778	15,359,178	11,925,013	8,433,487	4,888,944
	4,620,000	4,520,000	4,245,000	3,945,000	3,640,000
	10,400,000	10,670,000	10,235,000	9,835,000	9,425,000
	2,870,000	2,545,000	2,215,000	1,875,000	1,525,000
	4,445,000	4,190,000	3,930,000	3,350,000	3,065,000
	-	-	-	-	-
	-	-	-	-	-
	171,096	-	-	-	-
	5,286,731	4,653,748	4,277,317	26,632,000	29,407,533
	94,123	99,035	87,363	359,289	322,811
	46,588,728	41,937,926	36,914,693	54,429,776	52,274,288
	35,760,000	33,855,000	31,835,000	29,690,000	27,415,000
	9,372	7,873	6,374	4,874	3,374
	35,769,372	33,862,873	31,841,374	29,694,874	27,418,374
\$	117,292,094	\$ 122,563,448	\$ 111,737,741	\$ 125,100,830	\$116,957,459
\$	3,326,920,480	\$ 3,334,888,920	\$ 3,700,634,424	\$ 3,868,736,850	\$ 4,254,916,712
	3.53%	3.68%	3.02%	3.23%	2.75%
	63,440	63,440	63,789	65,070	66,454
	1,849	1,932	1,752	1,923	1,760
	7,243,863,380	7,243,863,380	7,726,335,775	8,670,965,022	9,200,592,924
	1.62%	1.69%	1.45%	1.44%	1.27%

# City of Santa Cruz

## Ratios of General Bonded Debt Outstanding Last Ten Fiscal Years

Fiscal Year Ended June 30	General Obligation Bonds	Less: Amount Available in Debt Service Fund	Total	Percentage of Assessed Value	Debt Per Capita	Assessed Value <sup>1</sup>	Population <sup>2</sup>
2009	\$ 6,876,719	\$ 1,365,489	\$ 5,511,230	0.08%	\$ 93	\$ 6,903,103,200	58,982
2010	7,042,708	1,413,338	5,629,370	0.08%	94	6,903,103,200	59,684
2011	6,792,020	1,344,043	5,447,977	0.08%	91	6,954,067,918	59,946
2012	6,610,201	1,342,513	5,267,688	0.08%	85	6,991,920,559	61,955
2013	6,418,832	1,328,974	5,089,858	0.07%	82	7,243,863,380	62,372
2014	6,211,565	1,322,942	4,888,623	0.07%	77	7,243,863,380	63,440
2015	5,989,747	1,324,435	4,665,312	0.06%	73	7,726,335,775	63,789
2016	6,129,607	1,336,146	4,793,461	0.06%	74	8,252,953,643	64,632
2017	5,493,948	1,346,719	4,147,229	0.05%	64	8,670,965,022	65,070
2018	5,222,390	1,364,141	3,858,249	0.04%	58	9,200,592,924	66,454



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



# City of Santa Cruz

## Computation of Direct and Overlapping Debt June 30, 2018

2017-2018 Assessed Valuation \$ 9,200,592,924

	Total Debt Outstanding	Percentage Applicable to City <sup>(1)</sup>	Amount Applicable to City
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Cabrillo Joint Community College District	\$ 106,580,565	21.172%	\$ 22,565,237
Santa Cruz High School District	85,598,970	45.855%	39,251,408
Santa Cruz Elementary School District	41,945,860	95.409%	40,020,126
Live Oak School District	11,118,000	0.612%	68,042
Scotts Valley Unified School District	44,935,000	0.015%	6,740
<b>City of Santa Cruz</b>	<b>5,222,390</b>	<b>100.000%</b>	<b>5,222,390</b>
Santa Cruz Libraries FA Community Facilities District No. 2016-1	21,170,000	23.476%	4,969,869
Total Direct and Overlapping Tax and Assessment Debt	<u>\$ 316,570,785</u>		<u>\$ 112,103,812</u>
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Santa Cruz County Certificates of Participation	\$ 71,964,078	21.327%	\$ 15,347,779
Santa Cruz County Office of Education Certificates of Participation	8,862,102	21.327%	1,890,020
Scotts Valley Unified School District Certificates of Participation	9,825,000	0.015%	1,474
Santa Cruz City Schools Certificates of Participation	3,460,000	45.855%	1,586,583
Live Oak School District Certificates of Participation	12,513,973	0.612%	76,586
Santa Cruz High School District Certificates of Participation	2,784,697	45.855%	1,276,923
<b>City of Santa Cruz General Fund Obligations</b>	<b>20,942,407</b>	<b>100.000%</b>	<b>20,942,407</b>
<b>City of Santa Cruz Pension Obligations</b>	<b>11,100,000</b>	<b>100.000%</b>	<b>11,100,000</b>
Total Direct and Overlapping General Fund Debt	141,452,257		52,221,772
<u>OVERLAPPING TAX INCREMENT DEBT</u>	27,415,000	100.000%	27,415,000
<b>TOTAL DIRECT DEBT</b>			<b>37,264,797</b>
<b>TOTAL OVERLAPPING DEBT</b>			<b>154,475,787</b>
Combined Total Debt	<u>\$ 485,438,042</u>		<u>\$ 191,740,584</u> <sup>(2)</sup>

Notes:

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

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

### Ratios to 2017-18 Assessed Valuation:

<b>Direct Debt (\$5,222,390)</b>	0.06%
Total Direct and Overlapping Tax and Assessment Debt	1.22%
<b>Total Direct Debt (\$37,264,797)</b>	0.41%
Combined Total Debt	2.08%

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

Total Overlapping Tax Increment Debt	1.61%
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Source: California Municipal Statistics, Inc.

# City of Santa Cruz

## Legal Debt Margin Information Last Ten Fiscal Years

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	Fiscal Year Ended June 30				
	2009	2010	2011	2012	2013
Debt limit	\$1,037,316,372	\$ 1,035,465,480 *	\$ 1,043,110,188	\$ 1,048,788,084	\$ 1,047,073,539
Total net debt applicable to limit	5,509,542	5,581,662	5,415,957	5,237,487	5,061,026
Legal debt margin	<u>\$1,031,806,830</u>	<u>\$ 1,029,883,818</u>	<u>\$ 1,037,694,231</u>	<u>\$ 1,043,550,597</u>	<u>\$ 1,042,012,513</u>
Total net debt applicable to the limit as a percentage of debt limit	0.53%	0.54%	0.52%	0.50%	0.48%

Notes:

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

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

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

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Fiscal Year Ended June 30				
2014	2015	2016	2017	2018
\$ 1,086,579,507	\$ 1,158,950,366	\$ 1,237,943,046	\$ 1,300,644,753	\$ 1,380,088,939
4,862,058	4,640,565	4,393,854	4,128,281	3,840,859
<u>\$ 1,081,717,449</u>	<u>\$ 1,154,309,801</u>	<u>\$ 1,233,549,192</u>	<u>\$ 1,296,516,473</u>	<u>\$ 1,376,248,080</u>
0.45%	0.40%	0.35%	0.32%	0.28%

**Legal Debt Margin Calculation For Fiscal Year 2017-18:**

Total assessed value	\$ 9,200,592,924
Debt limit (15% of total assessed value)	1,380,088,939
Debt applicable to limit:	
General obligation bonds (reported at accreted value)	5,205,000
Less: Amount available in debt service fund	
for repayment of bonds	<u>1,364,141</u>
Total net debt applicable to limit	<u>3,840,859</u>
Legal debt margin	<u>\$ 1,376,248,080</u>

# City of Santa Cruz

## Pledged-Revenue Coverage Last Ten Fiscal Years

	Fiscal Year Ended June 30				
	2009	2010	2011	2012	2013
<b>Wastewater Revenue Bonds:</b>					
Wastewater charges and other	\$ 15,270,771	\$ 14,518,218	\$ 15,819,819	\$ 17,064,015	\$ 16,665,280
Less: operating expenses	12,375,224	12,105,526	12,064,824	12,928,161	13,993,246
Net available revenue	2,895,547	2,412,692	3,754,995	4,135,854	2,672,034
<b>Debt service:</b>					
Principal	210,000	210,000	220,000	225,000	230,000
Interest	165,161	157,811	151,128	143,961	136,157
Total	375,161	367,811	371,128	368,961	366,157
Coverage	7.72	6.56	10.12	11.21	7.30
<b>Water Revenue Bonds:</b>					
Water charges and other	\$ 26,657,477	\$ 23,813,072	\$ 24,010,332	\$ 25,071,978	\$ 25,809,906
Less: operating expenses	18,986,496	18,472,402	17,987,359	19,983,914	20,264,057
Net available revenue	7,670,981	5,340,670	6,022,973	5,088,064	5,545,849
<b>Debt service:</b>					
Principal	230,000	240,000	250,000	260,000	270,000
Interest	530,622	518,223	508,489	498,356	487,823
Total	760,622	758,223	758,489	758,356	757,823
Coverage	10.09	7.04	7.94	6.71	7.32
<b>Storm Water Revenue Bonds:</b>					
Storm Water charges and other	\$ 974,798	\$ 916,004	\$ 906,683	\$ 916,601	\$ 893,217
Less: operating expenses	593,600	577,231	427,263	628,349	465,600
Net available revenue	381,198	338,773	479,420	288,252	427,617
<b>Debt service:</b>					
Principal	175,000	185,000	190,000	195,000	200,000
Interest	221,822	214,160	208,498	202,685	196,535
Total	396,822	399,160	398,498	397,685	396,535
Coverage	0.96	0.85	1.20	0.72	1.08
<b>Certificates of Participation:</b>					
Special assessments and other	\$ 16,272,903	\$ 16,075,930	\$ -	\$ -	\$ -
Less: operating expenses	10,091,524	12,750,017	-	-	-
Net available revenue	6,181,379	3,325,913	-	-	-
<b>Debt service:</b>					
Principal	850,000	205,000	-	-	-
Interest	350,430	153,045	-	-	-
Total	1,200,430	358,045	-	-	-
Coverage	5.15	9.29	-	-	-

**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

Fiscal Year Ended June 30

2014	2015	2016	2017	2018
\$ 17,351,944	\$ 17,702,332	\$ 18,638,430	\$ 20,294,352	\$ 21,239,594
13,770,395	13,317,173	13,543,016	14,269,230	15,535,701
3,581,549	4,385,160	5,095,414	6,025,121	5,703,893
240,000	1,709,898	3,434,164	3,491,526	3,544,544
44,491	48,609	234,324	176,024	116,764
284,491	1,758,507	3,668,488	3,667,550	3,661,308
12.59	2.49	1.39	1.64	1.56
\$ 24,635,604	\$ 24,654,059	\$ 26,676,455	\$ 31,120,650	\$ 41,515,458
23,821,485	21,279,237	21,949,166	22,464,366	27,393,908
814,119	3,374,822	4,727,289	8,656,284	14,121,550
311,368	-	348,000	320,000	328,000
386,783	72,733	279,705	242,057	235,603
698,151	72,733	627,705	562,057	563,603
1.17	46.40	7.53	15.40	25.06
\$ 856,893	\$ 889,617	\$ 1,025,705	\$ 915,299	\$ 920,052
505,896	312,574	576,609	726,257	709,824
350,997	577,043	449,096	189,042	210,228
197,815	275,000	275,000	300,000	305,000
100,175	26,109	100,313	94,438	88,363
297,990	301,109	375,313	394,438	393,363
1.18	1.92	1.20	0.48	0.53
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-

# City of Santa Cruz

## Pledged-Revenue Coverage, Continued Last Ten Fiscal Years

	Fiscal Year Ended June 30				
	2009	2010	2011	2012	2013
<b>Refuse Loan Agreement:</b>					
Refuse charges and other	\$ -	\$ 16,075,930	\$ 16,280,793	\$ 15,938,918	\$ 15,878,882
Less: operating expenses	-	12,750,017	12,482,121	13,236,313	14,281,118
Net available revenue	-	3,325,913	3,798,672	2,702,605	1,597,764
<b>Debt service:</b>					
Principal	-	-	156,500	164,200	172,200
Interest	-	119,384	137,588	129,781	121,589
Total	-	119,384	294,088	293,981	293,789
Coverage	-	27.86	12.92	9.19	5.44
<b>Refuse Revenue Bonds:</b>					
Refuse charges and other	\$ -	\$ -	\$ 16,280,793	\$ 15,938,918	\$ 15,878,882
Less: operating expenses	-	-	12,482,121	13,236,313	14,281,118
Net available revenue	-	-	3,798,672	2,702,605	1,597,764
<b>Debt service:</b>					
Principal	-	-	-	265,000	305,000
Interest	-	-	120,311	116,388	107,538
Total	-	-	120,311	381,388	412,538
Coverage	-	-	31.57	7.09	3.87
<b>Parking Lease Revenue Bonds:</b>					
Parking charges and other	\$ -	\$ 2,926,066	\$ 3,632,924	\$ 3,265,001	\$ 3,569,946
Less: operating expenses	-	2,391,325	2,958,653	2,685,446	2,974,546
Net available revenue	-	534,741	674,271	579,555	595,400
<b>Debt service:</b>					
Principal	-	-	250,000	240,000	245,000
Interest	-	27,294	176,378	181,066	178,250
Total	-	27,294	426,378	421,066	423,250
Coverage	-	19.59	1.58	1.38	1.41

**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

Source: City of Santa Cruz Finance Department

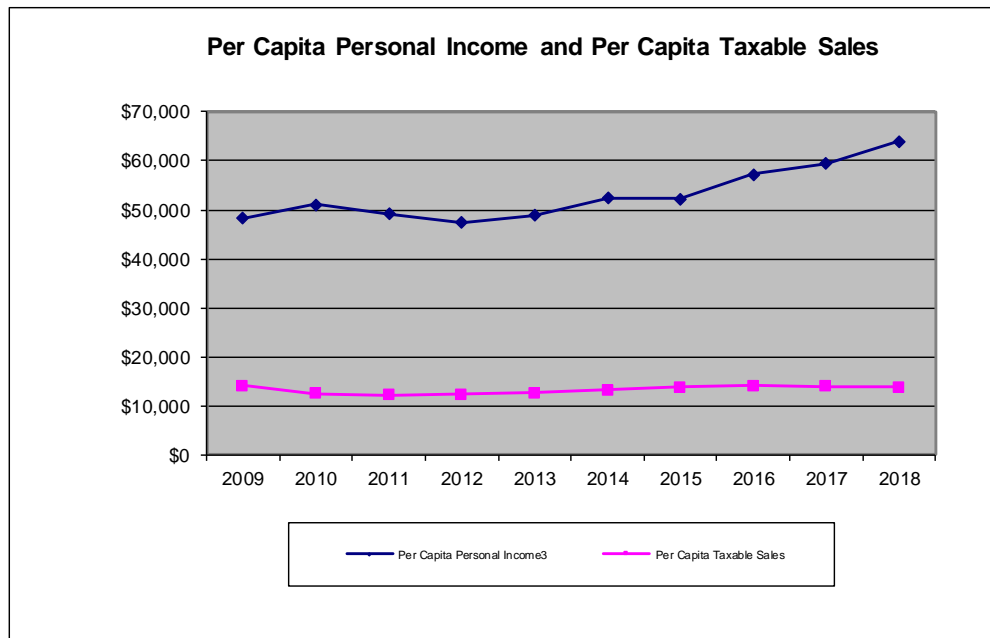
Fiscal Year Ended June 30

2014	2015	2016	2017	2018
\$ 15,160,656	\$ 16,771,121	\$ 18,011,931	\$ 19,965,814	\$ 21,031,042
13,705,783	14,006,805	13,960,753	15,011,430	16,485,296
1,454,873	2,764,316	4,051,178	4,954,384	4,545,746
214,033	98,300	232,333	208,700	219,100
112,997	24,833	94,517	84,591	74,176
327,031	123,133	326,850	293,291	293,276
4.45	22.45	12.39	16.89	15.50
\$ 15,160,656	\$ 16,771,121	\$ 18,011,931	\$ 19,969,359	\$ 21,031,042
13,705,783	14,006,805	13,960,753	15,011,430	16,485,296
1,454,873	2,764,316	4,051,178	4,957,929	4,545,746
315,000	330,000	330,000	340,000	350,000
98,163	21,513	78,625	68,500	58,075
413,163	351,513	408,625	408,500	408,075
3.52	7.86	9.91	12.14	11.14
\$ 4,046,835	\$ 4,542,711	\$ 5,049,171	\$ 5,250,820	\$ 5,645,434
3,407,113	3,568,439	3,740,393	4,073,705	4,557,291
639,721	974,272	1,308,778	1,177,116	1,088,143
250,000	-	260,000	-	285,000
2,300	54,055	160,866	97,038	101,134
252,300	54,055	420,866	97,038	386,134
2.54	18.02	3.11	12.13	2.82

# City of Santa Cruz

## Demographic and Economic Statistics Last Ten Fiscal Years

Fiscal Year Ended June 30	Population <sup>1</sup>	Unemployment Rate <sup>2</sup>	Total Personal Income	Per Capita Personal Income <sup>3</sup>	Taxable Sales <sup>4</sup>	Per Capita Taxable Sales
2009	58,982	8.8%	\$ 2,851,013	\$ 48,337	\$ 830,232	\$ 14,076
2010	59,684	9.5%	3,052,240	51,140	747,749	12,528
2011	59,946	8.9%	2,946,046	49,145	734,746	12,257
2012	61,955	7.8%	2,937,225	47,409	768,660	12,407
2013	62,372	6.8%	3,048,930	48,883	791,102	12,684
2014	63,440	5.3%	3,326,920	52,442	840,086	13,242
2015	63,789	5.1%	3,334,889	52,280	882,542	13,835
2016	64,632	4.8%	3,700,634	57,257	916,490	14,180
2017	65,070	4.5%	3,868,737	59,455	913,691	14,042
2018	66,454	3.4%	4,254,917	64,028	922,226	13,878



**Notes:**

- A For calendar year ending during the fiscal year.
- B Amounts are for the Santa Cruz-Watsonville Metropolitan Area.
- C Total Personal Income and Taxable Sales amounts are in thousands.

Source: <sup>1</sup> California Department of Finance

<sup>2</sup> California Employment Development Department

<sup>3</sup> U.S. Department of Commerce, Bureau of Economic Analysis

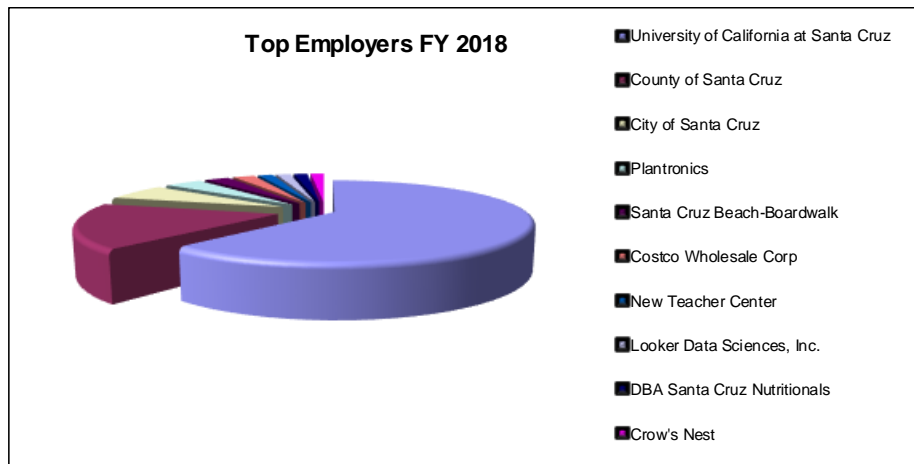
<sup>4</sup> California Board of Equalization (based on most recent four quarters of data available)



# City of Santa Cruz

## Principal Employers Current Year and Ten Years Ago

Employer:	Fiscal Year Ended June 30					
	2018			2009 <sup>1</sup>		
	Number of Employees	Rank	Percentage of Total Employment	Number of Employees	Rank	Percentage of Total Employment
University of California at Santa Cruz	8,569 <sup>2</sup>	1	25.888%	4,679 <sup>2</sup>	1	5.004%
County of Santa Cruz	2,438	2	7.365%	2,497	2	2.671%
City of Santa Cruz	870	3	2.628%	1,108	3	1.185%
Plantronics	529	4	1.598%	518	4	0.554%
Santa Cruz Beach-Boardwalk	347	5	1.048%	347	5	0.371%
Costco Wholesale Corp	314	6	0.949%	255	6	0.273%
New Teacher Center	211	7	0.637%			
Looker Data Sciences, Inc.	209	8	0.631%			
DBA Santa Cruz Nutritionals	200	9	0.604%			
Crow's Nest	194	10	0.586%	199	8	0.213%
Community Bridges				250	7	0.267%
Santa Cruz Biotechnology Inc.				190	9	0.203%
United Parcel Service				155	10	0.166%
Totals	<u>13,881</u>		<u>41.935%</u>	<u>10,198</u>		<u>10.907%</u>
Total employment <sup>1</sup>	<u>33,100</u>			<u>93,500</u>		



Note

<sup>1</sup> 2009 Total Employment numbers reflect the Santa Cruz-Watsonville metropolitan area whereas 2018 numbers are only Santa Cruz city.

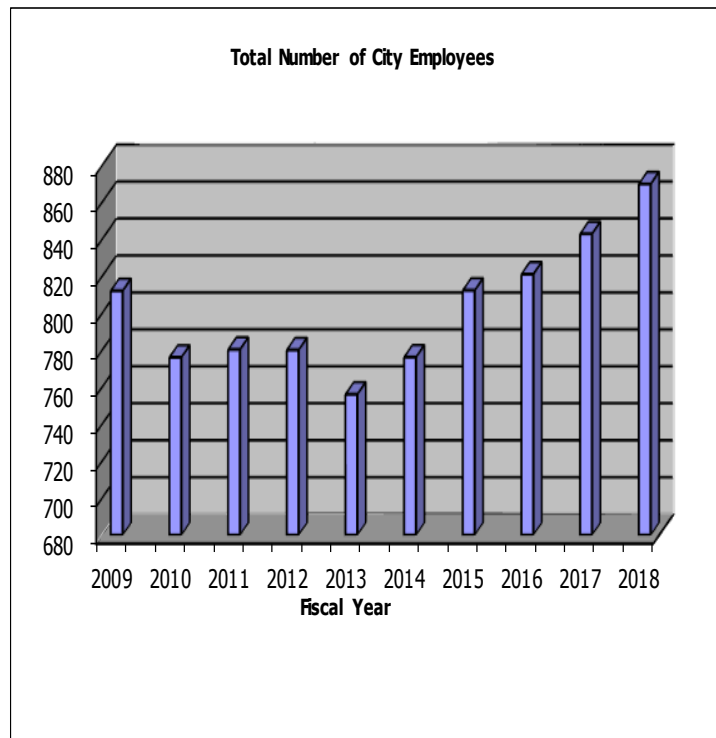
<sup>2</sup> CAFRs previous to 2009 showed UCSC FTE instead of currently used headcount.

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

# City of Santa Cruz

## Number of City Employees by Department Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Departments:										
City Clerk <sup>3</sup>	6	6	6	-	-	-	-	-	-	-
City Manager	5	5	5	11	11	12	12	12	12	12
Administrative Services <sup>2</sup>	14	13	29	29	28	28	30	31	31	32
Finance	26	25	25	24	24	29	30	30	30	30
Information Technology <sup>2</sup>	17	15	-	-	-	-	-	-	-	-
Police	119	117	118	118	118	117	124	124	124	127
Fire <sup>4</sup>	55	55	55	53	54	54	65	65	65	66
Parks and Recreation	91	83	83	83	82	82	84	88	94	96
Library	119	97	97	71	77	80	83	84	90	93
Public Works	225	222	223	224	229	233	234	235	240	250
Planning and Community Development	26	28	28	28	27	35	37	38	39	39
Economic Development/Redevelopment	15	15	16	16	10	9	11	12	12	12
Water	94	95	95	96	96	98	102	102	107	113
<b>Total</b>	<b>812</b>	<b>776</b>	<b>780</b>	<b>780</b>	<b>756</b>	<b>776</b>	<b>812</b>	<b>821</b>	<b>843</b>	<b>870</b>



Notes:

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

2 In FY 2011, the Information Technology Department merged with the Human Resources Department and was subsequently renamed the Administrative Services Department.

3 In FY 2012, the City Clerk merged with City Manager's Department.

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

Source: City of Santa Cruz Budget Document

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# City of Santa Cruz

## Operating Indicators By Function Last Ten Fiscal Years

Function:	Fiscal Year Ended June 30				
	2009	2010	2011	2012	2013
City Clerk					
Hours for creating the agenda					
for posting	300	300	300	300	300
Advisory body hours	575	575	575	575	575
Election hours	5	450	5	450	450
Initiative/referendum petitions					
processing hours	-	-	-	-	200
Human Resources					
Number of recruitments	52	58	68	69	74
Number of applications	1,274	803	2,346	1,205	1,351
Workers compensation claim payments	\$ 1,464,348	\$ 1,295,529	\$ 1,161,722	\$ 1,670,856	\$ 1,677,161
Police					
Calls for service	78,132	85,774	81,505	90,484	104,836
Cases	11,999	11,257	10,011	11,063	11,432
Fire					
Emergency calls	6,857	6,966	6,966	7,005	7,005
Inspections	2,557	1,843	1,843	1,575	655
Parks and Recreation					
Number of classes	668 <sup>1</sup>	871	907	891	832
Facility rentals:					
Parks (Picnic Areas)	788 <sup>2</sup>	1,735	2,760	2,160	2,622
Louden Nelson	5,720 <sup>3</sup>	5,369	5,650	5,700	4,611
Civic Auditorium	138	117	125	150	137
Swimming pool	152	-	-	n/a	70
Special events produced	17	11	12	12	12
Library (all locations)					
Items checked out	2,336,784	1,971,465	1,938,317	2,005,328	1,769,845
Queries handled	299,473	294,734	333,991	168,057	314,028
Open hours/week	444	212	257	265	359
Public Works					
Overlay (square footage)	791,848	639,342	278,680	266,888	515,700
Seal coat (square footage)	3,951,648	-	-	515,653	-
Sewer					
New connections	50	40	39	39	57
Average daily flow (MGD)	8	10	11	9	9
Annual total flow (MG)	2,924	3,632	3,870	3,294	3,182
Water					
Active accounts	24,228	24,310	24,351	24,347	24,425
Average daily consumption (MGD)	8	8	8	8	8
Annual consumption (MG)	3,104	2,822	2,860	2,820	2,984
Average monthly residential bill	\$ 42	\$ 37	\$ 38	\$ 44	\$ 45

\*\* Unavailable

Notes:

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

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

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

Source: City of Santa Cruz Departments

Fiscal Year Ended June 30

2014	2015	2016	2017	2018
300	500	500	500	300
575	300	300	300	300
450	-	-	450	450
-	-	-	200	200
76	101	118	129	127
3,384	3,438	4,087	3,885	3,613
\$ 1,770,711	\$ 2,059,341	\$ 1,368,840	\$ 1,725,200	\$ 2,339,551
104,709	102,592	103,645	100,877	101,181
10,675	10,759	11,119	10,733	10,129
7,483	8,264	8,741	8,596	9,133
1,934	1,946	2,951	1,475	1,165
889	901	962	903	843
1,033	598	2,506	791	1,478
5,044	5,218	6,504	5,430	5,856
138	142	124	148	163
77	80	85	975	276
12	30	12	10	13
2,367,679	1,961,846	1,785,427	1,756,741	1,809,648
326,612	263,308	287,505	302,958	287,256
359	359	359	359	425
1,856	633,386	349,245	461,961	856,680
1,910,000	-	817,506	2,234,457	-
52	66	57	72	40
8	8	8	10	10
3,011	2,767	3,077	3,687	3,650
24,429	24,511	24,514	24,517	24,518
8	8	6	6	7
2,959	2,979	2,234	2,342	2,437
\$ 45	\$ 41	\$ 48	\$ 50	\$ 66

# City of Santa Cruz

## Capital Asset Statistics By Function Last Ten Fiscal Years

Function:	Fiscal Year Ended June 30				
	2009	2010	2011	2012	2013
Public Safety					
Police					
Stations	1	1	1	1	1
Vehicular patrol units	63	67	67	67	69
Fire stations	3	3	3	3	3
Lifeguard Headquarters	1	1	1	1	1
Public Parking					
Lots	21	26	26	26	26
Spaces	5,204	5,199	5,380	5,322	5,300
Parking meters	1,930	1,933	1,875	1,866	1,933
Parks and Recreation					
Parks	30	30	30	30	32
Parks acreage	1,970	1,970	1,970	1,970	1,704
Playgrounds	17	17	17	17	16
Swimming pools	1	1	1	1	1
Tennis courts	6	6	6	6	7
Golf course	1	1	1	1	1
Libraries					
Headquarters	-	-	-	-	-
Central library	1	1	1	1	1
Branch libraries within city	2	2	2	2	2
Streets					
Miles of paved streets	136	136	136	136	136
Miles of alleys	13	13	13	13	13
Street lights	3,018	2,809	3,077	3,087	3,091
Sewer					
Miles of sanitary sewers	155	155	155	155	155
Miles of storm drains	49	49	49	49	49
Water					
Miles of water mains	293	293	293	298	298
Fire hydrants	2,039	2,024	2,024	2,025	2,027

Fiscal Year Ended June 30

2014	2015	2016	2017	2018
1	1	1	1	1
69	69	69	69	70
3	4	4	4	4
1	1	1	1	1
26	26	24	23	25
5,301	5,514	5,244	5,174	5,357
1,945	1,931	1,922	1,920	1,906
31	31	31	31	31
1,706	1,706	1,706	1,706	1,706
17	17	18	18	18
1	1	1	1	1
6	6	6	6	6
1	1	1	1	1
-	-	1	1	1
1	1	1	1	1
2	2	2	2	2
136	136	136	136	136
13	13	13	13	13
3,094	3,096	3,136	2,926	3,136
155	155	155	155	155
49	49	49	49	50
296	298	296	294	296
2,024	2,031	2,031	2,028	2,033