

CITY OF SANTA CRUZ, CALIFORNIA



**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2020**

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City of Santa Cruz
State of California

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2020

Prepared by

Kim Krause
Lisa Saldana

Nicholas Gong

Michael Manno

Edward Torres

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Comprehensive Annual Financial Report
For the year ended June 30, 2020
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December 23, 2020

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

In accordance with the City Charter, we are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Santa Cruz for the fiscal year ended June 30, 2020. Responsibility for the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the City. It is our opinion that the data is accurate in all material aspects, is presented in a manner designed to fairly set forth the financial position and results of the operations of the City and contains all disclosures necessary to enable the reader to gain an understanding of the City's financial affairs.

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

The City's financial statements have been audited by Eide Bailly, LLP, a public accounting firm licensed and qualified to perform audits within the State of California. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Santa Cruz for the fiscal year ended June 30, 2020, 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, 2020, 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 64,424 as of June, 2020. 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 19,500 undergraduate and graduate students, local alumni of 13,500, and is the City's largest employer, with over 8,200 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 Councilmembers. The Council is elected on a non-partisan basis. Councilmembers serve four-year staggered terms, with either three or four Councilmembers elected every two years. The Mayor is selected by a majority of the City Council and serves a one year term. Councilmembers are elected at large and all are subject to two consecutive term limits. The City Council is responsible for, among other things, passing ordinances, adopting the budget, approving nominees to commissions, and hiring the City Manager and City Attorney. The City Manager is the City's Chief Executive Officer and is responsible for carrying out the policies and ordinances of the City Council, overseeing the day-to-day operations of the City and appointing the heads of the various departments.

The City of Santa Cruz provides a broad range of services including police and fire protection, construction and maintenance of streets, parks, flood control and other infrastructure, a wharf facility, a golf course, recreational and cultural activities including a performing arts center, economic development, and human services programs. It also operates municipal utilities for water, wastewater, storm water, and refuse in addition to enterprise operations for parking facilities. The water utility provided approximately 2.73 billion gallons of clean, safe water in 2020. Service extends beyond the municipal boundaries and has a total service population of approximately 98,500.

Many major public services delivered within the City's boundaries, including education and public transportation, are provided by other agencies. The City of Santa Cruz is not financially accountable for the operations of the franchisees or these government agencies.

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

The City Manager is authorized to approve appropriation transfers within any department; however, any new appropriation or appropriation transfer between funds or departments requires approval by the City Council. Several supplemental appropriations were necessary during the year and are reflected in the budget amounts in the financial statements. Expenditures may not legally exceed appropriations at the department level.

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

Factors Affecting Financial Condition

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

Due to the COVID-19 pandemic and the State of California's shelter in place orders, the City adopted a status quo fiscal year 2021 budget on July 2nd. The City then hired a consulting firm to update the City's long-term financial forecast, taking into account the pandemic and recession that had already begun. The City updated the budget estimates and adopted a budget revision on October 8. The budget was balanced by employees making concessions, use of reserves, and departments cutting some positions and other expenditures. While the reduction in Sales Tax revenues was less than originally anticipated, it is still projected at 9% below the original fiscal year 2021 estimate, 3% below the fiscal year 2020 actuals and 6% below fiscal year 2019 actuals. To date, property tax receipts are relatively unaffected and are expected to increase by 1.8% in fiscal year 2021. Transient occupancy taxes are projected to be equal to fiscal year 2020, which was 27% less than fiscal year 2019. Utility users taxes are projected to be flat. The City does expect sales and transient occupancy tax revenues to rebound in fiscal year 2022 as Santa Cruz is a desirable tourist destination.

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

In 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, totaling \$11.5 million in fiscal year 2020.

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 with 82.23% of the vote, 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 more than \$10 million in fiscal year 2018 and 2019. However, in FY 2020, revenue declined to \$8 million due to COVID-19 shelter-in-place orders. The City continues to aggressively pursue the addition 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 with 82.21% of the vote, increasing the City's business tax for sale of cannabis (medical marijuana) from 7% to a maximum of 10%. This tax became effective January 2015 and will be used solely for essential, primary support services such as Police, Fire, Public Works, Parks & Recreation, and community programs. In November 2017, the City Council increased the tax from 7% to 8%, and designated this 1% increase to a Children's Fund supporting enhancement and expansion of evidenced-based programs that prioritize access to early childhood development, prevention, and vulnerable youth programs. At fiscal year-end 2020, the balance in the Children's fund was \$119,600. The tax generated \$155,000 in fiscal year 2015. It has steadily increased each year to a total of \$1.4 million in 2020 and is budgeted to bring in \$1.1 million in fiscal year 2021. This tax has also been impacted by the COVID-19 pandemic.

In November 2016, Santa Cruz County voters approved Measure D, a ½-cent sales tax to provide funding for streets and road maintenance, bicycle and pedestrian projects, and other essential transportation projects and programs. For the City of Santa Cruz, Measure D generated \$1.4 million in revenue during fiscal year 2020.

In June 2018, City voters approved Measure S, which increased the City's sales tax rate by ¼-percent from 9% to 9.25% effective October 1, 2018. This resulted in an additional \$2.3 million in annual revenue for fiscal year ending 2019 and \$3.2 million for fiscal year ending 2020.

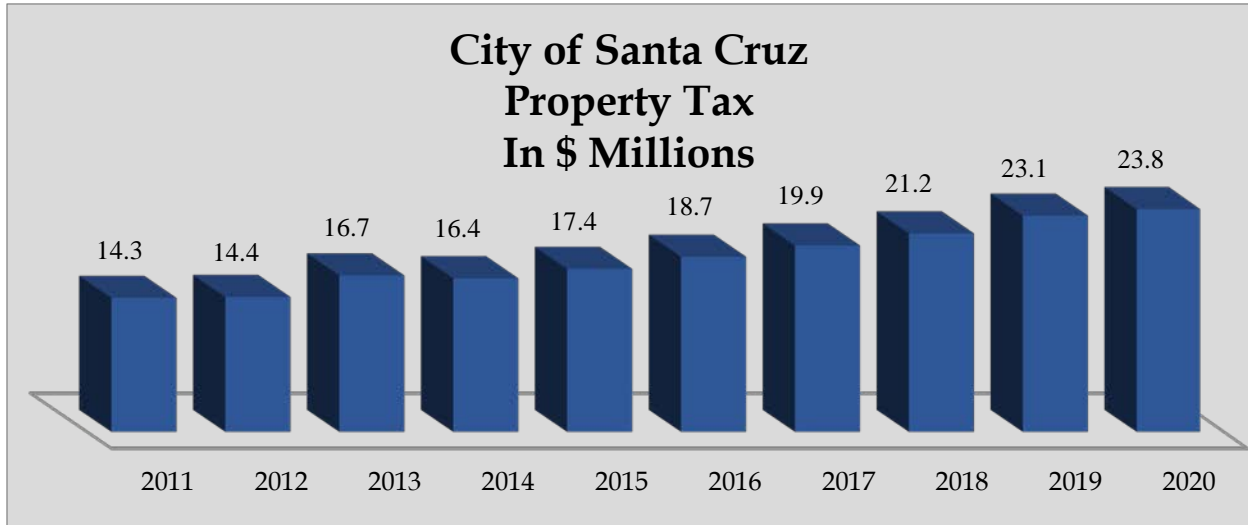
The City continues to evaluate its financial future and the City's goal is to find a structural equilibrium between available resources and service requirements. The City is also dedicated to increasing local revenues with more economic development and incentive programs to improve the quality of local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

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

Historical Trend Information

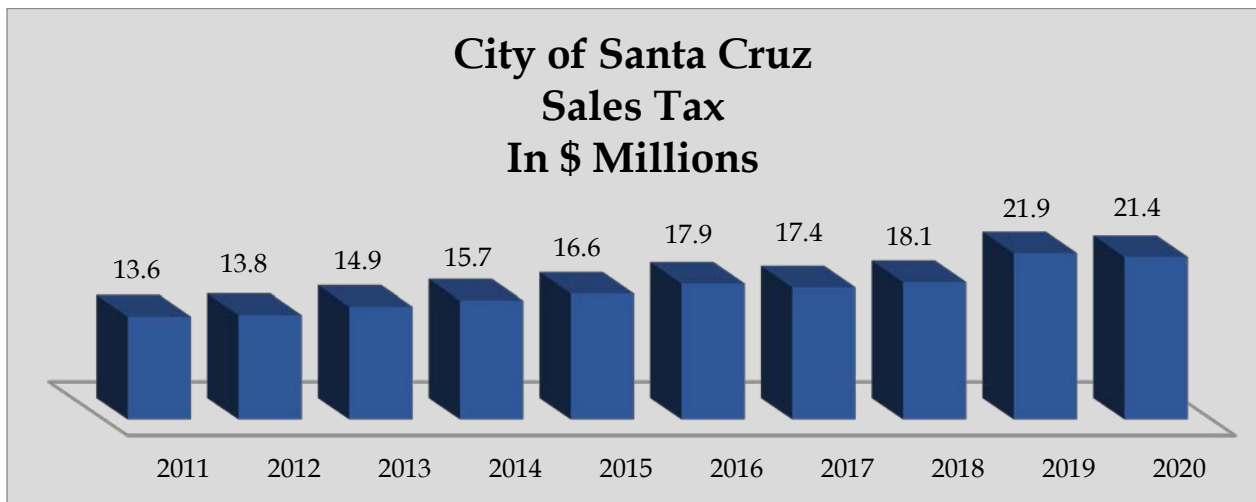
Property Tax

As illustrated in the following chart, General Fund and GO Bond property tax was fairly flat through the end of the Great Recession but has grown steadily since.



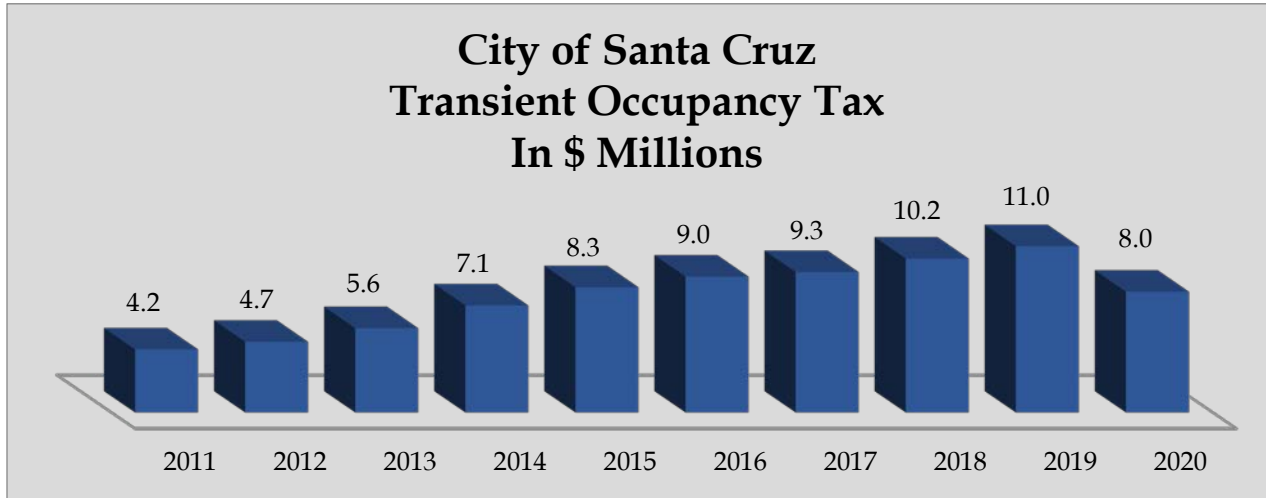
Sales & Use Tax, Local Transactions and Use Tax and Supplemental Property Tax In-Lieu of Sales Tax

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 Great Recession. The City's revenues progressively increased to total \$17.9 million in fiscal year 2016. After a slight decrease in 2017 to \$17.4 million, sales tax increased to \$18.1 million in fiscal year 2018. As a result of a voter-approved $\frac{1}{4}$ -percent increase in the City's sales tax rate, revenue grew slightly over \$3 million annually beginning in fiscal year 2019, although it declined slightly to \$21.4 in fiscal year 2020 due to COVID-19 shelter-in-place orders.



Transient Occupancy Tax

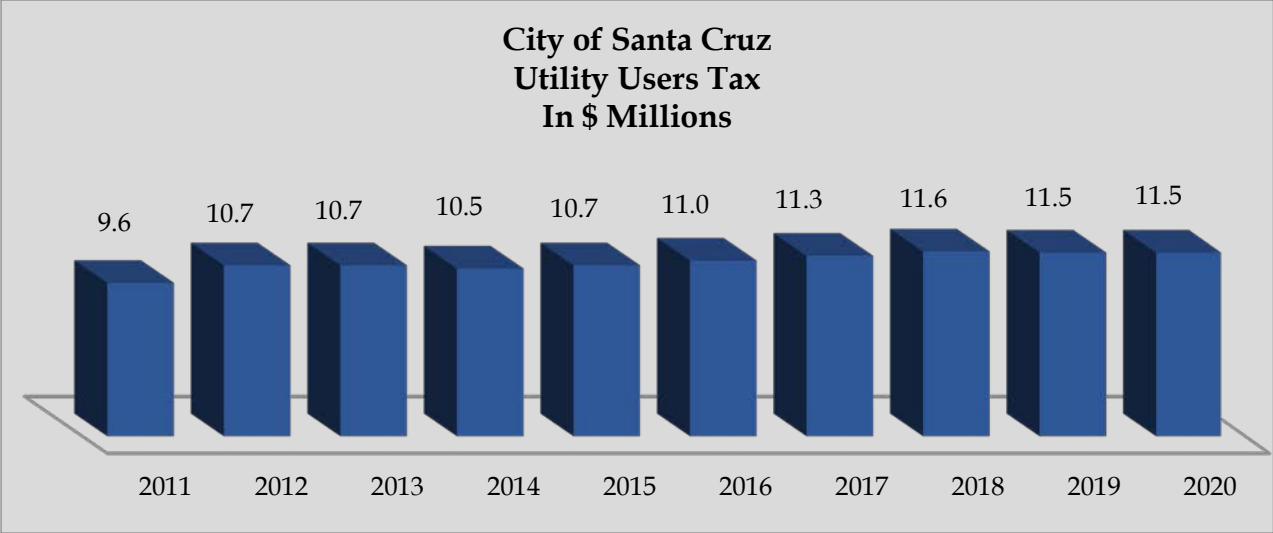
Transient Occupancy Tax (TOT) annual revenues have continued to grow each year, until it was impacted by the COVID-19 pandemic in fiscal year 2020. The growth was primarily due to additional hotels, vacation rentals, and a voter-approved TOT rate increase from 10% to 11% (effective July 1, 2013). TOT fiscal year 2020 receipts decreased by \$3 million or 27.3%. This revenue source is expected to rebound in fiscal year 2022.



Utility Users Tax

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

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



Health Care and Pension Costs

The City’s bargaining units have all agreed to cost-sharing for health care and pension costs, with employees paying part of their health care premiums and part of the City’s required retirement contribution. The City continues to incur rising unfunded pension liabilities and has established a Section 115 Trust Fund to help address this in the future. During the next five years, pension costs as a percentage of General Fund expenditures are expected to increase from 10.6% to 15.9%. This increase is primarily due to the California Public Employees Retirement System (CalPERS) lowering the discount rate from 7.5% to 7%. There is some discussion that CalPERS may lower the discount rate again which would further exacerbate the pension cost increases.

State Budget

The State was making progress on balancing its budget and building a surplus to be used for uncertain times and pay for unfunded liabilities. The full impact of the COVID-19 pandemic on the State’s budget is unknown at this time as the State recently issued new stay at home orders. In addition to the pandemic, the State also experienced its worst wildfire season in State history, burning more than 4.3 million acres. It is imperative that the Federal government pass a stimulus package for States and local governments.

Major Initiatives

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

The City continues to seek funding to improve the condition of its infrastructure, including major renovations to the Municipal Wharf (now 106 years old) and the Civic Auditorium (80 years old). A bond measure was passed by voters to build a new downtown library and remodel two other library locations.

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 (CAFR) for the fiscal year ended June 30, 2019. This was the thirteenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. The GFOA also awarded a Distinguished Budget Award for the fiscal year 2020 Annual Budget. This award is the highest form of recognition in governmental budgeting. This was the fifteenth that the government has received this esteemed award.

Acknowledgements

The 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 Finance Manager Lisa Saldana for leading the charge and to our Accountants - Nicolas Gong, Michael Manno, and Edward Torres, who assisted her in the compilation of this document. I also want to thank the other Division Managers, Kim Wigley, Lupita Alamos, Denise Reid, Ross Brandon and the rest of the Finance Department staff - Debra Allen, Ginger Baker, Joseph Balasabas, Tracy Cole, Angela Dmitriyeva, Natalia Duarte, Maureen Dunn, Zayne Fassio, Annie Martin, Mya McLelan, Jillian Morales, Fernando Munoz-Noriega, Ralph Reader, Brooke Rosso, and Malee Vang, who assisted with all the transactions and postings that led to the preparation of this report. I also appreciate the City Council for their leadership as their interest in and support of the financial affairs of the City have significantly contributed to quality financial services. Recognition and thanks is given to the City Manager, Martín Bernal, and Assistant City Manager, Laura Schmidt, for their leadership and guidance, in addition to the rest of the department directors and City staff for their assistance and cooperation. I also want to express my gratitude for the partners and staff of our auditors for their professionalism and assistance in preparing this report.

Respectfully submitted,



Kim Krause
Director of Finance

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Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Santa Cruz
California**

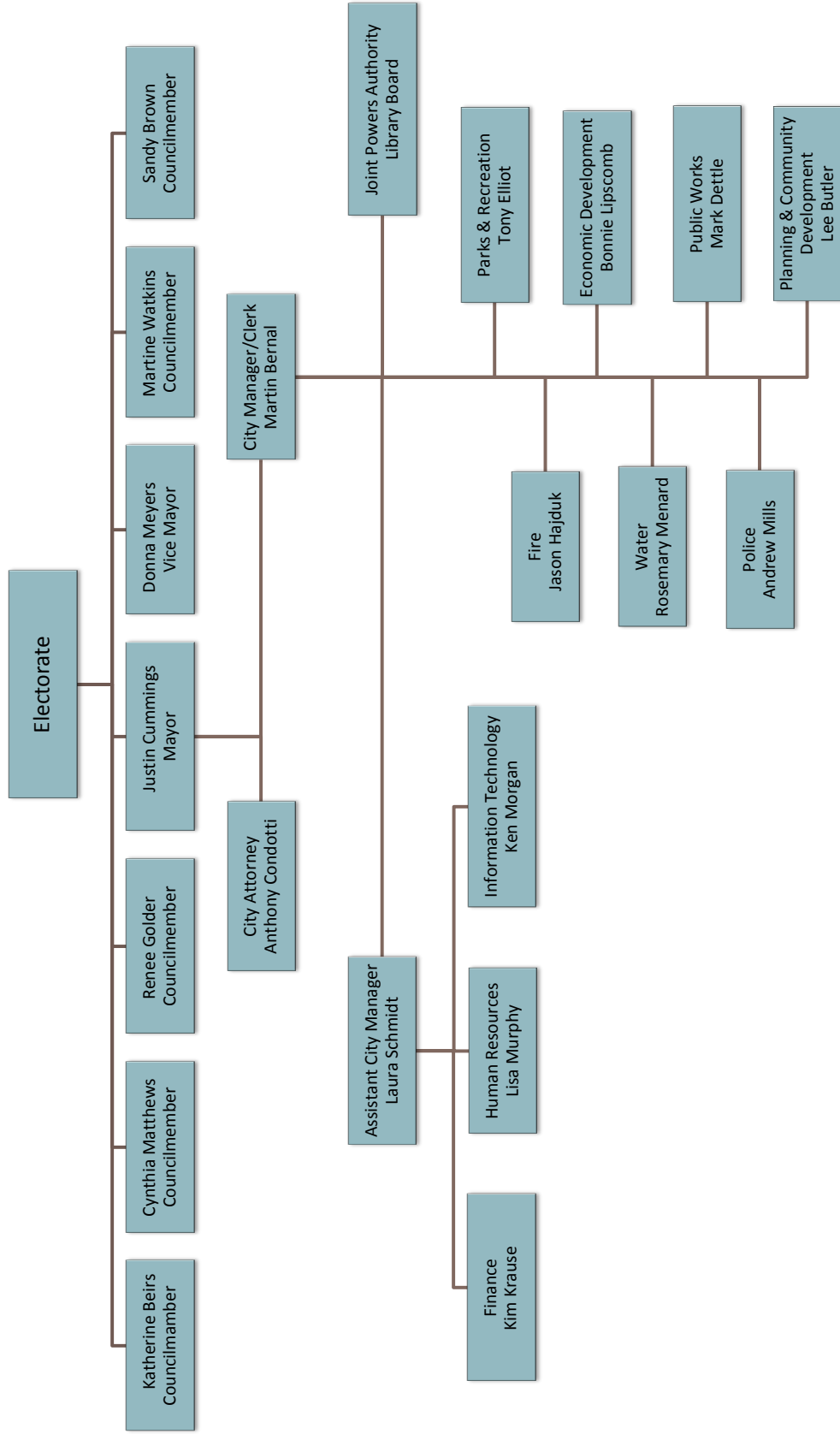
For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO





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

Mayor Justin Cummings

Vice Mayor Donna Meyers

Councilmember Sandy Brown

Councilmember Renee Golder

Councilmember Cynthia Mathews

Councilmember Katherine Beirs

Councilmember Martine Watkins

City Manager, Martín Bernal

Assistant City ManagerLaura Schmidt

Chief of FireJason Hajduk

Chief of PoliceAndrew Mills

City AttorneyAnthony Condotti

Director of Economic Development.....Bonnie Lipscomb

Director of Finance.....Kim Krause

Director of Human ResourcesLisa Murphy

Director of Information TechnologyKen Morgan

Director of Parks and RecreationTony 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 AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Santa Cruz, California (City) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City, as of June 30, 2020, 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.

Other Matters

Required Supplementary Information

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

Other Information

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

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial 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 January 24, 2020, 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.

Handwritten signature in cursive script that reads "Erik Sully LLP".

Menlo Park, California
December 23, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

The Management Discussion and Analysis (MD&A) section of the City of Santa Cruz's comprehensive annual financial report provides a narrative overview of the City's financial activities for the fiscal year ended June 30, 2020. This information should be read in conjunction with the Transmittal Letter (beginning on page i), the financial statements and the notes to the financial statements that follow this analysis. Unless otherwise indicated, all amounts are expressed in millions of dollars.

Financial Highlights - Primary Government

- **Government-wide Highlights:**

The City's net position equaled \$324.3 million as of June 30, 2020. Net position is the amount by which total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources. The net position from governmental activities at June 30, 2020 was \$105.9 million, and from business-type activities, \$218.5 million. Of this \$324.3 million in net position, a deficit of \$94.6 million represents unrestricted net position, which is comprised of a deficit of \$107.6 million for governmental activities and a positive \$13 million for business-type activities. In addition, the City's restricted net position totals of \$33.8 million (for governmental activities only), is dedicated to specific purposes. The balance of \$385.1 million represents the City's net investment in capital assets (\$179.7 million for governmental activities and \$205.5 million for business-type activities).

The City's overall net position decreased by \$.5 million (.2%) from the City's net position at the end of June 30, 2019.

Expenditures exceeded Revenues in the amount of \$.4 million. This amount (before transfers) is comprised of expenditures exceeding revenues by \$3.1 million for the governmental activities, which is offset by a revenue exceeding expenditures of \$2.7 million for the business-type activities. The change in net position is a decrease of \$7.9 million for the governmental activities and a decrease of \$5.1 million for the business-type activities from the previous fiscal year, as explained below.

The governmental activities' revenues were \$121.4 million, a decrease of \$4.5 million from the prior fiscal year. The decrease was primarily due to decreases in charges for services and Transient Occupancy Taxes, which was caused by the COVID-19 pandemic. Governmental activities expenditures were \$124.5 million, an increase of \$3.3 million from the prior fiscal year. The increase was due to increased costs related to responding to the COVID-19 shelter-in-place orders. After transfers from the business-type activities in the amount of \$.5 million, the ending fiscal year 2020 net position was \$105.9 million.

The business-type activities revenues exceeded expenses (before transfers) by \$2.7 million, a decrease of \$5.1 million from the prior fiscal year. This decrease was primarily due to increased expenses in all of the enterprise funds. In the water fund, the work order charges increased by \$200 thousand. In addition, the water fund added several new positions needed for regulatory reporting, and project management, as well as treatment operators needed to focus on the major rehabilitation of the Graham Hill water treatment plant. In the wastewater fund, the sewer service charges incurred from the County of Santa Cruz increased by \$1 million as compared to the prior year, in addition personnel services increased \$1.3 million compared to the prior year. This was due to a one additional Environmental Microbiologist position added. In the refuse fund the personnel services increased by \$1.7 million. One reason for this large increase is the addition of resource recovery workers needed to respond to numerous regulatory requirements over the last several years. In the parking fund, the revenues are \$.8 million lower compared to the prior year, due to the pandemic, as well as an increase in personnel services of \$.6 million compared to prior year. The parking fund added 2 new Field Crew leaders at Parking Services. After transfers to the governmental activities in the amount of \$.5 million, the ending fiscal year 2020 net position was \$218.5 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 2020, the City reported a combined ending fund balance of \$54.1 million, a decrease of \$6.5 million (10.7%) in comparison to the prior fiscal year. This is the result of reduced revenues and increased costs due to the COVID-19 pandemic.

General Fund – At the close of fiscal year 2020, the City’s General Fund reported a total fund balance of \$28.5 million, a decrease of \$3.4 million (10.5%) in comparison to the prior fiscal year. There is \$4.1 million unassigned fund balance available for appropriation. Before net interfund transfers, expenditures exceeded revenues in the amount \$2.4 million during fiscal year 2020. This decline is due to the impact of the COVID-19 pandemic on revenues and expenditures.

Redevelopment Successor Agency Low and Moderate Income Housing (LMIH) Fund – At the close of fiscal year 2020, the Redevelopment Successor Agency LMIH fund reported a total fund balance of \$12.2 million, a slight increase of \$.2 million in comparison with the prior fiscal year. Fund balance is comprised of *restricted fund balance* for housing programs.

General Capital Improvement Fund – At the close of fiscal year 2020, the City’s General Capital Improvement Fund reported a negative fund balance of \$6.2 million, a reduction of \$3.6 million in comparison with the prior fiscal year. This is primarily due to cash flow. Specifically, during the year, the City spent \$3.5 million on one CIP project-Monterey Bay Sanctuary Scenic Trail Segment 7, of which grant funding had not been received. It is expected that grant funding will be received in the next fiscal year.

Overview of the Financial Statements

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

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

In addition, this report also contains other supplementary information.

Government-wide Financial Statements

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

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

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

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

The government-wide financial statements can be found on pages 28-31 of this report.

Fund Financial Statements

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

The City's major funds are presented in their own columns and the remaining funds are combined into a column titled "Other Governmental Funds". For each major fund, a Budgetary Comparison Statement is presented. Individual fund data on the nonmajor funds is presented in the form of combining statements and schedules in the Supplementary Information section of this report on pages 140-159.

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

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

The City has thirteen governmental funds, three of which are reported as major funds for presentation purposes. The City's three major funds, the General Fund, Redevelopment Successor Agency Low and Moderate Income Housing (LMIH) fund, and the General Capital Improvement Fund, are presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. Data from the other ten governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 36-39 of this report. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 140-143 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The fund financial statements for the enterprise funds provide separate information for the four municipal utilities: water, wastewater, storm water, and refuse and landfill operations as well as the self-supporting parking enterprise. The basic enterprise fund financial statements can be found on pages 42-51 of this report. The three internal service funds are combined into a single aggregated column in the proprietary fund statements. Individual fund data for the internal service funds is provided in the form of *combining statements* on pages 157-159 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 Lee Corday Estate Trust, the Morley Estate – La Selva Branch Trust, and the Hale – Scotts Valley Branch Trust. The Library services trust funds are presented in total on Private Purpose Trust funds balance sheet and income statements of this report.

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, and Trust Deposit Holding. The basic fiduciary fund financial statements can be found on pages 54-55 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 58-124 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 129-135 of this report.

Supplementary Information

The *supplementary information* section of this report includes additional budgetary schedules for the General Capital Improvement Fund, the combining statements (referred to earlier in connection with nonmajor governmental funds), and the internal service funds. The fiduciary funds are presented immediately following the required supplementary information in the supplementary information section of this report. The supplementary information section can be found on pages 140-165 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, 2020, the City's total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by \$324.3 million. This was a reduction of \$.6 million (.2%) 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 Statement of Net Position
(amounts expressed in \$ millions)

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets:						
Current assets	\$ 89.9	\$ 87.4	\$ 100.7	\$ 89.4	\$ 190.6	\$ 177.0
Noncurrent assets	16.1	17.0	1.5	1.4	17.6	18.2
Capital assets	193.1	189.4	264.3	243.9	457.4	433.3
Total assets	299.1	293.8	366.5	334.7	665.6	628.5
Deferred outflows of resources:						
Deferred charge on refunding	0.3	0.3	0.9	1.0	1.2	1.3
Deferred outflows related to OPEB	2.4	0.7	0.9	0.3	3.3	1.0
Deferred outflows related to pensions	24.5	26.5	6.8	8.8	31.3	35.3
Total deferred outflows of resources	27.2	27.5	8.6	10.1	35.8	37.6
Liabilities:						
Current liabilities	24.2	25.0	21.7	21.1	45.9	46.1
Noncurrent liabilities	189.3	181.8	132.5	104.8	321.8	286.6
Total liabilities	213.5	206.8	154.2	125.9	367.7	332.7
Deferred inflows of resources:						
Deferred inflows related to pensions	4.9	3.5	1.6	1.7	6.5	5.2
Deferred inflows related to OPEB	2.0	2.5	0.8	0.9	2.8	3.4
Total Deferred inflows of resources	6.9	6.0	2.4	2.6	9.3	8.6
Net position						
Net investment in capital assets	179.7	175.1	205.4	191.3	385.1	366.4
Restricted	33.8	32.0	-	-	33.8	32.1
Unrestricted	(107.6)	(98.6)	13.0	25.0	(94.6)	(73.6)
Total net position	\$ 105.9	\$ 108.5	\$ 218.5	\$ 216.3	\$ 324.3	\$ 324.9

At June 30, 2020, the City is able to report positive balances in two categories: net investment in capital assets and restricted. The unrestricted category presented a deficit of \$94.6 million at the end of the fiscal year an increase from the prior fiscal year deficit of \$73.6 million, as explained below.

By far the largest portion of the City's net position, \$385.1 million, reflects its net investment in capital assets (e.g., land, streets, bridges, water and sewer lines, buildings, machinery and equipment, less any related debt used to acquire those assets that is still outstanding). This category reflects an increase of \$18.8 million over the previous fiscal year. The majority of this increase was due to additions to the construction in progress category from new projects started during the year, but not completed. The City uses these capital assets to provide services to citizens, and consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Additional information on the City's capital assets can be found in the Notes to the Basic Financial Statements on pages 58-124.

The restricted portion of the City's net position, \$33.8 million, is \$1.3 million more than the previous year. This represents resources in the governmental activities that were subject to external restrictions on their use. The change is primarily due to a decrease in the capital projects as a result of reclassifying the deficit balance in the general capital improvement fund.

Of the total net position at June 30, 2020, a deficit amount of \$94.6 million, represents *unrestricted net position* (negative \$107.6 million for governmental activities and positive \$13 million for business-type activities) and may be used to meet the government's ongoing obligations to citizens and creditors. In the governmental activities due to a large restricted balances and net investment in capital asset categories, the unrestricted net position category is reported as a deficit. One cause of the increase to the deficit is the change in net pension liability and other postemployment benefits liabilities. Both of these increased from the prior year. In 2020, the net pension liability increased by \$11.5 million to \$171 million when compared to the prior year. The other postemployment benefit liability increased by \$5.4 million to \$43.6 million when compared to the prior year. The increases are primarily due to increased healthcare rates and lower than expected interest rate returns due to the pandemic. These two noncurrent liabilities vary each year based on actuarial valuations.

Changes in Net Position

During fiscal year 2020, the City's total net position decreased by \$.6 million, reflecting a \$2.6 million decrease in the governmental activities and a \$2.2 million increase in the business-type activities. Notable changes in the statement of net position between June 30, 2020 and June 30, 2019 included:

- The City's liabilities increased by \$35.0 million. Of this, \$28.3 million was in in the business type activities. This is primarily due to the issuance of \$20.9 million in water bonds during the year to finance capital improvement projects for the City's water system. The balance is primarily due to an increase in the net pension liability.

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
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 26.8	\$ 33.4	\$ 90.5	\$ 88.5	\$ 117.3	\$ 121.9
Operating grants and contributions	9.3	5.7	1.4	0.9	10.7	6.6
Capital grants and contributions	6.0	5.0	-	-	6.0	5.0
Total program revenues	<u>42.1</u>	<u>44.1</u>	<u>91.9</u>	<u>89.4</u>	<u>134.0</u>	<u>133.5</u>
General revenues:						
Property taxes	24.0	23.1	-	0.1	24.0	23.2
Sales and use taxes	21.4	21.9	-	-	21.4	21.9
Franchise taxes	4.0	4.0	-	-	4.0	4.0
Transient occupancy taxes	8.0	11.0	-	-	8.0	11.0
Utility users taxes	11.5	11.5	-	-	11.5	11.5
Admissions taxes	1.7	2.7	-	-	1.7	2.7
Other taxes	6.9	6.2	-	-	6.9	6.2
Total taxes	<u>77.5</u>	<u>80.4</u>	<u>-</u>	<u>0.1</u>	<u>77.5</u>	<u>80.5</u>
Unrestricted investment earnings	1.8	1.4	1.7	1.9	3.5	3.3
Gain (loss) on sale of assets	-	-	-	-	-	-
Total revenues	<u>121.4</u>	<u>125.9</u>	<u>93.6</u>	<u>91.4</u>	<u>215.0</u>	<u>217.3</u>
Expenses:						
General government	20.3	20.6	-	-	20.3	20.6
Public safety	57.8	56.5	-	-	57.8	56.5
Parks and recreation	17.1	17.5	-	-	17.1	17.5
Library	1.5	1.6	-	-	1.5	1.6
Public works	17.3	16.5	-	-	17.3	16.5
Transit	1.0	0.8	-	-	1.0	0.8
Community and economic development	6.3	4.2	-	-	6.3	4.2
Social services	2.0	2.0	-	-	2.0	2.0
Interest and charges on long term debt	1.2	1.5	-	-	1.2	1.5
Water	-	-	37.4	36.6	37.4	36.6
Wastewater	-	-	24.2	20.9	24.2	20.9
Refuse	-	-	21.5	19.2	21.5	19.2
Parking	-	-	6.2	5.5	6.2	5.5
Storm water	-	-	1.5	1.4	1.5	1.4
Total expenses	<u>124.5</u>	<u>121.2</u>	<u>90.8</u>	<u>83.6</u>	<u>215.3</u>	<u>204.8</u>
Increase (decrease) before transfers	(3.1)	4.8	2.8	7.8	(0.3)	12.6
Transfers	0.5	0.5	(0.5)	(0.5)	-	-
Change in net position	<u>(2.6)</u>	<u>5.3</u>	<u>2.3</u>	<u>7.3</u>	<u>(0.3)</u>	<u>12.6</u>
Net positon, beginning of year	108.5	103.2	216.2	209.0	324.7	312.2
Net position - end of year	<u>\$ 105.9</u>	<u>\$ 108.5</u>	<u>\$ 218.5</u>	<u>\$ 216.2</u>	<u>\$ 324.3</u>	<u>\$ 324.8</u>

Governmental Activities

The net position for the City's governmental activities decreased in fiscal year 2020 by \$2.7 million. This is primarily due to a loss in revenue and an increase in expenditures caused by the COVID-19 pandemic.

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

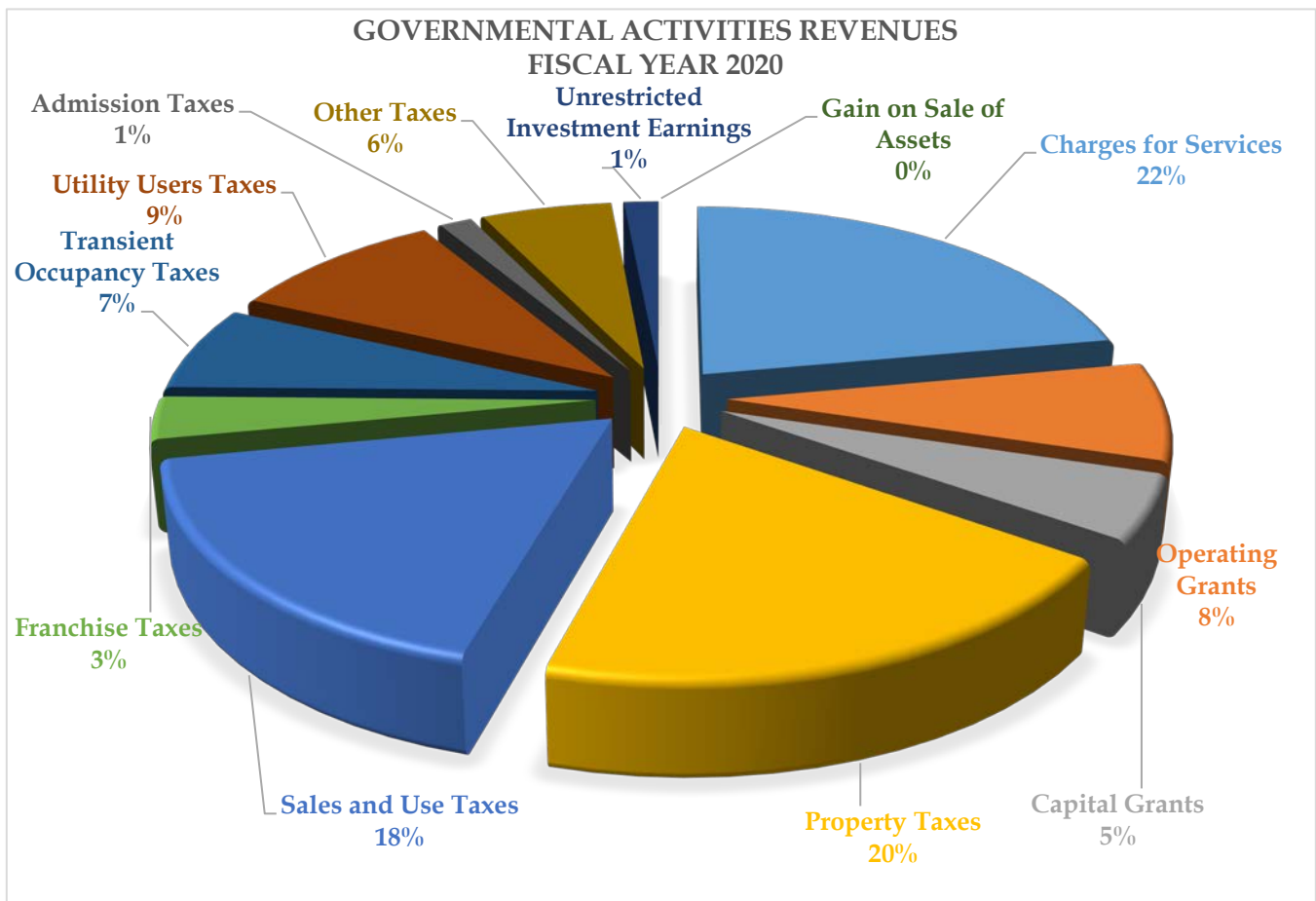
Condensed Governmental Activities
Changes in Expenses, Revenues, and Transfers
(amounts expressed in millions)

	2020	2019	Net Change
Expenses net of program revenues:			
General government	\$ 8.8	\$ 8.2	\$ 0.6
Public safety	50.7	48.5	2.2
Parks and recreation	13.1	12.2	0.9
Library	1.0	1.1	(0.1)
Public works	1.2	3.4	(2.2)
Community and economic development	4.4	0.1	4.3
Social services	2.0	2.0	-
Interest and fiscal charges on long-term debt	1.2	1.5	(0.3)
Total expenses net of program revenues - governmental activities	<u>82.4</u>	<u>77.0</u>	<u>5.4</u>
General revenues transfers and special items:			
General revenues:			
Property taxes	23.9	23.1	0.8
Sales and use taxes	21.4	21.9	(0.5)
Franchise taxes	4.0	4.0	-
Transient occupancy taxes	8.0	11.0	(3.0)
Utility users taxes	11.5	11.5	-
Admission taxes	1.7	2.7	(1.0)
Other taxes	6.9	6.2	0.7
Total taxes	<u>77.4</u>	<u>80.4</u>	<u>(3.0)</u>
Unrestricted investment earnings	1.8	1.4	0.4
Transfers	0.5	0.5	-
Total general revenues and transfers	<u>79.7</u>	<u>82.3</u>	<u>(2.6)</u>
Change in governmental activities net position	<u>\$ (2.7)</u>	<u>\$ 5.3</u>	<u>\$ (8.0)</u>

Governmental Revenues

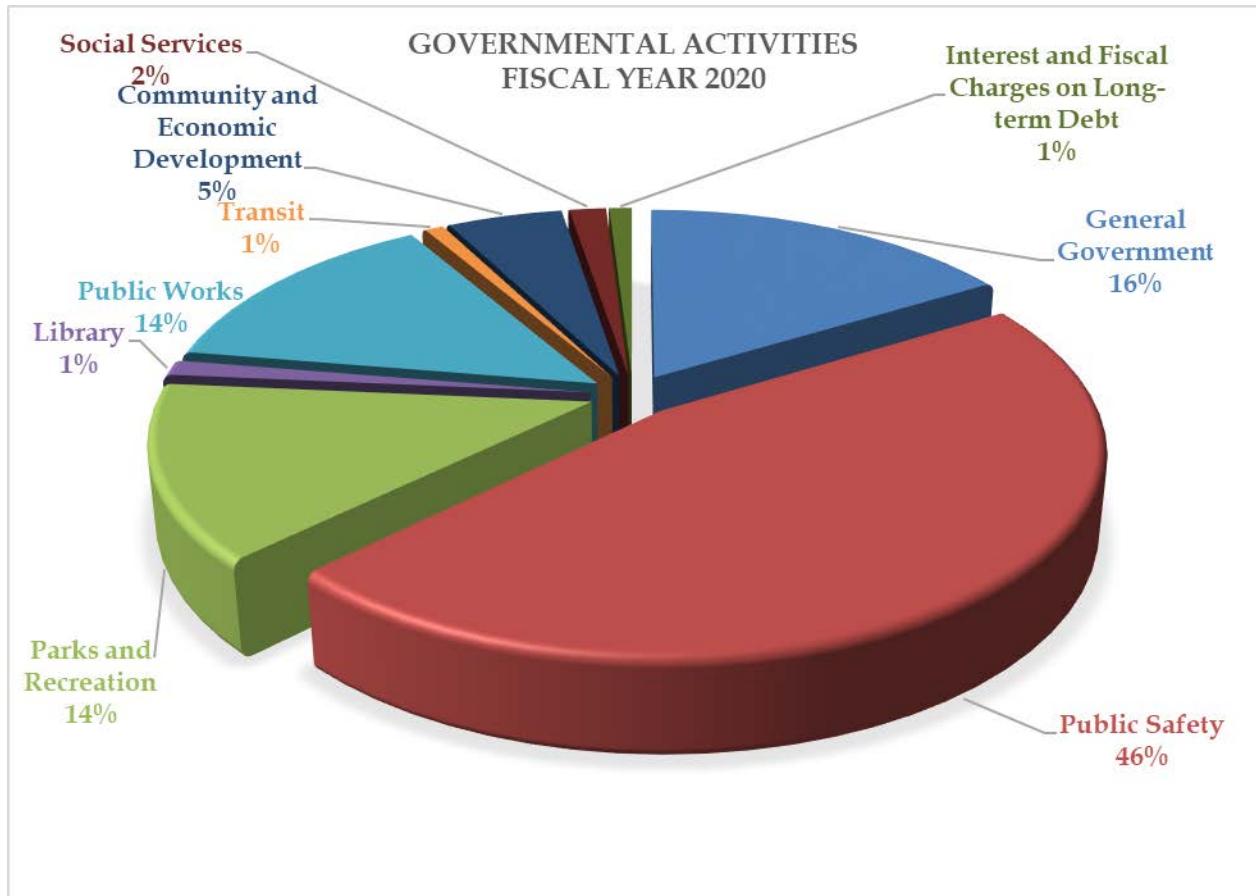
Program revenues are derived directly from users of those programs or services. They reduce the net cost of the function to be financed from the government's general revenues. Total program revenues from governmental activities were \$42.1 million in fiscal year 2020, a decrease of \$2 million (4.8%) from the previous fiscal year. This revenue loss is a direct result of the closure of some City services due to the COVID-19 pandemic. Governmental program revenues are derived primarily from *charges for services*, which included licenses and permits, planning fees, developer fees, recreation charges, traffic and other fines and forfeitures, and several other revenues. Program revenues under the *operating grants and contributions* category included revenues restricted for specific purposes, such as gasoline taxes and other federal, state and local grants. Program revenues in the *capital grants and contributions* category also included federal, state and local grants, but were restricted specifically to be used for capital projects or acquisitions.

General revenues are all other revenues not categorized as program revenues, and include all taxes, unrestricted grants, contributions and investment earnings, material gains on sales of capital assets, and other miscellaneous revenues. Total general revenues from governmental activities fiscal year 2020 were \$79.7 million. Taxes of \$77.4 comprised 63.8% of the City's general revenues for fiscal year 2020. The largest single source of general revenues received during fiscal year 2020 was \$23.8 million of property taxes, which were 30.7% of general revenues, followed by \$21.4 of sales and use taxes, which were 27.6% of general revenues. The following graph includes program and general revenues and shows the percentage of all governmental activities revenues by sources:



Governmental Expenses

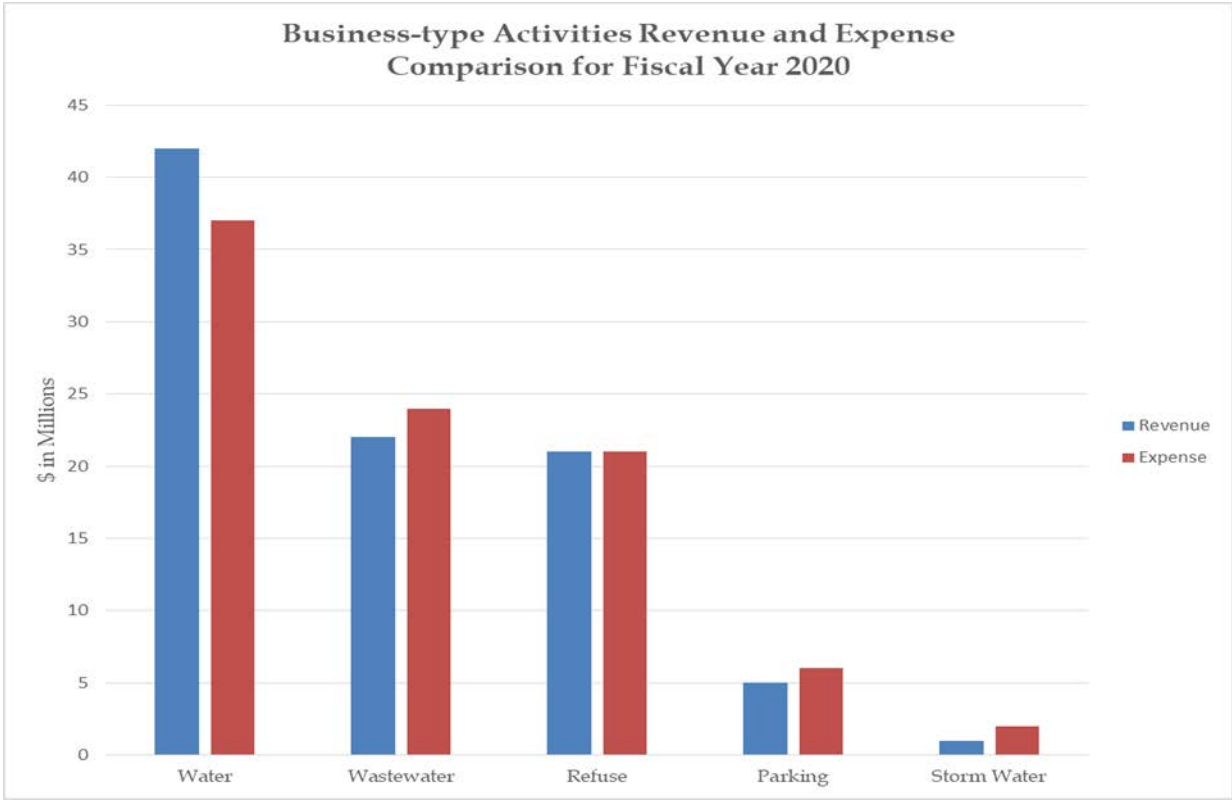
Total governmental activities expenses were \$124.5 million in fiscal year 2020, offset by \$42.1 million in program revenues. The balance is funded through general revenues. The largest expenses were incurred for public safety at \$57.8 million, general government at \$20.3 million, parks and recreation at \$17.1 million, and public works at \$17.3 million. These expenses did not include capital outlays, which were reflected in the City's capital assets. The following graph shows the percentage of Governmental Activities expenses by program for fiscal year 2020.



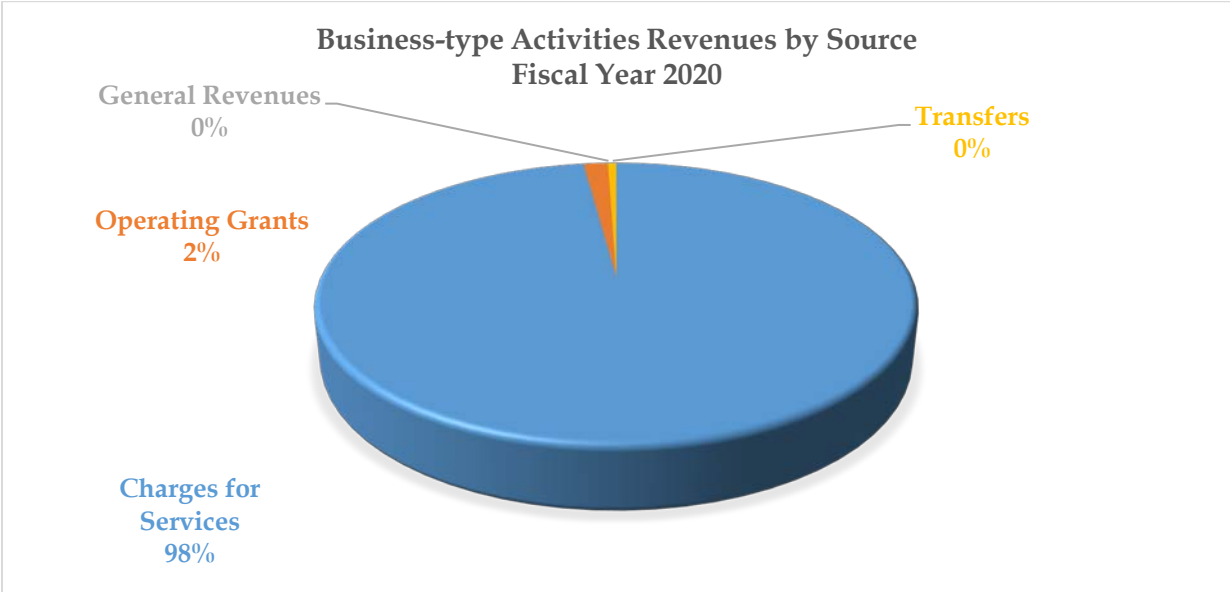
Business Type Activities

Net position for the City's business-type activities at June 30, 2020 was \$218.5 million, an increase of \$2.2 million from the previous fiscal year. Total program revenues for business-type activities were \$91.8 million. The largest program revenues were charges for services of \$90.4 million, and other program revenues including capital and operating grants and contributions in the amount of \$1.4 million. Total expenses for the business-type activities were \$90.7 million during fiscal year 2020.

The following chart shows fiscal year 2020 revenue and expenses for the City's enterprise funds:



The following chart shows fiscal year 2020 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 2020, the City’s governmental funds reported a combined ending fund balance of \$54.1 million, a decrease of \$6.5 million (12.9%) in comparison with the prior fiscal year. This is due to a decrease in tax revenues and an increase in expenditures as a result of the COVID-19 pandemic. Of this amount, \$5.1 million is considered “non-spendable” because it represents the portion of the City’s assets classified as long-term receivables, advances and prepaid expenses, \$43.7 million is considered “restricted” as these balances are for specific services, \$3.7 million is committed by City Council resolution for capital improvement. More information concerning fund balances can be found in Note 14 on pages 118-119.

General Fund – Total fund balance of the General Fund on June 30, 2020 was \$28.5 million, a decrease of \$3.4 million (10.5%) from the previous fiscal year. This is primarily due to reductions in taxes received and an increase in departmental personnel services as a result of the COVID-19 pandemic. Of this amount, \$5.1 million was considered non-spendable; \$11.9 million was restricted; \$3.7 million is committed by City Council resolution for capital improvement; \$3.7 million is assigned for the City public trust fund and Economic development trust fund; and \$4.1 million is unassigned. The assigned and unassigned fund balances may serve as a useful measurement of the government’s net resources available for spending at the end of the fiscal year. The unassigned fund balance represents the portion of the fund balance that has not yet been obligated for a particular purpose by either an external party, the City Council, or anyone delegated the authority to assign resources. Total fund balances of \$28.5 million in the General Fund is 27.5% of total General Fund expenditures of \$103.5 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 2020, the total fund balance of the RDA Successor Agency – LMIH fund was \$12.2 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 2020, the total fund balance of the General Capital Improvement Fund was a deficit of \$6.2 million, an increase from the prior fiscal year of \$2.6 million deficit. The

entire amount is classified as unassigned since the fund balance is a deficit. The decrease is due to the fact that the capital expenditures exceeded the related funding received, including transfers, for \$3.6 million in the current year. This is a temporary cash flow issue due to grant-funded expenditures in the current year that will be reimbursed in subsequent years.

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

At the end of fiscal year 2020, the net position of the enterprise funds was \$218.5 million, an increase over the prior fiscal year of \$2.2 million (1%), primarily due to an increased revenues resulting from rate increases.

Operating revenues in the City’s enterprise funds experienced an increase of \$1.9 million when compared to the prior fiscal year, primarily due to an increase in charges for services. This is a result of water and wastewater rate increases during the year. Operating expenses increased by \$8.8 million compared to the prior fiscal year and included a \$5.7 million increase in personnel services and a \$2.9 million increase in services and supplies. The personnel services increase can be attributed to; negotiated cost of living increases; increased health insurance and retirement costs; as well as an increase of 6 new positions in the Water fund. The increase in services and supplies can be attributed to increased fuel and vehicle repairs and maintenance for the fleet as well as normal increases in operating costs.

Net position in the internal service funds in the amount of \$16.7 million represented an increase of \$4.1 million compared to the previous fiscal year. The increase was primarily due to an increase of \$2 million in operating revenues compared to the prior fiscal year and a decrease of operating expenses of \$1.2 million compared to the prior fiscal year. This increase is primarily in the risk management funds. Specifically the cash increased due to the worker’s comp charges for services exceeding expenses.

General Fund Budgetary Highlights

The fiscal year 2020 final amended General Fund budget (not including other financing sources and uses) totaled \$119.5 million and included amendments to the original budget, resulting in a \$5 million increase when compared to the prior fiscal year total of \$114.4 million. This is primarily attributed to negotiated cost of living increases for personnel, and additional overtime and other expenditures needed to respond to the COVID-19 Shelter-in-Place order.

At June 30, 2020, actual operating expenditures (not including other financing sources and uses) in the City’s General Fund totaled \$103.5, which was \$15.9 million less than the final amended budget. Of this amount, \$804,000 represented non-lapsing encumbrances that were added as amendments to the City’s fiscal year 2020 General Fund Budget. The remaining amount represented salary, services and supplies savings, primarily in the police and parks and recreation department. The police department had significant salary savings due to vacancies, while parks and recreation had savings in both personnel and services and supplies due to the pandemic as

many programs were reduced. Actual operating revenues totaled \$100.8 which was \$13.1 million lower than the amount budgeted. This was primarily due to reduced tax revenue as a result of the COVID-19 shelter-in-place order.

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, 2020, amounted to \$933 million, net of accumulated depreciation of \$457.4 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 increase to the City's investment in capital assets for the current fiscal year, after deletions, was \$24.1 million. Additions and deletions consisted of a net increase to capital assets of \$40.9 million offset by a net increase to accumulated depreciation of \$254.2 million. Two significant projects added during the year were the Newell Creek Dam Inlet/Outlet Pipeline in the business-type activities, and the Monterey Bay Sanctuary Scenic Trail Segment 7 phase 1 in the governmental activities.

Additional information on the City of Santa Cruz's capital assets can be found in Note 6 to the financial statements on pages 85-87.

Capital Assets							
(net of depreciation)							
(amounts expressed in \$ millions)							
	Governmental Activities		Business-Type Activities		Total		
	June 30		June 30				
	2020	2019	2020	2019	2020	2019	
Land	\$ 72.2	\$ 70.0	\$ 2.7	\$ 2.7	\$ 74.9	\$ 72.7	
Construction in progress	11.8	6.9	54.0	36.7	65.8	43.6	
Land improvements	10.5	11.1	3.2	3.4	13.7	14.5	
Infrastructure	59.5	60.7	121.2	113.5	180.7	174.2	
Buildings	33.1	34.3	69.2	72.4	102.3	106.7	
Machinery and equipment	6.0	6.3	14.0	15.1	20.0	21.4	
Lease improvements	-	0.1	-	-	-	0.1	
Intangibles	-	-	-	0.1	-	0.1	
Totals	\$ 193.1	\$ 189.4	\$ 264.3	\$ 243.9	\$ 457.4	\$ 433.3	

Debt Administration

Long Term Debt – At June 30, 2020, the City had \$95.2 million in long term debt outstanding compared to \$87.2 million last fiscal year, which was an increase of \$8 million (8%). The bonds, notes, loans and leases payable associated with governmental activities decreased from \$33.5 million to \$28.5 million (14.9%). This is the result of the City’s regularly scheduled debt payments. The bonds, notes, loans and leases payable associated with business-type activity debt increased from \$53.6 million to \$66.7 million (13.1%). **This is primarily due to the issuance of 2019 water bonds.**

One of the largest debt obligations in the City’s governmental funds is the Pension Obligation Bonds liability. As of June 30, 2020, the outstanding balance on the Pension Obligation Bonds was \$6 million. The largest debt obligation in the City’s business type funds is the 2019 Water revenue bonds issued for City-wide improvements to the water system. The outstanding balance is \$26.1 million.

The chart below illustrates the changes in bonds, notes, loans and leases payable for the year ending June 30, 2020:

Bonds, Notes, Loans and Leases Payable

(amounts expressed in \$ millions)

	Governmental Activities		Business-Type Activities		Total	
	June 30		June 30			
	2020	2019	2020	2019	2020	2019
Revenue bonds payable	\$ 7.3	\$ 7.6	\$ 42.3	\$ 17.9	\$ 49.6	\$ 25.5
General obligation bonds	4.6	4.9	-	-	4.6	4.9
Pension obligation bonds	6.0	8.7	-	-	6.0	8.7
Notes payable	10.5	12.2	24.4	35.7	34.9	47.9
Capital lease obligations	0.1	0.1	-	-	0.1	0.1
Totals	\$ 28.5	\$ 33.5	\$ 66.7	\$ 53.6	\$ 95.2	\$ 87.1

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

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

	June 30		Increase (Decrease)	Percent Change	June 30, 2020	
	2020	2019			Due in less than one year	Due in more than one year
	Compensated absences	\$ 6.3			\$ 5.3	\$ 1.0
Claims and judgments	13.6	13.2	0.4	3.0%	3.5	10.1
Closure and post closure landfill costs	8.3	7.9	0.4	5.1%	-	8.3
Totals	\$ 28.2	\$ 26.4	\$ 1.8	6.8%	\$ 7.7	\$ 20.5

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 115.

Economic Factors and Next Year’s Budgets and Rates

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

In March 2020, both Santa Cruz County and the State of California issued Shelter-in-Place orders in response to COVID-19. This had severe negative impacts to City revenues at the end of the 3rd quarter and the entire 4th quarter of FY 2019-20. The City reduced expenditures to the greatest extent possible and negotiated concessions with all labor groups. These actions have helped the City navigate the fiscal impacts of COVID-19 since the onset of the pandemic.

The City has a balanced tax base of property, sales, and utility tax. While sales tax revenues were reduced, the impact was less than expected but it is not known if that is the result of the stimulus funds provided by the Federal government. Transient occupancy tax revenues were greatly impacted with a 27% reduction. The City expects these taxes to return to previous levels by FY 2021. The transient occupancy tax rate is currently 11%, and the City continues to invite major name hotels into the area. The City increases the fee schedule by the CPI each year in July.

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. A significant portion of California's economy is based on tourism, which was greatly impacted by the COVID-19 pandemic. The City is hopeful that the Federal government may provide further assistance through the CARES act to alleviate some of the effects COVID-19 had on the State and the City's budget.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Santa Cruz
Statement of Net Position
June 30, 2020

	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and investments	\$ 56,009,120	\$ 82,206,389	\$ 138,215,509
Restricted cash and investments	11,789,005	7,476,203	19,265,208
Interest receivable	1,034,629	57,167	1,091,796
Taxes receivable	7,713,069	263,986	7,977,055
Accounts receivable - net	2,066,717	10,583,426	12,650,143
Grants receivable	5,910,971	144,654	6,055,625
Notes receivable	330,741	145,438	476,179
Loans receivable	1,920	-	1,920
Intergovernmental receivable	1,820,921	-	1,820,921
Internal balances	175,005	(175,005)	-
Prepaid items	1,211	6	1,217
Inventories	100,573	-	100,573
Deposits	2,952,500	30,000	2,982,500
Total current assets	89,906,382	100,732,264	190,638,646
Noncurrent assets:			
Restricted investments	-	1,052,524	1,052,524
Notes receivable	13,619,982	401,058	14,021,040
Loans receivable	2,576,181	-	2,576,181
Capital assets:			
Land	72,182,011	2,662,704	74,844,715
Land improvements	22,300,158	4,999,522	27,299,680
Infrastructure	224,286,946	238,118,411	462,405,357
Buildings	57,777,850	169,136,369	226,914,219
Machinery and equipment	24,360,394	48,222,972	72,583,366
Lease improvements	545,943	70,000	615,943
Intangibles	1,218,025	1,242,658	2,460,683
Construction in progress	11,822,523	54,017,443	65,839,966
Total capital assets	414,493,850	518,470,079	932,963,929
Less accumulated depreciation	(221,368,419)	(254,202,219)	(475,570,638)
Total capital assets, net	193,125,431	264,267,860	457,393,291
Total noncurrent assets	209,321,594	265,721,442	475,043,036
Total assets	299,227,976	366,453,706	665,681,682
Deferred outflows fo resources			
Deferred charge on refunding	280,497	841,069	1,121,566
Deferred outflows related to OPEB	2,366,816	918,147	3,284,963
Deferred outflows related to pensions	24,452,842	6,838,174	31,291,016
Total deferred outflows of resources	27,100,155	8,597,390	35,697,545

The accompanying notes are an integral part of these financial statements

City of Santa Cruz
Statement of Net Position, Continued
June 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current liabilities:			
Accounts payable and other current liabilities	11,593,285	16,482,199	28,075,484
Interest payable	199,582	813,636	1,013,218
Unearned revenue	189,867	41,307	231,174
Deposits payable	447,083	145,930	593,013
Claims and judgments payable	3,456,624	-	3,456,624
Compensated absences payable	3,003,349	1,194,912	4,198,261
Bonds, notes, loans and leases payable	5,319,300	3,067,164	8,386,464
Total current liabilities	24,209,090	21,745,148	45,954,238
Noncurrent liabilities:			
Claims and judgments payable	10,094,819	-	10,094,819
Compensated absences payable	1,501,674	597,455	2,099,129
Bonds, notes, loans and leases payable	23,137,693	63,583,035	86,720,728
Landfill closure costs	-	8,316,243	8,316,243
Total other post employment benefits	32,505,641	11,065,679	43,571,320
Net pension liability	122,058,826	48,918,665	170,977,491
Total noncurrent liabilities	189,298,653	132,481,077	321,779,730
Total liabilities	213,507,743	154,226,225	367,733,968
Deferred inflows of resources			
Deferred inflows related to pensions	4,891,613	1,588,506	6,480,119
Deferred inflows related to OPEB	2,076,230	775,082	2,851,312
Total deferred inflows of resources	6,967,843	2,363,588	9,331,431
Net position:			
Net investment in capital assets	179,686,573	205,455,757	385,142,330
Restricted for:			
Capital projects	7,098,794	-	7,098,794
Debt service	1,548,781	-	1,548,781
Public safety	672,832	-	672,832
Parks and recreation	1,836,974	-	1,836,974
Community and economic development	22,650,447	-	22,650,447
Unrestricted	(107,641,856)	13,005,526	(94,636,330)
Total net position	\$ 105,852,545	\$ 218,461,283	\$ 324,313,828

The accompanying notes are an integral part of these financial statements

City of Santa Cruz
Statement of Activities
For the year ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 20,322,085	\$ 11,076,557	\$ 412,693	\$ 61,056	\$ 11,550,306
Public safety	57,811,196	6,016,418	879,072	211,839	7,107,329
Parks and recreation	17,067,868	3,760,139	66,982	143,318	3,970,439
Library	1,474,896	462,444	-	-	462,444
Public works	17,352,820	4,819,236	5,651,985	5,625,019	16,096,240
Transit	1,013,564	-	1,013,564	-	1,013,564
Community and economic development	6,268,475	654,022	1,239,964	-	1,893,986
Social services	2,005,337	-	-	-	-
Interest and fiscal charges on long-term debt	1,152,581	-	-	-	-
Total governmental activities	124,468,822	26,788,816	9,264,260	6,041,232	42,094,308
Business-type activities:					
Water	37,405,164	41,982,726	309,800	-	42,292,526
Wastewater	24,170,115	21,296,244	800,129	-	22,096,373
Refuse	21,556,523	20,769,432	15,000	-	20,784,432
Parking	6,199,876	5,378,070	71,387	-	5,449,457
Storm water	1,565,293	1,036,569	263,248	-	1,299,817
Total business-type activities	90,896,971	90,463,041	1,459,564	-	91,922,605
Total primary government	\$ 215,365,793	\$ 117,251,857	\$ 10,723,824	\$ 6,041,232	\$ 134,016,913

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/(loss) on sale of assets

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning of year

Net position - end of year

The accompanying notes are an integral part of these financial statements

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (8,771,779)	\$ -	\$ (8,771,779)
(50,703,867)	-	(50,703,867)
(13,097,429)	-	(13,097,429)
(1,012,452)	-	(1,012,452)
(1,256,580)	-	(1,256,580)
-	-	-
(4,374,489)	-	(4,374,489)
(2,005,337)	-	(2,005,337)
(1,152,581)	-	(1,152,581)
(82,374,514)	-	(82,374,514)
-	4,887,362	4,887,362
-	(2,073,742)	(2,073,742)
-	(772,091)	(772,091)
-	(750,419)	(750,419)
-	(265,476)	(265,476)
-	1,025,634	1,025,634
(82,374,514)	1,025,634	(81,348,880)
23,836,366	-	23,836,366
21,376,655	-	21,376,655
4,014,250	-	4,014,250
8,035,134	-	8,035,134
11,459,173	-	11,459,173
1,721,753	-	1,721,753
6,911,076	-	6,911,076
77,354,407	-	77,354,407
1,836,583	1,677,496	3,514,079
7,479	-	7,479
495,802	(495,802)	-
79,694,271	1,181,694	80,875,965
(2,680,243)	2,207,328	(472,915)
108,532,788	216,253,955	324,786,743
\$ 105,852,545	\$ 218,461,283	\$ 324,313,828

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FUND FINANCIAL STATEMENTS

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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, 2020

	Major Funds			Other	Total
	General Fund	RDA Successor Agency - LMIH	General Capital Improvement	Governmental Funds	Governmental Funds
ASSETS					
Assets:					
Cash and investments	\$ 10,716,036	\$ 1,589,734	\$ 1,701,484	\$ 17,185,916	\$ 31,193,170
Restricted cash and investments	11,663,114	-	-	125,891	11,789,005
Interest receivable	13,003	1,141	5,288	1,001,193	1,020,625
Taxes receivable	7,376,300	-	105,629	231,140	7,713,069
Accounts receivable - net	1,721,632	-	17,700	303,077	2,042,409
Grants receivable	486,102	-	5,424,869	-	5,910,971
Intergovernmental Receivable	399,043	-	-	1,421,878	1,820,921
Due from other funds	175,005	-	-	-	175,005
Prepaid items	450	-	-	761	1,211
Deposits	84,174	-	-	-	84,174
Notes receivable - net	2,480,043	11,395,680	-	75,000	13,950,723
Loans receivable - net	-	-	-	2,578,101	2,578,101
Advances to other funds	2,586,450	500,000	-	-	3,086,450
Total assets	37,701,352	\$ 13,486,555	\$ 7,254,970	\$ 22,922,957	\$ 81,365,834
Liabilities, deferred inflows of resources and fund balances					
Liabilities:					
Accounts payable and other current liabilities	\$ 3,595,851	\$ 100	\$ 2,593,031	\$ 1,022,125	\$ 7,211,107
Unearned revenue	-	-	-	189,867	189,867
Deposits payable	416,174	30,875	-	34	447,083
Advances from other funds	4,844,531	-	5,509,686	576,764	10,930,981
Total liabilities	8,856,556	30,975	8,102,717	1,788,790	18,779,038
Deferred inflows of resources:					
Unavailable revenue	354,570	1,206,001	5,335,786	1,597,995	8,494,352
Fund Balances:					
Non-spendable:					
Noncurrent receivables	2,480,043	-	-	-	2,480,043
Interfund advances	2,586,450	-	-	-	2,586,450
Prepaid items	450	-	-	-	450
Restricted:					
Clean rivers, oceans, and beaches	-	-	-	1,689,661	1,689,661
Debt service	-	-	-	1,748,363	1,748,363
Hardship grants	265,410	-	-	-	265,410
Housing programs	-	12,249,579	-	6,222,852	18,472,431
Parks and recreation	-	-	-	1,836,974	1,836,974
Police programs	-	-	-	672,832	672,832
Streets and roads	-	-	-	5,223,591	5,223,591
Traffic impact	-	-	-	2,141,899	2,141,899
Retiree Benefits	11,663,114	-	-	-	11,663,114
Committed	3,709,804	-	-	-	3,709,804
Assigned	3,668,540	-	-	-	3,668,540
Unassigned	4,116,415	-	(6,183,533)	-	(2,067,118)
Total fund balances (Deficit)	28,490,226	12,249,579	(6,183,533)	19,536,172	54,092,444
Total liabilities, deferred inflows of resources and fund balances	\$ 37,701,352	\$ 13,486,555	\$ 7,254,970	\$ 22,922,957	\$ 81,365,834

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, 2020

Total Fund Balances - All Governmental Funds \$ 54,092,444

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	\$ 84,004,534	\$ -	84,004,534
Depreciable, net	109,120,897	(2,126,025)	106,994,872
Total capital assets	\$ 193,125,431	\$ (2,126,025)	190,999,406

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.

(199,582)

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

Equipment Operations Fund Equity	(1,518,172)
Risk Management Fund Equity	18,290,823
Total internal service funds	16,772,651

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

8,494,352

Noncurrent liabilities and 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 and related deferrals are adjusted as follows.

	Government- Wide Statement of Net Position	Internal Service Funds	
OPEB Liabilities	\$ (32,505,641)	\$ 630,837	(31,874,804)
Pension Liability	(122,058,826)	2,850,044	(119,208,782)
Pension deferred inflows of resources	(4,891,613)	37,137	(4,854,476)
Pension deferred outflow of resources	24,452,842	(473,090)	23,979,752
Deferred outflows related to OPEB	2,366,816	(49,932)	2,316,884
OPEB deferred inflows of resources	(2,076,230)	41,490	(2,034,740)
Compensated absences payable - due within one year	(3,003,349)	33,973	(2,969,376)
Compensated absences payable - due in more than one year	(1,501,674)	16,986	(1,484,688)
Bonds, notes, loans and leases payable - due within one year	(5,319,300)	-	(5,319,300)
Bonds, notes, loans and leases payable - due in more than one year	(23,137,693)	-	(23,137,693)
Total long-term liabilities	\$ (167,674,668)	\$ 3,087,445	\$ (164,587,223)

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

280,497

Net Position of Governmental Activities **\$ 105,852,545**

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, 2020

	Major Funds			Other	Total
	General Fund	RDA Successor Agency - LMIH	General Capital Improvement	Governmental Funds	Governmental Funds
Revenues:					
Taxes	\$ 73,226,236	\$ -	\$ 2,758,892	\$ 1,369,279	\$ 77,354,407
Licenses and permits	1,492,276	-	-	-	1,492,276
Intergovernmental	1,261,048	-	1,820,973	7,099,694	10,181,715
Charges for services	16,315,020	28,750	-	33,110	16,376,880
Fines and forfeitures	1,535,295	-	-	-	1,535,295
Use of money and property	6,810,672	361,022	132,317	847,359	8,151,370
Other revenues	529,933	1,989	232,070	793,861	1,557,853
Total revenues	101,170,480	391,761	4,944,252	10,143,303	116,649,796
Expenditures:					
Current:					
General government	19,495,392	-	-	-	19,495,392
Public safety	49,810,365	-	-	110,000	49,920,365
Parks and recreation	14,417,269	-	-	-	14,417,269
Library	1,674,751	-	-	-	1,674,751
Public works	6,850,352	-	4,970,126	1,827,965	13,648,443
Transit	-	-	-	1,013,564	1,013,564
Community and economic development	3,399,977	167,552	-	913,146	4,480,675
Social services	2,005,337	-	-	-	2,005,337
Capital outlay	828,848	-	6,271,120	3,540,428	10,640,396
Debt service:					
Principal	4,339,782	-	140,000	512,732	4,992,514
Interest and fiscal charges	730,283	-	139,490	387,676	1,257,449
Total expenditures	103,552,356	167,552	11,520,736	8,305,511	123,546,155
Excess (deficiency) of revenues over (under) expenditures:	(2,381,876)	224,209	(6,576,484)	1,837,792	(6,896,359)
Other financing sources or (uses):					
Sale of capital assets	20,528	-	-	-	20,528
Transfers in	141,400	-	2,957,069	2,652,846	5,751,315
Transfers out	(1,179,944)	-	-	(4,241,487)	(5,421,431)
Total other financing sources (uses)	(1,018,016)	-	2,957,069	(1,588,641)	350,412
Net change in fund balances	(3,399,892)	224,209	(3,619,415)	249,151	(6,545,947)
Fund balances (deficit), beginning of year	31,890,118	12,025,370	(2,564,118)	19,287,021	60,638,391
Fund balances (deficit), end of year	\$ 28,490,226	\$ 12,249,579	\$ (6,183,533)	\$ 19,536,172	\$ 54,092,444

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, 2020

Net Change in Fund Balances - All Governmental Funds \$ (6,545,947)

Amounts reported for governmental activities in the Statement of Activities and Changes in Net Position were different because:

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

Capital assets	\$	10,604,396	
Depreciation		(6,495,929)	
			4,108,467

Proceeds from sales of capital assets are reported as revenues in the governmental funds. However, only the gain/(loss) from the sales are reported on the Statement of Activities

Proceeds from the sale of capital assets			(20,528)
Net cost of capital assets sold			7,479

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. 4,571,830

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. (696,731)

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. 4,992,514

Amortization of premium is not recorded in the governmental funds but it impacts the statement activities. 23,350

Amortization of deferred refunding amounts is not recorded in the governmental funds but they impact the statement of activities. (25,377)

in the statement of net position, OPEB expenses are adjusted to reflect changes in total (1,834,237)

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. 106,895

Governmental funds report all pension expenditures equal to pension contributions, however in the statement of net position, pension expenses are adjusted to reflect changes in net pensions liabilities and related deferrals. (11,482,426)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and equipment management, to individual funds. The net revenue of the internal service funds is reported with governmental activities. 4,114,468

Change in Net Position of Governmental Activities **\$ (2,680,243)**

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.

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

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

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

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

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

City of Santa Cruz
Statement of Net Position
Proprietary Funds
June 30, 2020

	Business-Type Activities			
	Water	Wastewater	Refuse	Parking
Assets:				
Current assets:				
Cash and investments	\$ 34,003,768	\$ 18,013,406	\$ 24,225,063	\$ 4,483,420
Restricted cash and investments	7,090,566	-	385,637	
Interest receivable	21,832	13,238	17,686	3,322
Taxes receivable	-	206,125	-	19,803
Accounts receivable - net	6,051,409	2,090,676	2,408,628	31,547
Grants receivable	-	-	-	-
Due from other funds	-	-	-	-
Intergovernmental receivables	-	-	-	-
Prepaid items	-	-	6	-
Inventories	-	-	-	-
Deposits	-	-	-	30,000
Total current assets	47,167,575	20,323,445	27,037,020	4,568,092
Noncurrent assets:				
Restricted investments	1,052,524	-	-	-
Notes receivable	401,058	-	-	-
Advances to other funds	-	-	-	-
Capital assets:				
Land	1,941,687	-	721,017	-
Land improvements	572,807	1,526,507	2,588,512	311,696
Infrastructure	133,699,322	60,114,544	19,497,676	1,298,864
Buildings	18,732,299	126,746,279	3,121,543	20,536,248
Lease improvements-buildings	-	70,000	-	-
Machinery and equipment	14,571,732	10,850,369	21,003,467	1,736,178
Software	623,432	212,018	397,274	9,934
Construction in progress	45,701,527	827,523	2,522,641	2,597,093
Less accumulated depreciation	(71,044,289)	(122,470,575)	(31,913,298)	(14,181,777)
Total capital assets (net of accumulated depreciation)	144,798,517	77,876,665	17,938,832	12,308,236
Total noncurrent assets	146,252,099	77,876,665	17,938,832	12,308,236
Total assets	\$ 193,419,674	\$ 98,200,110	\$ 44,975,852	\$ 16,876,328
Deferred outflows of resources:				
Deferred charge on refunding of debt	291,919	81,092	74,154	153,620
Deferred outflows related to OPEB	342,791	198,226	283,834	90,075
Deferred outflows related to pensions	2,817,569	1,651,226	1,809,797	525,509
Total deferred outflows of resources	\$ 3,452,279	\$ 1,930,544	\$ 2,167,785	\$ 769,204

The accompanying notes are an integral part of these financial statements

Business-Type Activities		Governmental Activities Internal Service Funds
Storm Water	Total Enterprise Funds	
1,480,732	\$ 82,206,389	\$ 24,815,950
-	7,476,203	-
1,089	57,167	14,004
38,058	263,986	-
1,166	10,583,426	24,308
144,654	144,654	-
-	-	1,469,409
145,438	145,438	-
-	6	-
-	-	100,573
-	30,000	2,868,326
1,811,137	100,907,269	29,292,570
-	1,052,524	-
-	401,058	-
-	-	7,844,531
-	-	-
-	2,662,704	-
-	4,999,522	-
23,508,005	238,118,411	-
-	169,136,369	-
-	70,000	-
61,226	48,222,972	3,700,120
-	1,242,658	-
2,368,659	54,017,443	-
(14,592,280)	(254,202,219)	(1,574,095)
11,345,610	264,267,860	2,126,025
11,345,610	265,721,442	9,970,556
13,156,747	\$ 366,628,711	\$ 39,263,126
240,284	841,069	-
3,221	918,147	49,932
34,073	6,838,174	473,090
\$ 277,578	\$ 8,597,390	\$ 523,022

City of Santa Cruz
Statement of Net Position, Continued
Proprietary Funds
June 30, 2020

	Business-Type Activities			
	Water	Wastewater	Refuse	Parking
Liabilities:				
Current liabilities:				
Accounts payable and other current liabilities	\$ 15,014,990	\$ 904,453	\$ 262,211	\$ 275,218
Interest payable	754,758	4,178	19,316	16,800
Due to other funds	-	-	175,005	-
Unearned revenue	-	-	41,307	-
Deposits payable	72,253	-	1,500	72,177
Claims and judgments payable	-	-	-	-
Compensated absences payable	531,707	248,245	317,745	97,215
Bonds, notes, loans and leases payable due in less than one year	1,503,445	314,519	646,410	275,587
Total current liabilities	17,877,153	1,471,395	1,463,494	736,997
Noncurrent liabilities:				
Claims and judgments payable	-	-	-	-
Compensated absences payable	265,853	124,123	158,872	48,607
Bonds, notes, loans and leases payable due in more than one year	56,603,177	653,339	1,090,777	2,529,770
Landfill closure and postclosure costs	-	-	8,316,243	-
Total other postemployment benefits liability	4,133,679	2,511,586	3,518,405	882,585
Net pensions liability	18,455,329	11,857,907	14,409,636	4,002,141
Total noncurrent liabilities	79,458,038	15,146,955	27,493,933	7,463,103
Total liabilities	97,335,191	16,618,350	28,957,427	8,200,100
Deferred inflows of resources:				
Deferred inflows related to pensions	523,578	200,760	705,333	158,759
Deferred inflows related to OPEB	289,128	167,878	239,711	75,716
Total deferred inflows of resources	812,706	368,638	945,044	234,475
Net position:				
Net investment in capital assets	93,980,841	76,989,899	16,275,799	9,656,499
Unrestricted	4,743,215	6,153,767	965,367	(445,542)
Total net position	\$ 98,724,056	\$ 83,143,666	\$ 17,241,166	\$ 9,210,957

The accompanying notes are an integral part of these financial statements

Business-Type Activities		Governmental Activities Internal Service Funds
Storm Water	Total	
25,327	\$ 16,482,199	\$ 4,382,178
18,584	813,636	-
-	175,005	1,469,409
-	41,307	-
-	145,930	-
-	-	3,456,624
-	1,194,912	33,973
327,203	3,067,164	-
371,114	21,920,153	9,342,184
-	-	10,094,819
-	597,455	16,986
2,705,972	63,583,035	-
-	8,316,243	-
19,424	11,065,679	630,837
193,652	48,918,665	2,850,044
2,919,048	132,481,077	13,592,686
3,290,162	154,401,230	22,934,870
76	1,588,506	37,137
2,649	775,082	41,490
2,725	2,363,588	78,627
8,552,719	205,455,757	2,126,025
1,588,719	13,005,526	14,646,626
10,141,438	\$ 218,461,283	\$ 16,772,651

City of Santa Cruz
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the year ended June 30, 2020

	Business-Type Activities			
	Water	Wastewater	Refuse	Parking
Operating revenues:				
Charges for services	\$ 41,662,196	\$ 21,296,244	\$ 20,471,860	\$ 5,054,850
Rental revenues	7,151	-	-	164,472
Other revenues	313,379	-	297,572	158,748
Total operating revenues	41,982,726	21,296,244	20,769,432	5,378,070
Operating expenses:				
Personnel services	15,586,543	9,368,203	11,057,312	3,298,650
Services, supplies, and other charges	16,337,779	10,446,534	8,383,276	2,235,718
Depreciation and amortization	3,536,666	4,283,647	1,812,034	568,464
Total operating expenses	35,460,988	24,098,384	21,252,622	6,102,832
Operating income (loss)	6,521,738	(2,802,140)	(483,190)	(724,762)
Nonoperating revenues (expenses)				
Intergovernmental	309,800	800,129	15,000	71,387
Investment earnings	717,220	317,702	500,377	113,455
Interest expense and fiscal charges	(1,944,176)	(71,731)	(115,768)	(97,044)
Gain (loss) on sale of capital assets	-	1,891	(190,024)	-
Total nonoperating revenues (expenses)	(917,156)	1,047,991	209,585	87,798
Income (loss) before contributions and transfers	5,604,582	(1,754,149)	(273,605)	(636,964)
Transfers in	-	-	500	-
Transfers out	(202,973)	(69,477)	(166,323)	(50,565)
Total transfers	(202,973)	(69,477)	(165,823)	(50,565)
Change in net position	5,401,609	(1,823,626)	(439,428)	(687,529)
Net Position, beginning of year	93,322,447	84,967,292	17,680,594	9,898,486
Net Position, end of year	\$ 98,724,056	\$ 83,143,666	\$ 17,241,166	\$ 9,210,957

The accompanying notes are an integral part of these financial statements

Business-Type Activities		Governmental Activities Internal Service Funds
Storm Water	Total Enterprise Funds	
\$ 891,131	\$ 89,376,281	\$ 30,816,244
-	171,623	-
145,438	915,137	4,259,417
1,036,569	90,463,041	35,075,661
160,593	39,471,301	6,588,706
537,404	37,940,711	24,583,355
762,766	10,963,577	369,484
1,460,763	88,375,589	31,541,545
(424,194)	2,087,452	3,534,116
263,248	1,459,564	-
28,742	1,677,496	411,784
(104,530)	(2,333,249)	-
-	(188,133)	2,650
187,460	615,678	414,434
(236,734)	2,703,130	3,948,550
-	500	250,000
(6,964)	(496,302)	(84,082)
(6,964)	(495,802)	165,918
(243,698)	2,207,328	4,114,468
10,385,136	216,253,955	12,658,183
\$ 10,141,438	\$ 218,461,283	\$ 16,772,651

City of Santa Cruz
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2020

	Business-Type Activities			
	Water	Wastewater	Refuse	Parking
Cash flows from operating activities:				
Cash received from customers and users	\$ 39,876,129	\$ 19,644,613	\$ 18,257,021	\$ 5,064,578
Cash received from interfund services provided	1,076,256	1,359,212	2,478,465	-
Cash payments to suppliers for goods and services	(1,202,734)	(8,144,196)	(4,997,031)	(1,584,520)
Cash payments for employee services and pensions	(13,252,384)	(8,089,988)	(9,515,964)	(2,883,361)
Cash payments for interfund services used	(4,874,045)	(2,712,972)	(3,012,252)	(494,322)
Cash received from others	320,530	-	297,572	323,220
Net cash provided (used) by operating activities	<u>21,943,752</u>	<u>2,056,669</u>	<u>3,507,811</u>	<u>425,595</u>
Cash flows from noncapital financing activities :				
Transfers from other funds	-	-	500	-
Transfers to other funds	(202,973)	(69,477)	(166,323)	(50,565)
Receipts from other governments	309,800	594,004	15,000	54,709
Net cash provided (used) by noncapital financing activities	<u>106,827</u>	<u>524,527</u>	<u>(150,823)</u>	<u>4,144</u>
Cash flows from capital and related financing activities:				
Purchase and construction of capital assets	(26,999,439)	(1,603,831)	(2,191,367)	(610,484)
Principal paid on capital debt	(11,616,540)	(269,958)	(590,349)	(247,336)
Proceed from issuance of debt	26,247,590	-	-	-
Interest paid on capital debt	(1,606,665)	(67,553)	(121,752)	(98,644)
Net cash provided by capital and related financing activities	<u>(13,975,054)</u>	<u>(1,939,451)</u>	<u>(3,093,492)</u>	<u>(956,464)</u>
Cash flows from investing activities:				
Interest income received	848,450	379,825	609,033	131,729
Net cash provided by investing activities	<u>848,450</u>	<u>379,825</u>	<u>609,033</u>	<u>131,729</u>
Net increase (decrease) in cash and cash equivalents	8,923,975	1,021,570	872,529	(394,996)
Cash and cash equivalents, beginning of year	33,222,883	16,993,727	23,548,147	4,878,416
Cash and cash equivalents, end of year	<u>\$ 42,146,858</u>	<u>\$ 18,013,406</u>	<u>\$ 24,610,700</u>	<u>\$ 4,483,420</u>

The accompanying notes are an integral part of these financial statements

Business-Type Activities		Governmental
Storm Water	Total	Activities Internal Service Funds
\$ 890,547	\$ 83,732,888	\$ 72,905
-	4,913,933	30,764,180
(28,755)	(15,957,236)	(25,175,404)
(142,840)	(33,884,537)	(5,823,154)
(494,322)	(11,587,913)	(791,223)
145,438	1,086,760	4,261,446
370,068	28,303,895	3,308,750
-	500	250,000
(6,964)	(496,302)	(84,082)
(14,920)	958,593	-
(21,884)	462,791	165,918
(149,131)	(31,554,252)	(12,466)
(288,078)	(13,012,261)	-
-	26,247,590	-
(106,105)	(2,000,719)	-
(543,314)	(20,507,775)	(9,816)
34,298	2,003,335	520,873
34,298	2,003,335	520,873
(160,832)	10,262,246	3,985,725
1,641,564	80,284,737	20,830,225
\$ 1,480,732	\$ 90,735,116	\$ 24,815,950

(Continued)

City of Santa Cruz
Statement of Cash Flows, Continued
Proprietary Funds
For the year ended June 30, 2020

	Business-Type Activities			
	Water	Wastewater	Refuse	Parking
Reconciliation of operating income\ (loss) to net cash provided by (used) for operating activities:				
Operating income (loss)	\$ 6,521,738	\$ (2,802,140)	\$ (483,190)	\$ (724,762)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	3,536,666	4,283,647	1,812,034	568,464
Estimated closure/postclosure costs	-	-	397,646	-
Total other postemployment benefits liability and related deferrals	267,970	155,154	221,970	70,340
Net Pension liability and related deferrals	1,942,921	1,075,799	1,242,524	303,017
Changes in assets and liabilities and related deferrals				
Accounts receivable	(717,063)	(292,419)	268,626	9,728
Prepaid items	-	-	(6)	-
Inventories	-	-	-	-
Accounts payable and other current liabilities	10,261,000	(410,634)	(23,647)	156,876
Unearned revenue	-	-	(5,000)	-
Deposits payable	7,252	-	-	-
Claims and judgments payable	-	-	-	-
Compensated absences payable	123,268	47,262	76,854	41,932
Total adjustments	<u>15,422,014</u>	<u>4,858,809</u>	<u>3,991,001</u>	<u>1,150,357</u>
Net cash provided (used) by operating activities	<u>\$ 21,943,752</u>	<u>\$ 2,056,669</u>	<u>\$ 3,507,811</u>	<u>\$ 425,595</u>
Noncash investing, capital and financing activities:				
Increase/(Decrease) in fair value of investments	218,106	109,854	175,395	37,300
Amortization of bond premiums	(379)	-	(8,310)	(25,887)

See accompanying Notes to Basic Financial Statements.

Business-Type Activities		Governmental
Storm Water	Total	Activities Internal Service Funds
\$ (424,194)	\$ 2,087,452	\$ 3,534,116
762,766	10,963,577	369,484
-	397,646	-
2,498	717,932	38,854
15,255	4,579,516	312,996
(584)	(731,712)	20,841
-	(6)	2,177
-	-	34,817
14,327	9,997,922	(1,372,061)
-	(5,000)	-
-	7,252	15,886
-	-	343,760
-	289,316	7,880
794,262	26,216,443	(225,366)
\$ 370,068	\$ 28,303,895	\$ 3,308,750

9,898	550,553	-
(2,203)	(36,779)	-

(Concluded)

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Fiduciary Fund Financial Statements

Private - Purpose Trust Funds:

Private-purpose trust funds are used to report the trust arrangements under which the principal and income benefit the Library Joint Powers Authority. 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 custodial capacity. These funds account for the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments including funds held by the City in an agency capacity for the Library Joint Powers Authority.

City of Santa Cruz
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2020

	Private- Purpose Trust Funds	Agency Funds
Assets:		
Cash and investments	\$ 2,354,516	\$ 4,431,792
Restricted cash and equivalent	30,408,677	-
Receivables:		
Accounts receivable	-	582,787
Interest receivable	2,333	3,717
Grants receivable	10,093	-
Taxes receivable	-	598,159
Notes receivable	315,448	-
Due from other governments	-	672,917
Nondepreciable capital assets	902,621	-
Depreciable capital assets, net	7,379,027	-
Total assets	<u>41,372,715</u>	<u>6,289,372</u>
Liabilities:		
Accounts payable and other current liabilities	-	\$ 236,435
Interest payable	337,608	-
Due to other governments	-	5,577,521
Deposits payable	-	475,416
Bonds, notes, loans and leases payable		
due in less than one year	2,720,375	-
Bonds, notes, loans and leases payable		
due in more than one year	19,715,000	-
Total liabilities	<u>22,772,983</u>	<u>6,289,372</u>
Net position:		
Held in trust for other programs	<u>\$ 18,599,732</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, 2020

	<u>Private- Purpose Trust Funds</u>
Additions:	
Taxes	\$ 4,340,048
Use of money and property	399,972
Total additions	<u>4,740,020</u>
Deductions:	
Interest expense	1,396,081
Depreciation Expense	395,583
Contractual services	655,126
Total deductions	<u>2,446,790</u>
Change in net position	2,293,230
Net position:	
Net Position, beginning of year	<u>16,306,502</u>
Net Position, end of year	<u>\$ 18,599,732</u>

The accompanying notes are an integral part of these financial statements

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City of Santa Cruz
Notes to Basic Financial Statements
For the year ended June 30, 2020

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.

City of Santa Cruz
Notes to Basic Financial Statements
For the year ended June 30, 2020

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.

City of Santa Cruz
Notes to Basic Financial Statements
For the year ended June 30, 2020

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. In addition to the General Fund, the City elected to present the RDA Successor Agency – LMIH Special Revenue Fund and the General Capital Improvement Fund as major funds. The General Fund is used to account for sources and uses of financial resources traditionally associated with governments, and which are not required to be accounted for in another fund. The RDA LMIH fund is used to account for housing assets assumed by the City after the dissolution of the former Redevelopment Agency. The fund collects rental revenue restricted for activities related to low income housing. The General Capital Improvement Fund is used to account for capital improvements for which special projects funds have not been established. A portion of the City’s transient occupancy tax receipts, combined with other funding sources, such as grants, provides funding for capital projects of general benefit, such as storm drain improvements or improvements to public buildings.

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

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

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

City of Santa Cruz
Notes to Basic Financial Statements
For the year ended June 30, 2020

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; and the Hale Trust for the Scotts Valley Library Branch. Additionally, the Redevelopment Successor Agency Trust fund is used to account for the assets and deferred outflows of resources, liabilities and deferred inflows of resources of the former Redevelopment Agency and is allocated revenue to pay estimated installment payments of enforceable obligations until the obligations of the former Redevelopment Agency are paid in full and assets have been liquidated.

City of Santa Cruz
Notes to Basic Financial Statements
For the year ended June 30, 2020

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, 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, 2020

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 Statement of Cash Flows, cash and cash equivalents include currency on hand and deposits in the City's cash and investment pool. These deposits have the same characteristics for the participating funds as demand deposit accounts, in that the funds may deposit additional cash at any time and also effectively withdraw cash at any time without prior notice or penalty. Cash and cash equivalents also include restricted cash and money market funds held by fiscal agents. Except for money market funds which are presented at cost, the City's cash and investments are stated at fair value, which is based on a quoted market price. This includes all investments except the City's investment in the California Local Agency Investment Fund ("LAIF"). The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The City valued its investments in LAIF at June 30, 2020, by multiplying its balance by a fair value factor determined by LAIF (1.004912795). 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, 2020

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.

City of Santa Cruz
Notes to Basic Financial Statements
For the year ended June 30, 2020

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, 2020

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. Compensated absences are liquidated by the fund that has recorded the liability. The long-term portion of governmental activities' compensated absences is liquidated primarily by the General Fund.

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, 2020

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, 2020

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.

City of Santa Cruz
Notes to Basic Financial Statements
For the year ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

T. New Accounting Pronouncements

Effective this Fiscal Year

GASB Statement No. 95 – In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This Statement extends the effective dates of certain accounting and financial reporting provisions in Statements and Implementation Guides that were first effective for reporting periods beginning after June 15, 2018. The City implemented the provisions of this Statement.

Effective in Future Fiscal Years

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, 2019, or the FY 2020/2021. 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 June 15, 2021, or FY 2021/2022. 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, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

T. New Accounting Pronouncements, Continued

Effective in Future Fiscal Years, 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, 2020, or FY 2021/2022. 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, 2019, or FY 2020/2021. The City is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. 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, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

T. New Accounting Pronouncements, Continued

Effective in Future Fiscal Years, Continued

GASB Statement No. 92 – In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The City is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 93 – In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is the preserve the consistency and comparability of reporting hedging derivatives instruments and leases after governments amend or replace agreements to replace an interbank offered rate. Replacement of interbank offered rates, becomes effective in phases beginning for reporting periods beginning after June 15, 2020, December 31, 2021, and June 15, 2021. The City is evaluating the impact of this Statement on the financial statements.

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

GASB Statement No. 96 – In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. The City is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 97 – In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform, (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans as fiduciary component units in fiduciary fund financial statements, and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The City is evaluating the impact of this Statement on the financial statements.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

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, 2020:

	Government-Wide Statement of Net Position			Statement of	
	Governmental	Business-Type Activities	Total	Fiduciary Net Position	Total
Unrestricted assets:					
Cash and cash equivalents	\$ 56,009,120	\$ 82,206,389	\$ 138,215,509	\$ 6,786,308	\$ 145,001,817
Total unrestricted assets	56,009,120	82,206,389	138,215,509	6,786,308	145,001,817
Restricted assets:					
Cash and cash equivalents	11,789,005	-	11,789,005	-	11,789,005
Cash and cash investments with fiscal agents	-	8,528,726	8,528,726	30,408,677	38,937,403
Total restricted assets	11,789,005	8,528,726	20,317,731	30,408,677	50,726,408
Total cash and investments	\$ 67,798,125	\$ 90,735,115	\$ 158,533,240	\$ 37,194,985	\$ 195,728,225

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, 2020:

Unrestricted cash and deposits:	
Pooled cash deposits	\$ 2,582,366
Other deposits and cash held by city	60,798
Total cash and deposits	2,643,164
Certificates of deposit	304,868
Money market mutual funds available for debt service	1,603
Federal agency securities	21,270,280
State local agency investment fund (LAIF)	120,781,902
Total unrestricted investments	142,358,653
Restricted investments:	
Money market held by fiscal agents	38,937,403
Mutual funds	11,789,005
Total restricted investments	50,726,408
Total investments	193,085,061
Total cash, cash equivalents, and investments	\$ 195,728,225

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

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 three of its certificates of deposit with the condition that sufficient collateral be maintained for all amounts in excess of insured levels. As of June 30, 2020, the balances of these certificates of deposit were: Comerica Bank \$100,606; Lighthouse Bank \$103,045; and Santa Cruz County Bank \$101,217.

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 13, 2019, which is more conservative than that allowed by State statute.

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

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

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

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 proceeds held by bond trustee that are governed by the provisions of debt agreements. In addition, the provisions above do not apply to the City's section 115 trust, which was established and approved by the City council.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

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, Continued
For the year ended June 30, 2020

2. CASH DEPOSITS AND INVESTMENTS, Continued

B. Investments, Continued

The City has the following recurring fair value measurements as of June 30, 2020:

		Level 2	Not subject to fair value or uncategorized
Certificates of Deposit	\$ 304,868	-	\$ 304,868
Federal Government Agencies	21,270,280	21,270,280	-
LAIF	120,781,902	-	120,781,902
Money Market Funds	38,766,623	-	38,766,623
Mutual Funds	11,663,114	11,663,114	-
Total	<u>\$ 192,786,787</u>	<u>\$ 32,933,394</u>	<u>\$ 159,853,393</u>

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 81 days at June 30, 2020. At June 30, 2020, the City had the following investment maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>No Maturity</u>	<u>Investment Maturities in Years</u>			
			<u>< 1 Year</u>	<u>1-2 Years</u>	<u>2-3 Years</u>	<u>3-4 Years</u>
U.S. Agencies	\$ 21,270,280	-	\$ 9,096,690	\$ 5,109,450	\$ 5,058,870	\$ 2,005,270
Certificates of Deposit	304,868	-	-	-	304,868	-
Local Agency Investment Fund	120,781,902	-	120,781,902	-	-	-
Money Market	38,766,623	38,766,623	-	-	-	-
Mutual Funds	11,663,114	11,663,114	-	-	-	-
Fair Value of Investments Only	<u>\$ 192,786,787</u>	<u>\$ 50,429,737</u>	<u>\$ 129,878,592</u>	<u>\$ 5,109,450</u>	<u>\$ 5,363,738</u>	<u>\$ 2,005,270</u>

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations - Investments in callable bonds are investments that, although having clearly defined maturities, allow for the issuer to redeem or call such bonds earlier than their respective maturity dates. The investor must then replace the called bonds with investments that may have lower yield than the original bonds. As a result, the fair value of the callable bonds is highly sensitive to changes in interest rates. As of June 30, 2020, the City held \$5,009,700 in callable securities, which amounted to approximately 16% of investments at June 30, 2020. The investment policy limits the purchase of callable U.S. Agency instruments to discreet calls and those that pay 100% of the principal at the redemption date. In addition, purchases of callable U.S. Agency instruments are not to exceed 30% of the value of the portfolio. The City is in compliance with these provisions of the investment policy.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

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:

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

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

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, 2020:

Investment Type	Amount Invested	Percentage of Investments
Federal Home Loan Mortgage Corporation	\$ 9,080,840	5.01%
Total	\$ 9,080,840	5.01%

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. \$3,019,936 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, Continued
For the year ended June 30, 2020

3. NOTES AND LOANS RECEIVABLES

Government-Wide Statements

The following is a summary of notes and loans receivables net of allowances at June 30, 2020:

	Notes Receivables	Loans Receivables	Total	Amount Due Within One Year	Amount Due in More Than One Year
Governmental Funds:					
General Fund	\$ 2,879,086	\$ -	\$ 2,879,086	\$ 330,371	\$ 2,548,715
RDA Successor Agency - LMIH	11,395,680	-	11,395,680	-	11,395,680
Other Governmental Funds	75,000	2,578,101	2,653,101	1,920	2,651,181
Total Governmental Funds	<u>14,349,766</u>	<u>2,578,101</u>	<u>16,927,867</u>	<u>332,291</u>	<u>16,595,576</u>
Proprietary Funds:					
Water	401,058	-	401,058	-	401,058
Total loans and notes	<u>\$ 14,750,824</u>	<u>\$ 2,578,101</u>	<u>\$ 17,328,925</u>	<u>\$ 332,291</u>	<u>\$ 16,996,634</u>

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

Fund Financial Statements

At June 30, 2020, the Fund Financial Statements show the following notes, loans, and intergovernmental receivables:

Notes Receivable in the General Fund of \$2,879,086 (net of an allowance for doubtful amounts of \$925,004) consist primarily of \$1,144,232 due from SC Warriors LLC for construction of a temporary arena facility and \$1,123,703 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 9/17/2021. 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 \$242,599, which accrues interest at 2.25% per annum; a note from Economic Development's Microloan Program for \$498,500; a note to First Night Santa Cruz for \$20,000; Harvey West Assessment District notes in the amount of \$142,109 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 \$399,043 and various other (doubtful) notes in the amount of \$163,905.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

3. NOTES AND LOANS RECEIVABLES, Continued

Notes Receivable in the City's RDA Successor Agency - LMIH fund of \$11,395,680 (net of an allowance for uncollectible amounts of \$350,639), 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 \$2,653,101 (net of an allowance for uncollectible amounts of \$13,740,783) 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 \$401,058, which represents a note in the Water Enterprise Fund due from Neary Lagoon Partners for water system connection fees pertaining to a low/moderate income housing project. This note bears interest at a rate of 2.25% per annum, and repayment is deferred until 12/1/2067.

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

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

4. DEPOSITS

The City had deposits in the amount of \$2,982,499 at June 30, 2020:

Governmental Activities:	
Housing Programs	\$ 70,574
Mailing House	12,100
ED Microloan Program	1,500
Workers Compensation	230,000
Liability Insurance	2,638,326
Total Governmental Funds	<u>2,952,500</u>
Business-type Activities:	
Parking	30,000
Total	<u><u>\$ 2,982,500</u></u>

A. Governmental Activities

Deposits in the City’s governmental funds and proprietary funds total \$2,952,500 at June 30, 2020. 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 \$574 for a total deposit at June 30, 2020 of \$70,574. A deposit in the amount of \$12,100 has been placed with the City’s outside mailing company. A deposit in the amount of \$500,000 was established with the Santa Cruz Community Credit Union for the purpose of giving small business loans to local business through Economic Development’s Microloan Program. There was a total of \$498,500 in loans distributed to businesses for a total deposit at June 30, 2020 of \$1,500. In FY 2005, the Workers Compensation Internal Service Fund established a deposit in the amount of \$160,000 with the Sedgwick CMS which equals approximately 6 weeks of expected claims. In FY 2019, Sedgwick changed banks and required a new Workers Compensation deposit. Claims will be paid from this deposit and then invoiced to the City in order to replenish the deposit back to \$160,000. In FY 2019 the amount increased by \$70,000 to \$230,000. As referenced in the Risk Management and Self Insurance Note, the City is self-insured for up to \$1,000,000. At June 30, 2020 the City had a deposit in the amount of \$2,638,326 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, Continued
For the year ended June 30, 2020

5. INTERFUND BALANCES AND TRANSACTIONS

A. Government-Wide Financial Statements

Transfers

The City had the following transfers for the year ending June 30, 2020:

	Transfers In
	Government
	Activities
Transfers Out	
Business-Type Activities	\$ 495,802

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

B. Funds Financial Statements

Due To / From Other Funds

The City had the following due to/from other funds as of June 30, 2020:

		Due to Other Funds		
		General Fund	Workers' Compensation Fund	Total
Due from Other Funds	Refuse Fund Enterprise Fund	\$ 175,005	\$ -	\$ 175,005
	Equipment Internal Service Fund	-	1,469,409	1,469,409
	Total	\$ 175,005	\$ 1,469,409	\$ 1,644,414

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

5. INTERFUND BALANCES AND TRANSACTIONS, Continued

B. Funds Financial Statements, Continued

The outstanding balances between funds results 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, 2020:

Advances to Other Funds	Advances from Other Funds			
	General	LMIH	Risk Mgmt	Total
	Fund	Successor	Internal	
		Agency Fund	Service Fund	
General Fund	\$ -	\$ -	\$ 4,844,531	\$ 4,844,531
General CIP	2,509,687	-	3,000,000	5,509,687
Non-major fund	76,764	500,000	-	576,764
Total	\$ 2,586,451	\$ 500,000	\$ 7,844,531	\$ 10,930,982

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; and 4) from the General Fund to the Lease Revenue Bond Debt Service Fund to cover a prior year shortfall.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

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, 2020:

		Transfers In					Total
		General Fund	Capital Improvement Fund	Non-Major Governmental Funds	Refuse Fund	Equipment Operations Fund	
Transfers Out	Governmental Funds:						
	General Fund	\$ -	\$ 929,444	\$ -	\$ 500	\$ 250,000	\$ 1,179,944
	Non-Major Governmental Funds	87,000	1,501,641	2,652,846	-	-	4,241,487
	Enterprise Funds:						
	Water	-	202,973	-	-	-	202,973
	Wastewater	29,500	39,977	-	-	-	69,477
	Refuse	2,500	163,824	-	-	-	166,324
	Parking	20,000	30,565	-	-	-	50,565
	Storm Water	-	6,964	-	-	-	6,964
	Internal Service Funds:						
	Workers Compensation Fund	-	32,823	-	-	-	32,823
	Unemployment Fund	2,400	-	-	-	-	2,400
	Equipment Operations Fund	-	48,859	-	-	-	48,859
	Total	\$ 141,400	\$ 2,957,069	\$ 2,652,846	\$ 500	\$ 250,000	\$ 6,001,815

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; 3) to move monies from various Enterprise funds to the General Fund to contribute to the after-hours call duty program; 4) to move money from Measure D (gas tax) to the General Fund; 5) to move monies from the Traffic Impact Fee to Measure D (gas tax); and 6) to move monies from the General Fund and various Enterprise funds to the Capital Improvement Fund for information technology services.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

6. CAPITAL ASSETS

A. Government-Wide Financial Statements

At June 30, 2020 the City's capital assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Capital Assets:			
Capital assets, not being depreciated:			
Land	\$ 72,182,011	\$ 2,662,704	\$ 74,844,715
Construction in progress	11,822,523	54,017,443	65,839,966
Subtotal, capital assets, not being depreciated	<u>84,004,534</u>	<u>56,680,147</u>	<u>140,684,681</u>
Capital assets, being depreciated:			
Land improvements	22,300,158	4,999,522	27,299,680
Infrastructure	224,286,946	238,118,411	462,405,357
Buildings	57,777,850	169,136,369	226,914,219
Machinery and equipment	24,360,395	48,222,972	72,583,367
Lease improvements	545,943	70,000	615,943
Intangibles	1,218,025	1,242,658	2,460,683
Subtotal, capital assets, being depreciated	<u>330,489,316</u>	<u>461,789,932</u>	<u>792,279,249</u>
Total capital assets	<u>414,493,850</u>	<u>518,470,079</u>	<u>932,963,930</u>
Less accumulated depreciation:			
Land improvements	(11,860,622)	(1,843,195)	(13,703,817)
Infrastructure	(164,763,748)	(116,914,199)	(281,677,947)
Buildings	(24,654,411)	(99,958,437)	(124,612,848)
Machinery and equipment	(18,330,962)	(34,226,381)	(52,557,343)
Lease improvements	(560,273)	(51,879)	(612,152)
Intangibles	(1,198,403)	(1,208,128)	(2,406,531)
Total accumulated depreciation	<u>(221,368,419)</u>	<u>(254,202,219)</u>	<u>(475,570,638)</u>
Total capital assets, net	<u>\$ 193,125,431</u>	<u>\$ 264,267,860</u>	<u>\$ 457,393,292</u>

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

6. CAPITAL ASSETS, Continued

B. Governmental Activities

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

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 70,046,840	\$ 2,135,171	\$ -	\$ 72,182,011
Construction in progress	6,935,509	5,093,415	(206,401)	11,822,523
Subtotal, capital assets, not being depreciated	<u>76,982,349</u>	<u>7,228,586</u>	<u>(206,401)</u>	<u>84,004,534</u>
Capital assets, being depreciated:				
Land improvements	21,977,461	322,697	-	22,300,158
Infrastructure	222,210,676	2,076,270	-	224,286,946
Buildings	57,662,115	115,735	-	57,777,850
Machinery and equipment	23,369,488	1,073,537	(82,631)	24,360,394
Lease improvements	545,943	-	-	545,943
Software	1,211,588	6,437	-	1,218,025
Subtotal, capital assets, being depreciated	<u>326,977,271</u>	<u>3,594,676</u>	<u>(82,631)</u>	<u>330,489,316</u>
Total capital assets	<u>403,959,620</u>	<u>10,823,262</u>	<u>(289,032)</u>	<u>414,493,850</u>
Less accumulated depreciation:				
Land improvements	(10,932,114)	(928,508)	-	(11,860,622)
Infrastructure	(161,467,104)	(3,296,644)	-	(164,763,748)
Buildings	(23,331,370)	(1,323,041)	-	(24,654,411)
Machinery and equipment	(17,105,457)	(1,295,089)	69,584	(18,330,962)
Lease improvements	(545,943)	(14,330)	-	(560,273)
Software	(1,190,601)	(7,802)	-	(1,198,403)
Total accumulated depreciation	<u>(214,572,589)</u>	<u>(6,865,414)</u>	<u>69,584</u>	<u>(221,368,419)</u>
Total capital assets, net	<u>\$ 189,387,031</u>	<u>\$ 3,957,848</u>	<u>\$ (219,448)</u>	<u>\$ 193,125,431</u>

Depreciation expense of the governmental activities for the year ended June 30, 2020 was \$6,865,414 and was distributed as follows:

General Government	\$ 104,192
Public Safety	793,427
Parks and Recreation	1,527,795
Library - City	2,560
Public Works	3,618,140
Community & Economic Development	449,816
Total depreciation expense- general government	<u>6,495,930</u>
Internal Service Funds	369,484
Total depreciation expense- governmental activities	<u>\$ 6,865,414</u>

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

6. CAPITAL ASSETS, Continued

C. Business-Type Activities

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

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,662,704	\$ -	\$ -	\$ 2,662,704
Construction in process	36,745,917	22,034,592	(4,763,066)	54,017,443
Subtotal, capital assets, not being depreciated	<u>39,408,621</u>	<u>22,034,592</u>	<u>(4,763,066)</u>	<u>56,680,147</u>
Capital assets, being depreciated:				
Land improvements	4,999,522	-	-	4,999,522
Infrastructure	226,097,967	12,020,444	-	238,118,411
Buildings	168,906,585	229,784	-	169,136,369
Machinery and equipment	47,370,392	2,085,284	(1,232,704)	48,222,972
Lease improvements	70,000	-	-	70,000
Software	1,242,658	-	-	1,242,658
Subtotal, capital assets, being depreciated	<u>448,687,124</u>	<u>14,335,512</u>	<u>(1,232,704)</u>	<u>461,789,932</u>
Total capital assets	<u>488,095,745</u>	<u>36,370,104</u>	<u>(5,995,770)</u>	<u>518,470,079</u>
Less accumulated depreciation:				
Land improvements	(1,613,338)	(229,857)	-	(1,843,195)
Infrastructure	(112,666,384)	(4,247,815)	-	(116,914,199)
Buildings	(96,516,920)	(3,441,517)	-	(99,958,437)
Machinery and equipment	(32,247,478)	(2,970,689)	991,786	(34,226,381)
Lease improvements	(47,929)	(3,950)	-	(51,879)
Software	(1,138,378)	(69,750)	-	(1,208,128)
Total accumulated depreciation	<u>(244,230,427)</u>	<u>(10,963,578)</u>	<u>991,786</u>	<u>(254,202,219)</u>
Total capital assets, net	<u>\$ 243,865,318</u>	<u>\$ 25,406,526</u>	<u>\$ (5,003,984)</u>	<u>\$ 264,267,860</u>

Business-type activities depreciation expense for the year ended June 30, 2020 is as follows:

Water	\$ 3,536,667
Wastewater	4,283,647
Refuse	1,812,034
Parking	568,464
Storm Water	762,766
Total depreciation expense	<u>\$ 10,963,578</u>

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

7. LONG-TERM DEBT

A. Government Activities

For the year ended June 30, 2020, 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, 2020
<i>Compensated Absences</i>					
Accumulated, unpaid vacation, holiday, comp time leave.	N/A	N/A	N/A	N/A	\$ 4,505,023
<i>Claims and Judgements</i>					
Liability and workers compensation claims paid by Risk Management internal service fund.	N/A	N/A	N/A	N/A	13,551,442
<i>2009 General Obligation Refunding Bonds</i>					
Refinanced 1999 GO Bonds issued for the acquisition and construction of municipal improvements.	9/1/10 - 9/1/29	2.00%-4.38%	\$180,000 - \$605,000	\$6,995,000	4,600,000
				Unamortized Premium	14,275
				Net Balance	<u>4,614,275</u>
<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	6,040,000
<i>2017 Refunding 2007 Lease Revenue Bonds</i>					
Refinanced 2007 Lease Revenue Bonds.	11/1/17 - 11/1/37	2.00%-5.00%	\$125,000 - \$390,000	\$5,265,000	4,800,000
Original issue was for land acquisition and improvements for public library and water department purposes.				Unamortized Premium	192,991
				Net Balance	<u>4,992,991</u>
<i>2017 Refunding 2010 Refunding Lease Revenue Bonds, Series B</i>					
Refinanced 2010 Series B Refunding.	11/1/17 - 11/1/31	2.00%-5.00%	\$140,000 - \$220,000	\$2,420,000	2,140,000
Original issue was for Civic Center acquisition, construction, and improvement.				Unamortized Premium	122,292
				Net Balance	<u>2,262,292</u>
				Lease Revenue Bonds, Subtotal	<u>7,255,283</u>

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City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

7. LONG-TERM DEBT, Continued

A. Government Activities, Continued

Table continued from previous page

Description/Purpose	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Balance at June 30, 2020
<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	\$ 42,813
<i>Public Works Loan Payable to PG&E</i>					
For replacement of streetlights with LED bulbs.	12/1/12 - 11/1/22	0.00%	\$24,953	\$249,526	61,996
<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	7,367,763
<i>2012 Golf COP 13 Refunding</i>					
Issued for golf course improvements - Refunding of 2004 Golf COP 13.	5/1/29	3.50%	\$67,344 - \$115,309	\$2,960,536	1,806,984
<i>2018 California Energy Commission Loan</i>					
For comprehensive energy efficiency retrofit project.	12/22/33	1.00%	\$125,000 - \$390,000	\$5,265,000	1,267,880
Total Debt of Governmental Activities					\$ 46,513,459

Events of Default and Acceleration Clauses

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

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

7. LONG-TERM DEBT, Continued

A. Government Activities, Continued

The following table summarizes long-term debt activity for the year ended June 30, 2020:

	Balance July 1, 2019	Additions	Retirements	Balance June 30, 2020	Amount Due Within One Year	Amount Due in More Than One Year
General obligation bonds	\$ 4,915,000	\$ -	\$ (315,000)	\$ 4,600,000	\$ 335,000	\$ 4,265,000
Bond issuance premiums	15,833	-	(1,557)	14,276	1,557	12,719
Total general obligation bonds	<u>4,930,833</u>	<u>-</u>	<u>(316,557)</u>	<u>4,614,276</u>	<u>336,557</u>	<u>4,277,719</u>
Lease Revenue Bonds	7,255,000	-	(315,000)	6,940,000	325,000	6,615,000
Bond Issuance Premiums	337,075	-	(21,792)	315,283	21,792	293,491
Total lease revenue bonds	<u>7,592,075</u>	<u>-</u>	<u>(336,792)</u>	<u>7,255,283</u>	<u>346,792</u>	<u>6,908,491</u>
Pension obligation bonds	8,685,000	-	(2,645,000)	6,040,000	2,890,000	3,150,000
Notes Payable	12,162,137	-	(1,657,514)	10,504,623	1,703,137	8,801,486
Capital lease obligations	102,813	-	(60,000)	42,813	42,813	-
Total bonds, notes, loans, leases	<u>33,472,858</u>	<u>-</u>	<u>(5,015,863)</u>	<u>28,456,995</u>	<u>5,319,299</u>	<u>23,137,696</u>
Claims and judgments	13,207,683	375,765	(32,005)	13,551,443	3,456,624	10,094,819
Compensated absences	3,800,413	3,679,996	(2,975,386)	4,505,023	3,003,349	1,501,674
Total	<u>\$ 50,480,954</u>	<u>\$ 4,055,761</u>	<u>\$ (8,023,254)</u>	<u>\$ 46,513,461</u>	<u>\$ 11,779,272</u>	<u>\$ 34,734,189</u>

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

7. LONG-TERM DEBT, Continued

A. Government Activities, Continued

As of June 30, 2020, 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
2021	\$ 335,000	\$ 185,851	\$ 325,000	\$ 256,088	\$ 2,890,000	\$ 324,650
2022	360,000	171,951	345,000	242,688	3,150,000	169,313
2023	385,000	157,051	350,000	232,288	-	-
2024	410,000	140,976	360,000	219,788	-	-
2025	440,000	123,411	375,000	204,300	-	-
2026-2030	2,670,000	302,626	2,115,000	759,388	-	-
2031-2035	-	-	1,940,000	358,469	-	-
2036-2040	-	-	1,130,000	63,569	-	-
	4,600,000	1,081,866	6,940,000	2,336,575	6,040,000	493,963
Unamortized Premiums	14,275	-	315,283	-	-	-
Totals	\$ 4,614,275	\$ 1,081,866	\$ 7,255,283	\$ 2,336,575	\$ 6,040,000	\$ 493,963

For Year Ending June 30,	Capital Lease Obligations		Notes & Loans		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 42,813	\$ 1,164	\$ 1,703,137	\$ 127,626	\$ 5,295,950	\$ 895,378
2022	-	-	1,734,698	101,968	5,589,698	685,919
2023	-	-	1,754,508	75,873	2,489,508	465,211
2024	-	-	1,774,957	49,358	2,544,957	410,122
2025	-	-	1,808,541	22,338	2,623,541	350,049
2026-2030	-	-	1,306,769	102,622	6,091,769	1,164,635
2031-2035	-	-	422,013	10,412	2,362,013	368,880
2036-2040	-	-	-	-	1,130,000	63,569
	42,813	1,164	10,504,623	490,196	28,127,436	4,403,765
Unamortized Premiums	-	-	-	-	329,558	-

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

7. LONG-TERM DEBT, Continued

B. Business-Type Activities

For the year ended June 30, 2020, long-term debt for business-type activities consisted of the following amounts:

Description/Purpose	Maturity	Rates	Installments	Amount	June 30, 2020
<i>Compensated Absences</i>					
Accumulated, unpaid vacation, holiday, comp time leave.	N/A	N/A	N/A	N/A	\$ 1,792,369
<i>Landfill Closure and Postclosure Costs</i>					
Percentage of estimated costs	N/A	N/A	N/A	N/A	8,316,243
<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	3,015,000
				Unamortized Premium	18,175
				Net Balance	<u>3,033,175</u>
<i>2014 Water Revenue Bonds</i>					
Issued to refinance 2006 Water Revenue Bonds and Water Note Payable to State	9/1/14 - 3/1/36	2.0%-3.75%	\$400,000 - 675,000	\$11,260,000	8,595,000
				Unamortized Premium	5,935
				Net Balance	<u>8,600,935</u>
<i>2019 Water Revenue Bonds</i>					
Issued to finance capital improvement projects for the City's water system and to repay outstanding amounts on bank loan.	3/1/20 - 3/1/49	5.00%	\$70,000 - 1,310,000	\$20,925,000	20,855,000
				Unamortized Premium	5,216,442
				Net Balance	<u>26,071,442</u>
<i>2017 Refunding 2010 Parking Lease Revenue Bonds</i>					
Refinanced 2010 Parking Lease Revenue Bonds	11/1/17 - 11/1/28	2.0%-5.0%	\$235,000 - \$330,000	\$3,350,000	2,590,000
				Unamortized Premium	215,357
				Net Balance	<u>2,805,357</u>
<i>2010 Refuse Enterprise Revenue Bonds</i>					
Refinanced 2001 Certificates of Participation	10/1/11 - 10/1/21	3.00%-4.00%	\$265,000 - \$400,000	\$3,755,000	785,000
				Unamortized Premium	10,387
				Net Balance	<u>795,387</u>
<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	967,858
				Revenue Bonds Subtotal	<u>42,274,154</u>
<i>2016 I-Bank Water Infrastructure Loan</i>					
For City-wide improvements to the water system.	8/1/16 - 8/1/46	3.24%	\$505,367 - \$1,274,087	\$25,000,000	23,434,246
<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	941,800
Total debt of business-type activities					<u>\$ 76,758,812</u>

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

7. LONG-TERM DEBT, Continued

B. Business-Type Activities, Continued

The following table summarizes long-term debt activity for the year ended June 30, 2020:

	Balance July 1, 2019	Additions	Retirements	Balance June 30, 2020	Amount Due Within One Year	Amount Due in More than One Year
Compensated absences	\$ 1,503,052	\$ 1,685,914	\$ (1,396,597)	\$ 1,792,369	\$ 1,194,912	\$ 597,457
Landfill closure costs	7,918,597	397,646	-	8,316,243	-	8,316,243
Revenue bonds payable:	17,607,570	20,925,000	(1,724,712)	36,807,858	2,039,519	34,768,339
Bond issuance premiums	286,332	5,322,590	(142,627)	5,466,296	218,447	5,247,849
Total bonds payable	17,893,902	26,247,590	(1,867,339)	42,274,154	2,257,966	40,016,188
Notes payable:	35,655,891	-	(11,279,846)	24,376,045	809,198	23,566,847
Total bond and notes	53,549,793	26,247,590	(13,147,185)	66,650,199	3,067,164	63,583,035
Total	\$ 62,971,442	\$ 28,331,150	\$ (14,543,782)	\$ 76,758,811	\$ 4,262,076	\$ 72,496,735

As of June 30, 2020, the future debt service requirements to maturity for outstanding debt were:

For Year Ending June 30,	Revenue Bonds		Notes		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 2,039,519	\$ 1,528,819	\$ 809,198	\$ 793,083	\$ 2,848,717	\$ 2,321,902
2022	2,103,734	1,462,814	839,715	762,296	2,943,449	2,225,110
2023	1,764,605	1,403,293	871,417	730,301	2,636,022	2,133,594
2024	1,475,000	1,350,119	756,321	697,050	2,231,321	2,047,168
2025	1,525,000	1,298,213	631,747	673,386	2,156,747	1,971,599
2026-2030	7,525,000	5,636,531	3,479,354	3,041,117	11,004,354	8,677,649
2031-2035	6,070,000	4,335,719	4,080,737	2,429,992	10,150,737	6,765,711
2036-2040	4,515,000	3,067,563	4,786,065	1,713,238	9,301,065	4,780,800
2041-2045	4,905,000	1,980,750	5,613,304	872,597	10,518,304	2,853,347
2046-2050	4,885,000	625,250	2,508,189	81,913	7,393,189	707,163
	36,807,858	22,689,070	24,376,046	11,794,973	61,183,904	34,484,043
Unamortized						
Premiums	5,466,295	-	-	-	5,466,295	-
Totals	\$ 42,274,153	\$ 22,689,070	\$ 24,376,046	\$ 11,794,973	\$ 66,650,199	\$ 34,484,043

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

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 \$315,000 and an interest payment in the amount of \$77,488 were made for a debt service total of \$392,488. The current year Storm Water net revenues were \$285,879, resulting in a revenue source to debt service ratio of 72.8%. (The ratio fell below the 125% threshold due to a one-time adjustment to correct prior years' activities and to increased expenses in annual vegetation management).

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 \$420,000 and interest payments of \$280,838 were made in the current year for a debt service total of \$700,838. Net Water revenues for the fiscal year ended June 30, 2020, were \$14,005,612, resulting in a revenue source to debt service ratio of 1998.4%.

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 \$304,712 and interest payments of \$30,999 were made in the current year for a debt service total of \$335,711 was applied against this indenture for the fiscal year ended June 30, 2020. The current year Wastewater revenues were \$3,726,799, resulting in a revenue source to debt service ratio of 1110.1%.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

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, 2020, consisted of \$241,200 in principal and \$54,712 in interest for a total of \$295,912. Net Refuse revenues for the fiscal year ended June 30, 2020, were \$1,762,183, resulting in a revenue source to debt service ratio of 595.5%.

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, 2020, consisted of \$375,000 in principal and \$37,494 in interest for a total of \$412,494. Net Refuse revenues for the fiscal year ended June 30, 2020, were \$1,762,183, resulting in a revenue source to debt service ratio of 427.2%.

The Trust Indenture for the 2019 Water Revenue Bonds requires the City to pledge its annual Net Revenues (defined as gross revenues received during the period minus the amount required to pay all operation and maintenance costs payable during the period excluding depreciation) in an amount equal to at least 115% of the annual debt service requirement each fiscal year, through final maturity of the Bonds in March 2049 or early retirement of the Bonds, whichever first occurs. Principal payments of \$70,000 and interest payments of \$229,594 were made in the current year for a debt service total of \$299,594. Net Water revenues for the fiscal year ended June 30, 2020, were \$10,110,000, resulting in a revenue source to debt service ratio of 3374.6%.

Events of Default and Acceleration Clauses

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

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

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, 2020, the total amounts outstanding for all the 2002 Bonds were as follows: \$29,025,000 for Series A; \$0 for Series A-T; and \$19,595,000 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 \$3,581,330 at June 30, 2020. 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.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

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, 2020, the City was self-insured for workers' compensation up to \$500,000 per occurrence and for general liability up to \$1,000,000 per occurrence. Claims in excess of these amounts are insured. The City is also completely self-insured for unemployment insurance, vision, and dental insurance claims; Unemployment is accounted for in the General Fund and the self-insurance for vision and dental is accounted for in the Risk Internal Service Fund. The City contracts with outside administrators to administer these programs.

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

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

ACCEL has a retrospective rated refund liability plan which represents the amount of equity that is eligible for return to the Members of the pool. The liability is computed as the amount of the premiums paid in the pool, plus investment income earned in excess of the estimated losses and loss expenses calculated separately for each program year and Member. Members are eligible to receive distributions of equity (retro-refunds) five years after the end of the program year. At the June 2020 Board of Directors meeting, a retro calculation resulted in an initial available amount of \$3,938,597. The Board of Directors took action to restrict 100% of the available funds, resulting in a final retro liability of \$0. The amount of retrospectively rated refund that was retained in the name of the City of Santa Cruz was \$1,192,169. At June 30, 2020, claims outstanding against the City are \$13,551,442.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

8. RISK MANAGEMENT AND SELF-INSURANCE, Continued

As of June 30, 2020, coverage provided by self-insurance and excess coverage (purchased by the City from ACCEL) is generally summarized as follows:

Type of coverage	Self-Insured Retention	Excess Insurance
General Liability	\$1,000,000 per occurrence	\$75,000,000 aggregate
Workers' Compensation	\$500,000 per occurrence	Statutory limits
Property of Others	\$10,000 per occurrence	\$1,000,000,000 aggregate
Boiler and Machinery	\$5,000 per occurrence	\$100,000,000 aggregation
Pollution Liability	\$100,000 per occurrence	\$25,000,000 aggregate
Crime	\$25,000 per occurrence	\$1,000,000 aggregate
Cyber Liability	\$50,000 per occurrence	\$25,000,000 aggregate
Watercraft	\$1,000 per occurrence	\$1,000,000 aggregate

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

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

	Beginning of Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2018-2019	13,403,655	362,138	(558,110)	13,207,683
2019-2020	13,207,683	938,438	(594,678)	13,551,443

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

9. RETIREMENT PLANS

CalPERS Miscellaneous and Safety Employees' Pension Plans

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

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.

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, Continued
For the year ended June 30, 2020

9. RETIREMENT PLANS, Continued

A. Miscellaneous Plan, Continued

Benefits Provided, Continued

The Plan provisions and benefits in effect at June 30, 2020, are summarized as follows:

	Tier 1	Tier 2	Tier 3
Hire date	Prior to 5/12/2012	5/12/2012 - 12/31/2012	After 12/31/2012
Benefit formula	2.0% at 55	2.0% at 60	2.0% at 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Minimum retirement age	50	50	52
Required employer contribution rates	9.486%	9.486%	9.486%
Required employee contribution rates	7.00%	7.00%	6.75%

Additional employer contributions of \$7,413,741 of UAL was made at the beginning of the year.

Contribution Description

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

Employees Covered

At June 30, 2020, the following employees were covered by the benefit terms for Miscellaneous Plan.

Member Type	
Active Members	669
Transferred Members	326
Seperated Members	302
Retired Members and Beneficiaries	960
Total	2,257

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

9. RETIREMENT PLANS, Continued

A. Miscellaneous Plan, Continued

Actuarial Assumptions

For the measurement period ended June 30, 2019, (the measurement date), the total pension liability was determined by rolling forward the June 30, 2018, total pension liability. The June 30, 2019, total pension liabilities were based on the following actuarial methods and assumptions.

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Fair Value of Assets
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases ⁽¹⁾	Varies by Entry Age and Service
Investment Rate of Return ⁽²⁾	7.15%
Mortality Rate Table ⁽³⁾	Derived using CalPERS' membership data for all funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.50% until Purchasing Protection Allowance floor on purchasing power applies, 2.50% thereafter

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

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

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

All other actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period 1997 to 2015, including updates to salary increases, mortality, and retirement dates. The Experience Study report may be accessed on the CalPERS website at www.calpers.ca.gov under Forms and Publications.

Discount Rate

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

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

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

9. RETIREMENT PLANS, Continued

A. Miscellaneous Plan, Continued

Discount Rate, Continued

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

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

Asset Class ⁽¹⁾	Assumed Asset Allocation	Real Return Years 1-10 ⁽²⁾	Real Return Years 11+ ⁽³⁾
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
	100%		

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

(2) An expected inflation of 2.00% used for this period.

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

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

9. RETIREMENT PLANS, Continued

A. Miscellaneous Plan, Continued

Changes in Net Pension Liability

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability / (Asset)
Balance at June 30, 2019	\$ 408,424,540	\$ 316,865,468	\$ 91,559,072
Measurement Period:			
Service cost	7,900,459	-	7,900,459
Interest on the total pension liability	28,954,157	-	28,954,157
Changes of benefit terms	-	-	-
Changes of assumptions	-	-	-
Differences between expected and actual experience	2,306,451	-	2,306,451
Net Plan to plan resource movement	-	12,275	(12,275)
Contributions - employer	-	10,017,877	(10,017,877)
Contributions - employees	-	3,376,687	(3,376,687)
Net investment income	-	20,786,561	(20,786,561)
Benefit payments, including refunds of employee contributions	(19,455,950)	(19,455,950)	-
Administrative expense	-	(226,122)	226,122
Other miscellaneous income/(expense)	-	718	(718)
Net Changes	19,705,117	14,512,046	5,193,071
Balance at June 30, 2020	\$ 428,129,657	\$ 331,377,514	\$ 96,752,143

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:

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Net Pension Liability	\$ 151,582,197	\$ 96,752,143	\$ 51,139,890

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

9. RETIREMENT PLANS, Continued

A. Miscellaneous Plan, Continued

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

For the year ended June 30, 2020, the City recognized pension expense of \$20,709,262 for the Miscellaneous Plan. For the year ended June 30, 2019, the City contributed \$11,511,262. At June 30, 2019 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
<u>Miscellaneous</u>		
Pension contributions subsequent to the measurement date	\$ 11,511,262	\$ -
Changes of Assumptions	-	(898,713)
Differences between expected and actual experiences	1,593,709	-
Net difference between projected and actual earnings on pension plan investments	-	(1,742,739)
	<u>\$ 13,104,971</u>	<u>\$ (2,641,452)</u>

\$11,511,262 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year	Deferred Outflows / (Inflows) of Resources
2021	\$ 950,025
2022	(1,957,993)
2023	(365,880)
2024	326,105
Total	<u>\$ (1,047,743)</u>

Pension Plan Fiduciary Net Position

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

Payable to the Pension Plan

At June 30, 2020, the City reported no payables outstanding to the pension plan.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

9. RETIREMENT PLANS, Continued

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 CalPERS website.

Benefits Provided

Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are generally eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law. The Plan provisions and benefits in effect at June 30, 2020, 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% @ 50	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	23.65%	20.60%	13.79%
Required employer contribution rates-Non-Sworn	9.49%	9.49%	7.25%
Required employee contribution rates-Sworn	8.99%	8.99%	12.75%
Required employee contribution rates-Non-Sworn	7.00%	7.00%	6.75%

<u>Fire</u>	<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 3</u>
Hire Date	Prior to 9/3/2011	9/3/2011 - 12/31/2012	After 12/31/2012
Benefit formula	3.0% @ 50	3.0% @ 50	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	23.65%	20.60%	13.79%
Required employee contribution rates	8.99%	8.99%	12.75%

Additional employer contributions of \$5,057,270 of UAL was made at the beginning of the year.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

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 Safety risk pools, the Plan’s actuarially determined rate is based on the estimated amount necessary to pay the Plan’s allocated share of the risk pool’s costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The net pension liabilities have been paid out through contributions by General Fund in the prior years.

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

As of June 30, 2020, the City reported a liability of \$74,225,347 for its proportionate share of the Plan’s net pension Liability. The City’s contribution to the Safety plan for the year ended June 30, 2020, was \$8,124,640 and recognized a pension expense in the amount of \$7,176,963. The net pension liability of the Plan is measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019, using standard update procedures. The City’s net pension liability for the Safety Plan is measured as the proportionate share of the net pension liability of its risk pool with CalPERS. The City’s proportion of the net pension liability was based on CalPERS’ Public Agency Cost-Sharing Allocation Methodology Report, which can be obtained on the CalPERS website.

The City’s proportionate share of the cost-sharing net pension liability for the Safety Plan as of June 30, 2019 (measurement date) was as follows:

	Proportions - June 30, 2019	Proportions - June 30, 2018	Change - Increase (Decrease)
Safety	1.18903%	1.16382%	0.02521%

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

9. RETIREMENT PLANS, Continued

B. Safety Plans, Continued

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

At June 30, 2020, 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>Safety</i>		
Pension contributions subsequent to the measurement date	\$ 8,124,640	\$ -
Changes of Assumptions	3,042,368	(593,715)
Differences between expected and actual experiences	4,846,246	-
Difference in actual contribution and proportionate share of contribution	13,080	(2,222,472)
Changes in proportion	2,159,711	(1,383)
Net difference between projected and actual earnings on pension plan investments	-	(1,021,096)
Adjustment due to differences in proportions	-	-
Total	\$ 18,186,045	\$ (3,838,666)

The contributions of \$8,124,640 were made subsequent to the measurement date and will be recognized in June 30, 2021. The remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year	Deferred Outflows / (Inflows) of Resources
2021	\$ 5,456,753
2022	(193,697)
2023	761,008
2024	198,674
Total	\$ 6,222,739

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

9. RETIREMENT PLANS, Continued

B. Safety Plans, Continued

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2019, (the measurement date), the total pension liability was determined by rolling forward the June 30, 2018, total pension liability. The June 30, 2019, total pension liabilities were based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Fair Value of Assets
Actuarial Assumptions	
Discount Rate	7.15 %
Inflation	2.50 %
Salary Increases ⁽¹⁾	Varies by Entry Age and Service
Investment Rate of Return ⁽²⁾	7.15 %
Mortality Rate Table ⁽³⁾	Derived using CalPERS' membership data for all funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.50% until Purchasing Protection Allowance floor on purchasing power applies, 2.50% thereafter

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

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

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

All other actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period 1997 to 2015, including updates to salary increases, mortality, and retirement dates. The Experience Study report may be accessed on the CalPERS website at www.calpers.ca.gov under Forms and Publications.

Discount Rate

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

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

9. RETIREMENT PLANS, Continued

B. Safety Plans, Continued

Discount Rate, Continued

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

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

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

Asset Class ⁽¹⁾	Assumed Asset Allocation	Real Return Years 1-10 ⁽²⁾	Real Return Years 11+ ⁽³⁾
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
	100%		

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

(2) An expected inflation of 2.00% used for this period.

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

Change of Assumption

The demographic assumption accordance with December 2017 Experience Study.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

9. RETIREMENT PLANS, Continued

B. Safety Plans, Continued

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:

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Net Pension Liability	\$ 112,545,473	\$ 74,225,347	\$ 42,808,847

Pension Plan Fiduciary Net Position

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

Payable to the Pension Plan

At June 30, 2020, the City reported no payables outstanding to the pension plan.

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

As of June 30, 2020, the City reported total net pension liability, pension expense, deferred outflows of resources and deferred inflows of resources for both Miscellaneous and Safety Plans as follows:

Plan	Net Pension Liability	Deferred Inflows of Resources	Deferred Outflows of Resources	Pension Expense
Miscellaneous	\$ 96,752,143	\$ 2,641,452	\$ 13,104,971	\$ 20,709,262
Safety	74,225,347	3,838,666	18,186,045	7,176,963
Total	<u>\$ 170,977,490</u>	<u>\$ 6,480,118</u>	<u>\$ 31,291,016</u>	<u>\$ 27,886,225</u>

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

10. POST-EMPLOYMENT 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 \$136 per month for calendar year 2019, and \$139 per month for calendar year 2020 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, Continued
For the year ended June 30, 2020

10. POST-EMPLOYMENT RETIREMENT BENEFITS, Continued

B. Employees Covered

	Active Employees	808
Inactive employees or beneficiaries currently receiving benefits payments		266
Inactive employees entitled to, but not yet receiving benefits		-
		<u>1,074</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 2020, the City made benefit payments in the amount of \$1,066,725, including the estimated implied subsidy of \$669,285. The Total OPEB liabilities have been paid out through contributions by the fund where the employee worked which mainly was the General Fund in the prior years.

D. Assumption

The City’s total OPEB liability was measured as of June 30, 2018 and was determined by an actuarial valuation dated June 30, 2018 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	5.80% for 2020 and decreasing 0.10% each year to a rate of 5% in 2028 and later years.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

10. POST-EMPLOYMENT RETIREMENT BENEFITS, Continued

E. Changes in Total OPEB Liability

	Increase (Decrease)
	<u>Total OPEB Liability</u>
Balance at June 30, 2019	<u>\$ 38,141,657</u>
Changes recognized for year:	
Service cost	2,357,686
Interest	1,448,770
Changes in benefit term	-
Differences in expected and actual experience	-
Changes in assumption	2,587,946
Contributions	-
Net investment income	-
Administrative expenses	-
Benefit payments	(964,741)
Net Changes	<u>5,429,661</u>
Balance at June 30, 2020	<u><u>\$ 43,571,318</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, 2020:

Total OPEB Liability		
Discount Rate	Current Discount	Discount Rate
-1% (2.13%)	Rate (3.13%)	+1% (4.13%)
\$ 49,707,536	\$ 43,571,318	\$ 38,536,947

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

10. POST-EMPLOYMENT 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, 2020:

Total OPEB Liability		
Trend Rate Decrease of 1%	Current Healthcare Cost Trend Rates	Trend Rate Increase of 1%
\$ 37,356,377	\$ 43,571,318	\$ 51,424,379

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, 2020, the City recognized OPEB expense of \$7,129,481.

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to the measurement date	\$ 1,066,725	\$ -
Changes of Assumptions	2,218,239	(1,315,050)
Differences between expected and actual experiences	-	(1,536,257)
Total	<u>\$ 3,284,964</u>	<u>\$ (2,851,307)</u>

As of fiscal year, ended June 30, 2020, the City reported deferred outflows of resources related to OPEB in the amount of \$1,066,725 for its benefit payments subsequent to the measurement date. This amount will be recognized as an OPEB expense in fiscal year 2021. Other amounts will be recognized to OPEB expenses as follows:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
2021	\$ 369,707	\$ (518,419)
2022	369,707	(518,419)
2023	369,707	(518,419)
2024	369,707	(518,419)
Thereafter	739,411	(777,631)
Total	<u>\$ 2,218,239</u>	<u>\$ (2,851,307)</u>

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

11. LANDFILL CLOSURE AND POSTCLOSURE COSTS

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

The total estimated costs are as follows:

Total estimated closure costs	\$ 4,330,917
Total estimated postclosure costs	<u>13,442,527</u>
Total estimated closure and postclosure costs	<u><u>\$ 17,773,444</u></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, 2020, the estimated landfill closure cost liabilities of \$8,316,243 and estimated annual landfill closure cost adjustment of \$397,646 were calculated as follows:

Total estimated closure and postclosure costs	\$ 17,773,444
Percent of used capacity to total capacity	<u>46.79%</u>
Revised estimated total closure and postclosure costs liability	8,316,243
Previous closure costs accrued	<u>(7,918,597)</u>
Expense for closure and postclosure costs	<u><u>\$ 397,646</u></u>

The landfill has an estimated remaining capacity of 4,491,013 cubic yards and has a current projected closure date of January, 2055.

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, 2020 was \$8,316,243, and is available to provide for closure and post closure costs. Total funds accumulated as of June 30, 2020, are comprised as follows:

Closure	\$ 2,026,448
Postclosure	<u>6,289,795</u>
Total	<u><u>\$ 8,316,243</u></u>

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

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, 2020:

<u>Major Commitments and Contracts</u>	
WWTF Ultraviolet Disinfections System Replacement	\$ 3,807,154
MB Sanctuary Scenic Trail (Rail Trail) - Segment 7	3,604,778
Felton Diversion Bladder Replacement	2,521,659
Coast Pump Station Line Repairs	1,441,544
NCD I/O Replacement Project	1,233,683
Citywide Sign Program Phase II	1,143,563
GHWTP Flocculator Rehab/Replacement	1,054,533
Landfill Master Plan Development	810,366
WWTF-Equipment Replacement	720,770
Graham Hill WTP Tube Settler Replacement	672,222
	<u>\$ 17,010,271</u>

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

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, 2020, were \$287,303. 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, 2020, are as follows:

<u>Year Ending June 30, 2020</u>	<u>Amount</u>
2021	\$ 154,067
2022	113,647
2023	115,820
2024	119,295
2025	122,874
2026	111,085
Total future minimum lease payments	<u>\$ 736,788</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, 2020, were \$1,242,857. The total cost of leased assets as of June 30, 2020, was \$37,977,602, and the accumulated depreciation of those assets that are depreciable amounted to \$16,226,713.

Future estimated revenues from these leases are as follows:

<u>Year Ending June 30, 2020</u>	<u>Amount</u>
2021	\$ 1,093,264
2022	935,341
2023	699,458
2024	609,818
2025	587,065
2026-2030	2,278,173
2031-2035	1,440,812
2036-2040	782,232
2041-2045	273,392
2046-2050	180,015
Future years	227,814
Total	<u>\$ 9,107,384</u>

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

14. FUND BALANCE

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

On June 11, 2013, City Council adopted Resolution NS-28,655 which established an emergency contingency reserve equivalent to a minimum of two-months of the current fiscal year's Adopted Total General Fund Operating Expenditure Budget. City Council authorized the City Manager to maintain a minimum balance defined above through transfers of available ending Fund Balance after the Budget is adopted but before the end of the fiscal year. The reserve may be used for expenditures in the event of a declaration of a state or federal state of emergency or a local emergency as defined in the City Charter's Municipal Code Section 612. At June 30, 2020, the City had \$4,116,415 earmarked pursuant to Resolution NS-28,655.

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

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

Deficit fund equity. The General Capital Improvement Fund reported deficit fund equity of \$6,183,553 which will be reduced through recognition of future available revenues and future program income.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

14. FUND BALANCE, Continued

The following table shows the classifications of the City's fund balances at the end of June 30, 2020:

Fund Balance Category	General Fund	RDA Successor Agency - LMIH	General Capital Improvement	Other Governmental Funds	Total
Non-spendable:					
Interfund advances	\$ 2,586,450	\$ -	\$ -	\$ -	\$ 2,586,450
Noncurrent receivables	2,480,043			-	\$ 2,480,043
Prepaid items	450	-	-	-	450
Restricted:					
Clean rivers, oceans, and beaches	-	-	-	1,689,661	1,689,661
Debt service				1,748,363	1,748,363
Hardship grants	265,410				265,410
Housing programs	-	12,249,579		6,222,852	18,472,431
Parks and Recreation	-			1,836,974	1,836,974
Police programs	-			672,832	672,832
Streets and roads	-			5,223,591	5,223,591
Traffic impact	-			2,141,899	2,141,899
Retiree benefits	11,663,114				11,663,114
Committed:					
Capital projects	3,709,804				3,709,804
Assigned					
Assigned	3,668,540				3,668,540
Unassigned					
Unassigned	4,116,415		(6,183,533)		(2,067,118)
Total Fund Balances	\$ 28,490,226	\$ 12,249,579	\$ (6,183,533)	\$ 19,536,172	\$ 54,092,444

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

15. SUCCESSOR AGENCY TRUST

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

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

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).⁶⁸

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	\$ 1,750,946
Cash and investments with fiscal agent	<u>30,408,677</u>
	<u>\$32,159,623</u>

B. Loans Receivable

At June 30, 2020, loans receivable consisted of \$315,448 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, Continued
For the year ended June 30, 2020

15. SUCCESSOR AGENCY TRUST, Continued

C. Capital Assets

An analysis of capital assets as of June 30, 2020, follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
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	(165,363)	(25,687)	-	(191,050)
Buildings	(2,845,922)	(348,213)	-	(3,194,135)
Machinery and equipment	(91,847)	(9,916)	-	(101,763)
Lease improvements	(196,108)	(11,767)	-	(207,875)
Intangibles	(10,966)	-	-	(10,966)
Subtotal Depreciable Assets	<u>(3,310,206)</u>	<u>(395,583)</u>	<u>-</u>	<u>(3,705,789)</u>
Net Capital Assets	<u>\$ 8,677,231</u>	<u>\$ (395,583)</u>	<u>\$ -</u>	<u>\$ 8,281,648</u>

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

15. SUCCESSOR AGENCY TRUST, Continued

D. Long-Term Debt

For the year ended June 30, 2020, 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, 2020
<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	\$3,025,000
				Unamortized Premium	375
				Net Balance	\$3,025,375
<i>2011 Taxable Housing Tax Allocation Bonds, Series A</i>					
To fund housing-related projects in the Merged Earthquake Reconstruction Project Area ("Project Area")	10/1/11-10/1/24	6.59%	\$220,000-\$880,000	\$8,250,000	\$3,890,000
<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	\$11,545,000
<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	\$3,975,000
					<u>\$22,435,375</u>

The following table summarizes long-term debt activity for the year ended June 30, 2020:

	Balance July 1, 2019	Transfers from Governmental Activities	Retirements	Balance June 30, 2020	Amount Due Within One Year	Amount Due in More Than One Year
Tax allocation bonds:	\$ 25,000,000	\$ -	\$ (2,565,000)	\$ 22,435,000	\$ 2,720,000	\$ 19,715,000
Bond issuance premiums	1,875	-	(1,500)	375	375	-
Total tax allocation bonds	<u>25,001,875</u>	<u>-</u>	<u>(2,566,500)</u>	<u>22,435,375</u>	<u>2,720,375</u>	<u>19,715,000</u>
Total	<u>\$ 25,001,875</u>	<u>\$ -</u>	<u>\$ (2,566,500)</u>	<u>\$ 22,435,375</u>	<u>\$ 2,720,375</u>	<u>\$ 19,715,000</u>

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

15. SUCCESSOR AGENCY TRUST, Continued

D. Long-Term Debt, Continued

As of June 30, 2020, future debt service requirements to maturity for outstanding debt were:

For Year Ending June 30,	Tax Allocation Bonds	
	Principal	Interest
2021	\$ 2,720,000	\$ 1,267,215
2022	2,880,000	1,095,707
2023	3,065,000	913,283
2024	3,245,000	719,261
2025	3,450,000	512,927
2026-2030	6,450,000	624,813
2031-2035	625,000	29,253
	<u>\$ 22,435,000</u>	<u>\$ 5,162,459</u>
Unamortized Premiums	375	-
Totals	<u>\$ 22,435,375</u>	<u>\$ 5,162,459</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 \$27,597,459 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 \$4,250,048, and the debt service obligation on the bonds was \$3,993,637.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

15. 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.

16. SUBSEQUENT EVENTS

A. Memorandum of Understandings

Effective October 2020, City Council approved and adopted a Memorandum of Understandings with the Police Officers Association, Fire Local 1716, and Temporary Service Employees SEIU Local 521.

B. Construction Sale Agreement

Effective June 2020, City Council approved and adopted a resolution authorizing the Water Department to sign a Construction Sale Agreement with the California State Water Resources Control Board. In September 2020, the City executed the project agreement in an amount of \$103,453,000.

C. Installment Sale Agreement

Effective May 2020, City Council approved and adopted a resolution authorizing the City to sign an Installment Sale Agreement with the IBank. In November 2020, the City executed the Installment Sale Agreement in an amount of \$3,500,000.

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REQUIRED SUPPLEMENTARY INFORMATION

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BUDGETARY SCHEDULES

City of Santa Cruz

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual

General Fund

For the year ended June 30, 2020

	Budgeted Amounts		Actual Amounts (Budgetary)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes	\$ 81,112,700	\$ 81,112,700	\$ 73,226,236	\$ (7,886,464)
Licenses and permits	1,341,700	1,401,700	1,492,276	90,576
Intergovernmental	684,672	2,631,165	1,261,048	(1,370,117)
Charges for services:	19,232,407	19,232,407	16,315,021	(2,917,386)
Fines and forfeitures	1,739,135	1,739,135	1,535,295	(203,840)
Use of money and property	7,396,580	7,396,580	6,443,518	(953,062)
Other revenues	378,060	408,517	529,933	121,416
Total revenues	111,885,254	113,922,204	100,803,327	(13,118,877)
Expenditure:				
Current:				
City Council	472,087	534,627	469,226	65,401
City Manager	5,792,308	6,178,132	5,557,059	621,073
City Attorney	1,415,343	1,817,159	1,817,159	-
Human Resources	1,517,629	1,577,940	1,577,940	-
Finance	4,356,703	4,440,902	3,375,400	1,065,502
Information Technology	4,871,550	4,931,257	4,522,479	408,778
Police	30,035,349	30,694,295	27,174,899	3,519,396
Fire	19,372,721	20,172,701	19,808,181	364,520
Parks and Recreation	17,158,686	17,951,958	14,563,976	3,387,982
Library	1,674,751	1,674,751	1,674,751	-
Public Works	10,359,741	10,312,909	8,162,855	2,150,054
Planning and Community Development	7,790,722	8,638,376	5,779,385	2,858,991
Economic Development	3,544,563	5,500,531	3,998,981	1,501,550
Debt service:	5,064,331	5,064,331	5,070,065	(5,734)
Total expenditures	113,426,484	119,489,869	103,552,356	15,937,513
Excess (deficiency) of revenues over (under) expenditures	(1,541,230)	(5,567,665)	(2,749,029)	2,818,636
Other financing sources (uses):				
Sale of Capital Assets	13,200	13,200	20,528	7,328
Issurance of long-term debt	29,286	29,286	-	(29,286)
Transfers in	2,512,216	2,512,216	141,400	(2,370,816)
Transfers out	(3,116,552)	(7,873,505)	(1,179,944)	6,693,561
Total other financing sources (uses)	(561,850)	(5,318,803)	(1,018,016)	4,300,787
Net change in fund balances	(2,103,080)	(10,886,468)	(3,767,045)	7,119,423
Fund balances, beginning of the year	31,890,118	31,890,118	31,890,118	-
Fund balances, end of year	\$ 29,787,038	\$ 21,003,650	\$ 28,123,073	\$ 7,119,423

Reconciliation between actual GAAP amounts and actual budgetary amounts:

Unrealized gain/loss in investments:	367,153
Loan principal receipts:	-
Ending Fund Balance (GAAP)	\$ 28,490,226

See note to budgetary schedules

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, 2020

	Budgeted Amounts		Actual Amounts (Budgetary)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 28,750	\$ 28,750	\$ 28,750	\$ -
Use of money and property	494,274	494,274	352,382	(141,892)
Other revenues	150,000	843,889	1,989	(841,900)
Total revenues	673,024	1,366,913	383,121	(983,792)
Expenditures:				
Department:				
Community and economic development:	222,940	311,609	167,552	144,057
Capital outlay	731,958	1,106,109	-	1,106,109
Total expenditures	954,898	1,417,718	167,552	1,250,166
Net change in fund balance	(281,874)	(50,805)	215,569	266,374
Fund balances, beginning of the year	12,025,370	12,025,370	12,025,370	-
Fund balances, end of year	\$ 11,743,496	\$ 11,974,565	\$ 12,240,939	\$ 266,374

Reconciliation between actual GAAP amounts and actual budgetary amounts:

Unrealized gain/loss in investments:	8,640
Loan offsets	-
Ending Fund Balance (GAAP)	<u>\$ 12,249,579</u>

See note to budgetary schedules

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)

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

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

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

Miscellaneous Plan

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

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

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

Safety Plan	2020	2019	2018	2017	2016	2015
Fiscal Year Ended	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Measurement dates:	1.1890%	1.1638%	1.1282%	1.1262%	1.0898%	1.0167%
Proportion of the collective net pension liability						
Proportionate share of the collective net pension liability	\$ 74,225,347	\$ 68,287,671	\$ 67,411,262	\$ 58,326,239	\$ 44,902,753	\$ 38,137,949
Covered payroll	\$ 16,620,902	\$ 18,450,275	\$ 19,321,503	\$ 18,222,345	\$ 17,578,572	\$ 16,480,683
Proportionate Share of the net pension liability as a percentage of covered employee payroll	446.58%	370.12%	348.89%	320.08%	255.44%	231.41%
Plan fiduciary net position as a percentage of the total pension liability	73.39%	71.74%	73.31%	74.06%	78.40%	79.82%
Significant changes in assumptions						
Discount rate	7.15%	7.15%	7.15%	7.65%	7.65%	7.50%
Inflation rate	2.50%	2.50%	2.75%	2.75%	2.75%	2.75%

⁽¹⁾ Fiscal year ended June 30, 2015, was the first year of implementation; therefore, only six years are shown.

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

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

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

City of Santa Cruz

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

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

	Fiscal Year Ended		
	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 2,357,686	\$ 2,602,431	\$ 1,758,129
Interest	1,448,770	1,214,282	1,156,132
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	(2,094,895)	-
Change of assumptions	2,587,946	(1,793,250)	-
Benefit payments, included refunds of employee contributions	(964,741)	(1,154,846)	(959,486)
Net change in total OPEB liability	5,429,661	(1,226,278)	1,954,775
Total OPEB liability - beginning of year	38,141,658	39,367,936	37,413,161
Total OPEB liability - end of year	<u>\$ 43,571,319</u>	<u>\$ 38,141,658</u>	<u>\$ 39,367,936</u>
Measurement dates:	6/30/2019	6/30/2018	6/30/2017
Covered employee payroll	\$ 62,330,109	\$ 65,699,401	\$62,434,938
Total OPEB liability as a percentage of covered-employee payroll	69.90%	58.05%	63.05%

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

City of Santa Cruz
Notes to Required Supplementary Information
For the year ended June 30, 2020

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, 2020. 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 Regional Transportation Commission.

Debt Service Funds:

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

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

City of Santa Cruz
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2020

	Special Revenue					
	Police	State Highway	2016 Transportation Measure D	Traffic Impact Fee	Clean River, Oceans, and Beaches	Parks and Recreation
ASSETS						
Assets:						
Cash and cash equivalents	\$ 862,091	\$ 3,328,718	\$ 1,624,389	\$ 2,131,200	\$ 1,691,900	\$ 1,835,536
Interest receivable	608	1,070	1,409	3,250	1,219	1,438
Taxes receivable	-	174,049	-	-	31,278	-
Accounts receivable - net	-	21,528	239,187	7,449	-	-
Intergovernmental receivable	-	1,171,602	-	-	-	-
Prepaid items	-	-	-	-	-	-
Restricted cash and investments	-	125,891	-	-	-	-
Notes receivable - net	-	-	-	-	-	-
Loans receivable - net	-	-	-	-	-	-
Total assets	\$ 862,699	\$ 4,822,858	\$ 1,864,985	\$ 2,141,899	\$ 1,724,397	\$ 1,836,974
Liabilities:						
Accounts payable and other current liabilities	\$ -	\$ 883,201	\$ -	\$ -	\$ 34,736	\$ -
Unearned revenue	189,867	-	-	-	-	-
Deposits payable	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-
Total liabilities	189,867	883,201	-	-	34,736	-
Deferred inflows of resources:						
Unavailable revenue	-	475,521	105,530	-	-	-
Fund Balances:						
Non-spendable						
Interfund advances	-	-	-	-	-	-
Long term receivables	-	-	-	-	-	-
Restricted:						
Clean rivers, oceans, and beaches	-	-	-	-	1,689,661	-
Debt service	-	-	-	-	-	-
Housing programs	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	1,836,974
Police programs	672,832	-	-	-	-	-
Streets and roads	-	3,464,136	1,759,455	-	-	-
Traffic impact	-	-	-	2,141,899	-	-
Total fund balances	672,832	3,464,136	1,759,455	2,141,899	1,689,661	1,836,974
Total liabilities, deferred inflows of resources and fund balances	\$ 862,699	\$ 4,822,858	\$ 1,864,985	\$ 2,141,899	\$ 1,724,397	\$ 1,836,974

Special Revenue		Debt Service			Total Other
Housing and Community Development	Transportation Development Act	General Obligation Bond	Lease Revenue Bond		Governmental Funds
\$ 3,889,023	\$ 25,001	\$ 1,392,004	\$ 406,054	\$	17,185,916
990,943	-	988	268		1,001,193
-	-	25,813	-		231,140
34,913	-	-	-		303,077
250,276	-	-	-		1,421,878
761	-	-	-		761
-	-	-	-		125,891
75,000	-	-	-		75,000
2,578,101	-	-	-		2,578,101
<u>\$ 7,819,017</u>	<u>\$ 25,001</u>	<u>\$ 1,418,805</u>	<u>\$ 406,322</u>	<u>\$</u>	<u>22,922,957</u>
\$ 79,187	\$ 25,001	\$ -	\$ -	\$	1,022,125
-	-	-	-		189,867
34	-	-	-		34
500,000	-	-	76,764		576,764
<u>579,221</u>	<u>25,001</u>	<u>-</u>	<u>76,764</u>		<u>1,788,790</u>
1,016,944	-	-	-		1,597,995
-	-	-	-		-
-	-	-	-		-
-	-	-	-		1,689,661
-	-	1,418,805	329,558		1,748,363
6,222,852	-	-	-		6,222,852
-	-	-	-		1,836,974
-	-	-	-		672,832
-	-	-	-		5,223,591
-	-	-	-		2,141,899
<u>6,222,852</u>	<u>-</u>	<u>1,418,805</u>	<u>329,558</u>		<u>19,536,172</u>
<u>\$ 7,819,017</u>	<u>\$ 25,001</u>	<u>\$ 1,418,805</u>	<u>\$ 406,322</u>	<u>\$</u>	<u>22,922,957</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, 2020

	Special Revenue					
	Police	State Highway	2016 Transportation Measure D	Traffic Impact Fee	Clean River, Oceans, and Beaches	Parks and Recreation
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 629,680	\$ 233,342
Intergovernmental	203,844	3,620,734	1,400,614	-	-	-
Charges for services	20,470	-	-	-	-	-
Use of money and property	15,493	33,806	27,517	86,888	30,419	41,269
Other revenues	-	11,692	-	458,946	-	98,985
Total revenues	239,807	3,666,232	1,428,131	545,834	660,099	373,596
Expenditures:						
Current:						
Public safety	110,000	-	-	-	-	-
Public works	-	1,288,387	-	44,765	494,813	-
Transit	-	-	-	-	-	-
Community and economic development	-	-	-	-	-	-
Capital outlay	-	3,540,428	-	-	-	-
Debt service:						
Principal	-	22,732	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	110,000	4,851,547	-	44,765	494,813	-
Revenues over (under) expenditures	129,807	(1,185,315)	1,428,131	501,069	165,286	373,596
Other financing sources (uses):						
Transfers in	-	2,652,846	-	-	-	-
Transfers out	-	(675,087)	(476,998)	(2,643,646)	-	(254,002)
Total other financing sources (uses)	-	1,977,759	(476,998)	(2,643,646)	-	(254,002)
Net change in fund balances	129,807	792,444	951,133	(2,142,577)	165,286	119,594
Fund balances:						
Beginning of year	543,025	2,671,692	808,322	4,284,476	1,524,375	1,717,380
End of year	\$ 672,832	\$ 3,464,136	\$ 1,759,455	\$ 2,141,899	\$ 1,689,661	\$ 1,836,974

Special Revenue		Debt Service			Total Other
Housing and Community Development	Transportation Development Act	General Obligation Bond	Lease Revenue Bond		Governmental Funds
\$ -	\$ -	\$ 506,257	\$ -	\$ -	\$ 1,369,279
860,938	1,013,564	-	-	-	7,099,694
12,640	-	-	-	-	33,110
221,598	-	24,186	366,183	-	847,359
224,238	-	-	-	-	793,861
<u>1,319,414</u>	<u>1,013,564</u>	<u>530,443</u>	<u>366,183</u>		<u>10,143,303</u>
-	-	-	-	-	110,000
-	-	-	-	-	1,827,965
-	1,013,564	-	-	-	1,013,564
913,146	-	-	-	-	913,146
-	-	-	-	-	3,540,428
-	-	315,000	175,000	-	512,732
-	-	199,486	188,190	-	387,676
<u>913,146</u>	<u>1,013,564</u>	<u>514,486</u>	<u>363,190</u>		<u>8,305,511</u>
<u>406,268</u>	<u>-</u>	<u>15,957</u>	<u>2,993</u>		<u>1,837,792</u>
-	-	-	-	-	2,652,846
(191,754)	-	-	-	-	(4,241,487)
(191,754)	-	-	-	-	(1,588,641)
214,514	-	15,957	2,993	-	249,151
<u>6,008,338</u>	<u>-</u>	<u>1,402,848</u>	<u>326,565</u>		<u>19,287,021</u>
<u>\$ 6,222,852</u>	<u>\$ -</u>	<u>\$ 1,418,805</u>	<u>\$ 329,558</u>		<u>\$ 19,536,172</u>

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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, 2020

	Budgeted Amounts		Actual Amounts (Budgetary)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 1,480,128	\$ 1,480,128	\$ 2,758,892	\$ 1,278,764
Intergovernmental	12,415,850	33,603,869	1,820,973	(31,782,896)
Use of money and property	9,270	9,270	132,317	123,047
Other revenues	89,285	1,869,105	228,302	(1,640,803)
Total revenues	13,994,533	36,962,372	4,940,484	(32,021,888)
Expenditures:				
Capital projects	20,774,217	63,008,501	11,241,246	51,767,255
Debt service:				
Principal	220,000	220,000	140,000	80,000
Interest and fiscal charges	132,094	132,094	139,490	(7,396)
Total expenditures	21,126,311	63,360,595	11,520,736	51,839,859
Excess (deficiency) of revenues over (under) expenditures	(7,131,778)	(26,398,223)	(6,580,252)	19,817,971
Other financing sources (uses)				
Capital contributions	-	1,650,000	-	(1,650,000)
Issuance of long term debt	-	689,651	-	(689,651)
Premium	-	-	-	-
Payment to bond issuers	-	-	-	-
Transfers in	3,548,724	11,581,209	2,957,069	(8,624,140)
Transfers out	(302,851)	(802,851)	-	802,851
Total other financing sources (uses)	3,245,873	13,118,009	2,957,069	(10,160,940)
Net change in fund balances	(3,885,905)	(13,280,214)	(3,623,183)	9,657,031
Fund Balances, beginning of the year	(2,564,118)	(2,564,118)	(2,564,118)	-
Fund Balances, end of year	\$ (6,450,023)	\$ (15,844,332)	\$ (6,187,301)	\$ 9,657,031

Reconciliation between actual GAAP amounts and actual budgetary amounts:

Unrealized gain/loss in investments	3,768
Ending Fund Balance (GAAP)	<u>\$ (6,183,533)</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, 2020

	Budgeted Amounts		Actual Amounts (Budgetary)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 140,000	\$ 140,000	\$ 203,844	\$ 63,844
Charges for services	8,245	8,245	20,470	12,225
Fines and forfeitures	12,000	12,000	-	(12,000)
Use of money and property	8,320	8,320	11,467	3,147
Total revenues	<u>168,565</u>	<u>168,565</u>	<u>235,781</u>	<u>67,216</u>
Expenditures:				
Current:				
Public safety	<u>110,000</u>	<u>110,000</u>	<u>110,000</u>	<u>-</u>
Total expenditures	<u>110,000</u>	<u>110,000</u>	<u>110,000</u>	<u>-</u>
Net change in fund balance	58,565	58,565	125,781	67,216
Fund balance, beginning of the year	<u>543,025</u>	<u>543,025</u>	<u>543,025</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 601,590</u></u>	<u><u>\$ 601,590</u></u>	<u><u>\$ 668,806</u></u>	<u><u>\$ 67,216</u></u>

Reconciliation between actual GAAP amounts and actual budgetary amounts:

Unrealized gain/loss in investments:	<u>4,026</u>
Ending Fund Balance (GAAP)	<u><u>\$ 672,832</u></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, 2020

	Budgeted Amounts		Actual Amounts (Budgetary)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 3,511,514	\$ 18,562,914	\$ 3,620,734	\$ (14,942,180)
Use of money and property	7,540	7,540	26,840	19,300
Other revenues	-	-	11,692	11,692
Total revenues	3,519,054	18,570,454	3,659,266	(14,911,188)
Expenditures:				
Current:				
Public works	629,680	726,565	1,288,387	(561,822)
Capital outlay	1,500,000	24,244,892	3,540,428	20,704,464
Debt service:				
Principal	25,000	25,000	22,732	2,268
Total expenditures	2,154,680	24,996,457	4,851,547	20,144,910
Excess (deficiency) of revenues over (under) expenditures	1,364,374	(6,426,003)	(1,192,281)	5,233,722
Other financing sources (uses):				
Contributions from other agencies	100,000	100,000	-	(100,000)
Transfers in	450,000	5,779,560	2,652,846	(3,126,714)
Transfers out	(800,161)	(2,611,214)	(675,087)	1,936,127
Total other financing sources (uses)	(250,161)	3,268,346	1,977,759	(1,290,587)
Net change in fund balance	1,114,213	(3,157,657)	785,478	3,943,135
Fund balances, beginning of the year	2,671,692	2,671,692	2,671,692	-
Fund balances, end of year	\$ 3,785,905	\$ (485,965)	3,457,170	\$ 3,943,135

Reconciliation between actual GAAP amounts and actual budgetary amounts:

Unrealized gain/loss in investments:	6,966
Ending Fund Balance (GAAP)	<u>\$ 3,464,136</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, 2020

	Budgeted Amounts		Actual Amounts (Budgetary)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ 62,800	\$ 62,800	\$ 65,448	\$ 2,648
Other revenues	500,000	500,000	458,946	(41,054)
Total revenues	562,800	562,800	524,394	(38,406)
Expenditures:				
Current:				
Public works	71,190	61,190	44,765	16,425
Total expenditures	71,190	61,190	44,765	16,425
Excess (deficiency) of revenues over (under) expenditures	491,610	501,610	479,629	(21,981)
Other financing sources (uses):				
Transfers out	(300,000)	(5,604,560)	(2,643,646)	2,960,914
Total other financing sources (uses)	(300,000)	(5,604,560)	(2,643,646)	2,960,914
Net change in fund balance	191,610	(5,102,950)	(2,164,017)	2,938,933
Fund balance, beginning of the year	4,284,476	4,284,476	4,284,476	-
Fund balance, end of year	\$ 4,476,086	\$ (818,474)	2,120,459	\$ 2,938,933

Reconciliation between actual GAAP amounts and actual budgetary amounts:

Unrealized gain/loss in investments:	21,440
Ending Fund Balance (GAAP)	<u>\$ 2,141,899</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, 2020

	Budgeted Amounts		Actual Amounts (Budgetary)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 635,712	\$ 635,712	\$ 629,680	\$ (6,032)
Use of money and property	21,580	21,580	22,800	1,220
Total revenues	657,292	657,292	652,480	(4,812)
Expenditures:				
Current:				
Public works	917,508	1,123,832	494,813	629,019
Total expenditures	917,508	1,123,832	494,813	629,019
Excess (deficiency) of revenues over (under) expenditures	(260,216)	(466,540)	157,667	624,207
Other financing sources (uses):				
Transfers out	344	344	-	(344)
Total other financing sources (uses)	344	344	-	(344)
Net change in fund balance	(259,872)	(466,196)	157,667	623,863
Fund balance, beginning of the year	1,524,375	1,524,375	1,524,375	-
Fund balance, end of year	\$ 1,264,503	\$ 1,058,179	1,682,042	\$ 623,863

Reconciliation between actual GAAP amounts and actual budgetary amounts:

Unrealized gain/loss in investments:	7,619
Ending Fund Balance (GAAP)	<u>\$ 1,689,661</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, 2020

	Budgeted Amounts		Actual Amounts (Budgetary)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 500,000	\$ 500,000	\$ 233,342	\$ (266,658)
Use of money and property	19,740	19,740	30,679	10,939
Other revenues	-	-	98,985	98,985
Total revenues	519,740	519,740	363,006	(156,734)
Other financing sources (uses):				
Transfer in	-	-	-	-
Transfers out	(95,000)	(742,745)	(254,002)	488,743
Total other financing sources (uses)	(95,000)	(742,745)	(254,002)	488,743
Net change in fund balance	424,740	(223,005)	109,004	332,009
Fund balance, beginning of the year	1,717,380	1,717,380	1,717,380	-
Fund balance, end of year	\$ 2,142,120	\$ 1,494,375	1,826,384	\$ 332,009

Reconciliation between actual GAAP amounts and actual budgetary amounts:

Unrealized gain/loss in investments:	10,590
Ending Fund Balance (GAAP)	<u>\$ 1,836,974</u>

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, 2020

	Budgeted Amounts		Actual Amounts (Budgetary)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 783,100	\$ 1,034,048	\$ 860,938	\$ (173,110)
Charges for services	11,000	11,000	12,640	1,640
Use of money and property	138,270	138,270	201,261	62,991
Other revenues	-	-	224,238	224,238
Total revenues	932,370	1,183,318	1,299,077	115,759
Expenditures:				
Current:				
Community and economic development:	817,600	2,040,546	913,146	1,127,400
Total expenditures	817,600	2,040,546	913,146	1,127,400
Excess (deficiency) of revenues over (under) expenditures	114,770	(857,228)	385,931	1,243,159
Other financing sources (uses):				
Issuance of long-term debt	8,400	8,400	152,925	144,525
Transfers out	(265,000)	(421,918)	(191,754)	230,164
Total other financing sources (uses)	(256,600)	(413,518)	(38,829)	374,689
Net change in fund balance	(141,830)	(1,270,746)	347,102	1,617,848
Fund balance, beginning of the year	6,008,338	6,008,338	6,008,338	-
Fund balances, end of year	\$ 5,866,508	\$ 4,737,592	6,355,440	\$ 1,617,848

Reconciliation between actual GAAP amounts and actual budgetary amounts:

Unrealized gain/loss in investments:	20,337
Loan principal receipts:	(152,925)
Ending Fund Balance (GAAP)	<u>\$ 6,222,852</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, 2020

	Budgeted Amounts		Actual Amounts (Budgetary)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 744,077	\$ 744,077	\$ 1,013,564	\$ 269,487
Total revenues	744,077	744,077	1,013,564	269,487
Expenditures:				
Current:				
Transit	744,077	744,077	1,013,564	(269,487)
Total expenditures	744,077	744,077	1,013,564	(269,487)
Net change in fund balances				
Fund balances, beginning of the year	-	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ -	\$ -

City of Santa Cruz

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual

Measure D Fund

For the year ended June 30, 2020

	Budgeted Amounts		Actual Amounts (Budgetary)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 1,217,648	\$ 1,217,648	\$ 1,400,614	\$ 182,966
Use of money and property	-	-	19,978	19,978
Total revenues	1,217,648	1,217,648	1,420,592	202,944
Other financing sources (uses):				
Transfers out	(1,916,000)	(2,187,299)	(476,998)	1,710,301
Total other financing sources (uses)	(1,916,000)	(2,187,299)	(476,998)	1,710,301
Net change in fund balance	(698,352)	(969,651)	943,594	1,710,301
Fund balances, beginning of the year	808,322	808,322	808,322	-
Fund balances, end of year	\$ 109,970	\$ (161,329)	1,751,916	\$ 1,710,301

Reconciliation between actual GAAP amounts and actual budgetary amounts:

Unrealized gain/loss in investments:	7,539
Ending Fund Balance (GAAP)	<u>\$ 1,759,455</u>

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, 2020

	Budgeted Amounts		Actual Amounts (Budgetary)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 500,000	\$ 500,000	\$ 506,257	\$ 6,257
Use of money and property	18,060	18,060	18,291	231
Total revenues	518,060	518,060	524,548	6,488
Expenditures:				
Debt service:				
Principal	315,000	315,000	315,000	-
Interest and fiscal charges	202,002	202,002	199,486	2,516
Total expenditures	517,002	517,002	514,486	2,516
Net change in fund balances	1,058	1,058	10,062	9,004
Fund balances, beginning of the year	1,402,848	1,402,848	1,402,848	-
Fund balances, end of year	\$ 1,403,906	\$ 1,403,906	1,412,910	\$ 9,004

Reconciliation between actual GAAP amounts and actual budgetary amounts:

Unrealized gain/loss in investments:	5,895
Ending Fund Balance (GAAP)	<u>\$ 1,418,805</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, 2020

	Budgeted Amounts		Actual Amounts (Budgetary)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ 432,563	\$ 432,563	\$ 364,306	\$ (68,257)
Total revenues	432,563	432,563	364,306	(68,257)
Expenditures:				
Debt service:				
Principal	175,000	175,000	175,000	-
Interest and fiscal charges	188,394	188,394	188,190	204
Total expenditures	363,394	363,394	363,190	204
Net change in fund balances	69,169	69,169	1,116	(68,053)
Fund balances, beginning of the year	326,565	326,565	326,565	-
Fund balances, end of year	\$ 395,734	\$ 395,734	327,681	\$ (68,053)

Reconciliation between actual GAAP amounts and actual budgetary amounts:

Unrealized gain/loss in investments:	1,877
Ending Fund Balance (GAAP)	\$ 329,558

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.

Personnel Taxes and Benefits- This fund is used to account for cash transferred from various funds to pay for payroll liabilities, which are paid out of this fund.

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
- Unemployment
- Liability Insurance

City of Santa Cruz
Combining Statement of Net Position
All Internal Service Funds
June 30, 2020

	Equipment Operations	Personnel Taxes & Benefits	Risk Management	Total
Assets:				
Current assets:				
Cash and cash equivalents	\$ -	\$ 3,488,236	\$ 21,327,714	\$ 24,815,950
Interest receivable	-	-	14,004	14,004
Accounts receivable - net	19,176	-	5,132	24,308
Due from other funds	-	-	1,469,409	1,469,409
Inventories	100,573	-	-	100,573
Deposits	-	-	2,868,326	2,868,326
Total current assets	119,749	3,488,236	25,684,585	29,292,570
Noncurrent assets:				
Advances to other funds	-	-	7,844,531	7,844,531
Capital assets:				
Machinery and equipment	3,691,960	-	8,160	3,700,120
Less accumulated depreciation	(1,565,935)	-	(8,160)	(1,574,095)
Total capital assets (net of accumulated depreciation)	2,126,025	-	-	2,126,025
Total noncurrent assets	2,126,025	-	7,844,531	9,970,556
Total assets	2,245,774	3,488,236	33,529,116	39,263,126
Deferred outflows of resources				
Deferred OPEB outflows	26,000	-	23,932	49,932
Deferred pension outflows	234,579	-	238,511	473,090
Total deferred outflows of resources	260,579	-	262,443	523,022
Liabilities:				
Current liabilities:				
Accounts payable and other current liabilities	111,752	3,488,236	782,190	4,382,178
Due to other funds	1,469,409	-	-	1,469,409
Claims and judgments payable	-	-	3,456,624	3,456,624
Compensated absences payable	33,973	-	-	33,973
Total current liabilities	1,615,134	3,488,236	4,238,814	9,342,184
Noncurrent liabilities:				
Claims and judgments payable	-	-	10,094,819	10,094,819
Other post employment benefits	459,825	-	171,012	630,837
Net pension liability	1,814,373	-	1,035,671	2,850,044
Compensated absences payable	16,986	-	-	16,986
Total noncurrent liabilities	2,291,184	-	11,301,502	13,592,686
Total liabilities	3,906,318	3,488,236	15,540,316	22,934,870
Deferred inflows of resources				
Deferred pension inflows	95,890	-	(58,753)	37,137
Deferred other post employment benefits inflows	22,317	-	19,173	41,490
Total deferred inflows of resources	118,207	-	(39,580)	78,627
Net position:				
Net investment in capital assets	2,126,025	-	-	2,126,025
Unrestricted	(3,644,197)	-	18,290,823	14,646,626
Total net position (deficit)	\$ (1,518,172)	\$ -	\$ 18,290,823	\$ 16,772,651

City of Santa Cruz
Combining Statement of Revenues, Expenses and Changes in Net Position
All Internal Service Funds
For the year ended June 30, 2020

	Equipment Operations	Personnel Taxes & Benefits	Risk Management	Total
Operating revenues:				
Charges for services - internal	\$ 3,564,255	\$ -	\$ 27,188,317	\$ 30,752,572
Charges for services - external	41,410	-	22,262	63,672
Other revenues	29,471	3,488,236	741,710	4,259,417
Total operating revenues	<u>3,635,136</u>	<u>3,488,236</u>	<u>27,952,289</u>	<u>35,075,661</u>
Operating expenses:				
Personnel services	1,403,433	3,488,236	1,697,037	6,588,706
Services, supplies, and other charges	2,419,642	-	22,163,713	24,583,355
Depreciation and amortization	369,484	-	-	369,484
Total operating expenses	<u>4,192,559</u>	<u>3,488,236</u>	<u>23,860,750</u>	<u>31,541,545</u>
Operating income (loss)	<u>(557,423)</u>	<u>-</u>	<u>4,091,539</u>	<u>3,534,116</u>
Nonoperating revenues (expenses):				
Investment earnings	-	-	411,784	411,784
Gain on sale of capital assets	2,650	-	-	2,650
Total nonoperating revenues (expenses)	<u>2,650</u>	<u>-</u>	<u>411,784</u>	<u>414,434</u>
Income (loss) before transfers	(554,773)	-	4,503,323	3,948,550
Transfers in	250,000	-	-	250,000
Transfers out	(48,859)	-	(35,223)	(84,082)
Total transfers	<u>201,141</u>	<u>-</u>	<u>(35,223)</u>	<u>165,918</u>
Change in net position	(353,632)	-	4,468,100	4,114,468
Net position (deficit):				
Net position, beginning of year	(1,164,540)	-	13,822,723	12,658,183
Net Position, end of year	<u>\$ (1,518,172)</u>	<u>\$ -</u>	<u>\$ 18,290,823</u>	<u>\$ 16,772,651</u>

City of Santa Cruz
Combining Statement of Cash Flows
All Internal Service Funds
For the year ended June 30, 2020

	Equipment Operations	Personnel Taxes & Benefits	Risk Management	Total
Cash flows from operating activities:				
Cash received from customers and users	\$ 41,410	\$ -	\$ 31,495	\$ 72,905
Cash received from interfund services provided	3,575,863	-	27,188,317	30,764,180
Cash payments to suppliers for goods and services	(1,878,953)	-	(23,654,068)	(25,533,021)
Cash payments for employee services and pensions	(1,196,615)	(3,082,414)	(1,544,125)	(5,823,154)
Cash payments for interfund services used	(699,243)	-	(91,980)	(791,223)
Cash payments to others	-	-	357,617	357,617
Cash received from others	31,500	3,488,236	741,710	4,261,446
Net cash provided (used) by operating activities	(126,038)	405,822	3,028,966	3,308,750
Cash flows from noncapital financing activities				
Transfer from other funds	250,000	-	-	250,000
Transfers to other funds	(48,859)	-	(35,223)	(84,082)
Due from other funds	-	-	65,287	65,287
Due to other funds	(65,287)	-	-	(65,287)
Net cash provided (used) by noncapital financing activities	135,854	-	30,064	165,918
Cash flows from capital and related financing activities				
Purchase/construction of capital assets	(12,466)	-	-	(12,466)
Gain/(Loss) on disposal of capital assets	2,650	-	-	2,650
Net cash provided (used) by capital and related financing activities	(9,816)	-	-	(9,816)
Cash flows from investing activities				
Interest income received	-	-	520,873	520,873
Net cash provided (used) by investing activities	-	-	520,873	520,873
Net increase (decrease) in cash and cash equivalents	-	405,822	3,579,903	3,985,725
Cash and cash equivalents; beginning of year	-	3,082,414	17,747,811	20,830,225
Cash and cash equivalents; end of year	\$ -	\$ 3,488,236	\$ 21,327,714	\$ 24,815,950
Reconciliation of operating income/(loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ (557,423)	\$ -	\$ 4,091,539	\$ 3,534,116
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	369,484	-	-	369,484
Changes in current assets and liabilities:				
Accounts receivable	11,608	-	9,233	20,841
Prepaid items	2,177	-	-	2,177
Inventories	34,817	-	-	34,817
Deposits	2,029	-	13,857	15,886
Accounts payable and other current liabilities	(195,548)	405,822	(1,582,335)	(1,372,061)
Claims and judgments payable	-	-	343,760	343,760
Other post employment benefits payable	20,436	-	18,418	38,854
Net pension liability and related deferrals	178,502	-	134,494	312,996
Compensated absences payable	7,880	-	-	7,880
Total adjustments	431,385	405,822	(1,062,573)	(225,366)
Net cash provided (used) by operating activities	\$ (126,038)	\$ 405,822	\$ 3,028,966	\$ 3,308,750

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
June 30, 2020

	Library Trust Funds	Redevelopment Successor Agency Trust	Total Private-Purpose Trust Funds
Assets:			
Cash and cash investments	\$ 603,570	\$ 1,750,946	\$ 2,354,516
Restricted cash and equivalent	-	30,408,677	30,408,677
Receivables:			
Interest receivable	501	1,832	2,333
Accounts receivable	-	10,093	10,093
Notes receivable	-	315,448	315,448
Nondepreciable capital assets		902,621	902,621
Depreciable capital assets	-	7,379,027	7,379,027
Total assets	<u>604,071</u>	<u>40,768,644</u>	<u>41,372,715</u>
Liabilities:			
Interest payable	-	337,608	337,608
Bonds, notes, loans and leases payable -due in one year	-	2,720,375	2,720,375
Bonds, notes, loans and leases payable-due in more than one year	-	19,715,000	19,715,000
Total liabilities	-	<u>22,772,983</u>	<u>22,772,983</u>
Net Position:			
Held in trust for Library programs	604,071	-	604,071
Held in trust for RDA Successor Agency	-	17,995,661	17,995,661
Total held in trust	<u>\$ 604,071</u>	<u>\$ 17,995,661</u>	<u>\$ 18,599,732</u>

City of Santa Cruz
Combining Statement of Changes in Fiduciary Net Position
Private-Purpose Trust Funds
For the year ended June 30, 2020

	Library Trust Funds	Redevelopment Successor Agency Trust	Total Private-Purpose Trust Funds
Additions:			
Taxes	\$ -	\$ 4,340,048	\$ 4,340,048
Use of money and property	13,810	386,162	399,972
Total additions	13,810	4,726,210	4,740,020
Deductions:			
Interest expense	-	1,396,081	1,396,081
Deprecitation Expense	-	395,583	395,583
Contractual services	105,836	549,290	655,126
Total deductions	105,836	2,340,954	2,446,790
Change in net position	(92,026)	2,385,256	2,293,230
Net position:			
Beginning of year	696,097	15,610,405	16,306,502
End of year	\$ 604,071	\$ 17,995,661	\$ 18,599,732

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.

City of Santa Cruz
Combining Statement of Fiduciary Net Position
Agency Funds
June 30, 2020

	Library Joint Powers Authority	Trust Deposit Holding	Total Agency Funds
Assets:			
Cash and investments	\$ 3,955,740	\$ 476,052	\$ 4,431,792
Receivables:			
Accounts receivable	582,787	-	582,787
Interest receivable	3,667	50	3,717
Taxes receivable	598,159	-	598,159
Prepaid expenses	672,917	-	672,917
Total assets	<u>\$ 5,813,270</u>	<u>\$ 476,102</u>	<u>\$ 6,289,372</u>
Liabilities:			
Accounts payable and other current liabilities	\$ 235,749	\$ 686	\$ 236,435
Due to other governments	5,577,521	-	5,577,521
Deposits payable	-	475,416	475,416
Total liabilities	<u>\$ 5,813,270</u>	<u>\$ 476,102</u>	<u>\$ 6,289,372</u>

City of Santa Cruz
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the year ended June 30, 2020

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
<u>Library Joint Powers Authority</u>				
Assets:				
Cash and cash equivalents	\$ 4,244,716	\$ 14,576,822	\$ 14,865,798	\$ 3,955,740
Receivables:				
Accounts receivable	474,991	5,721,314	5,613,518	582,787
Interest receivable	23,103	25,737	45,173	3,667
Taxes receivable	709,292	8,069,015	8,180,148	598,159
Due from other governments	369,555	303,362	-	672,917
Total assets	<u>\$ 5,821,657</u>	<u>\$ 28,696,250</u>	<u>\$ 28,704,637</u>	<u>\$ 5,813,270</u>
Liabilities:				
Accounts payable and other current liabilities	\$ 244,137	\$ 3,902,000	\$ 3,893,612	\$ 235,749
Due to other governments	5,577,521	-	-	5,577,521
Total liabilities	<u>\$ 5,821,658</u>	<u>\$ 3,902,000</u>	<u>\$ 3,893,612</u>	<u>\$ 5,813,270</u>
<u>Trust Deposit Holding</u>				
Assets:				
Cash and cash equivalents	\$ 512,769	\$ 751,470	\$ 788,187	\$ 476,052
Interest receivable	358	50	358	50
Total assets	<u>\$ 513,127</u>	<u>\$ 751,520</u>	<u>\$ 788,545</u>	<u>\$ 476,102</u>
Liabilities:				
Accounts payable and other current liabilities	\$ 5,757	\$ 596,673	\$ 591,602	\$ 686
Deposits payable	507,027	782,714	751,103	475,416
Total liabilities	<u>\$ 512,784</u>	<u>\$ 1,379,387</u>	<u>\$ 1,342,705</u>	<u>\$ 476,102</u>

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

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

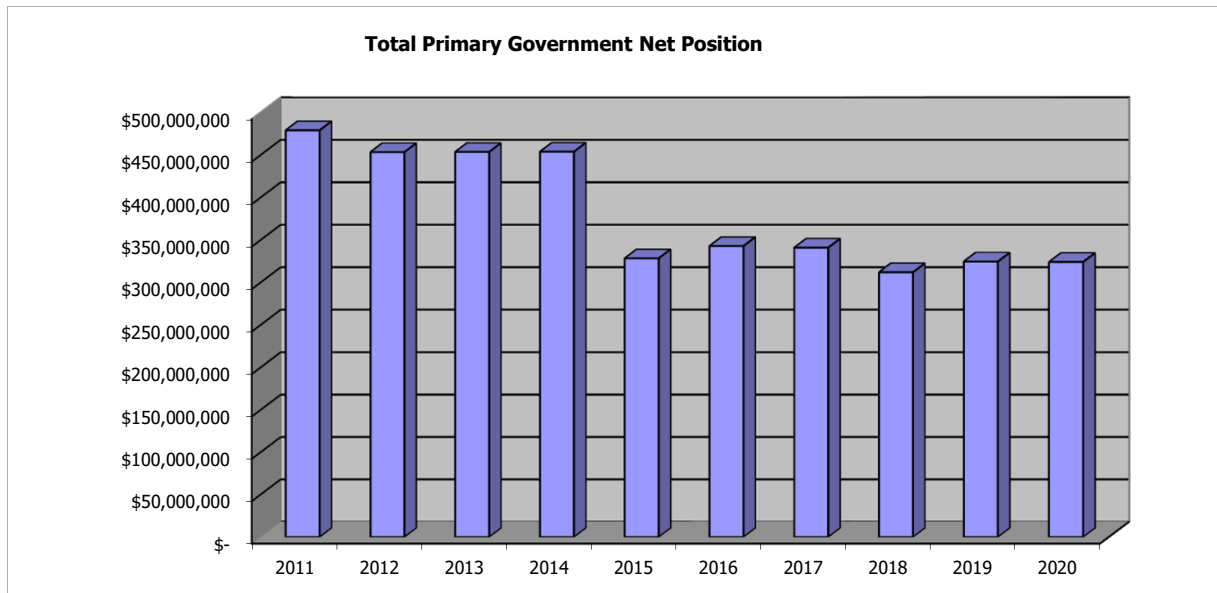
These tables contain service and infrastructure data to help the reader understand how the information in the city's financial report relates to the services the city provides and the activities it performs.

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

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**City of Santa Cruz
Net Position By Component
Last Ten Fiscal Years**

	Fiscal Year Ended June 30				
	2011	2012	2013	2014	2015
Governmental activities:					
Net investment in capital assets	\$ 178,969,796	\$ 173,032,837	\$ 168,679,595	\$ 168,718,849	\$ 174,861,173
Restricted	64,204,364	26,810,790	26,560,061	27,924,402	32,780,047
Unrestricted	(10,615,360)	3,719,223	9,174,380	8,836,070	(85,451,031)
Total governmental activities net position	\$ 232,558,800	\$ 203,562,850	\$ 204,414,036	\$ 205,479,321	\$ 122,190,189
Business-type activities:					
Net investment in capital assets	\$ 166,037,035	\$ 172,502,705	\$ 184,194,513	\$ 191,011,006	\$ 202,323,678
Unrestricted	80,700,421	77,577,485	65,222,752	57,607,654	4,087,360
Total business-type activities net position	\$ 246,737,456	\$ 250,080,190	\$ 249,417,265	\$ 248,618,660	\$ 206,411,038
Primary government:					
Net investment in capital assets	\$ 345,006,831	\$ 345,535,542	\$ 352,874,108	\$ 359,729,855	\$ 377,184,851
Restricted	64,204,364	26,810,790	26,560,061	27,924,402	32,780,047
Unrestricted	70,085,061	81,296,708	74,397,132	66,443,724	(81,363,671)
Total primary government net position	\$ 479,296,256	\$ 453,643,040	\$ 453,831,301	\$ 454,097,981	\$ 328,601,227



Source: City of Santa Cruz Finance Department

Fiscal Year Ended June 30				
2016	2017	2018	2019	2020
\$ 170,874,890	\$ 170,120,986	\$ 174,499,307	\$ 175,095,083	\$ 179,686,573
36,509,334	32,106,963	37,100,853	32,044,904	33,807,828
(78,202,386)	(79,330,554)	(108,356,521)	(98,607,199)	(107,641,856)
<u>\$ 129,181,838</u>	<u>\$ 122,897,395</u>	<u>\$ 103,243,639</u>	<u>\$ 108,532,788</u>	<u>\$ 105,852,545</u>
\$ 207,622,283	\$ 190,911,518	\$ 185,244,609	\$ 191,291,517	\$ 205,455,757
6,281,769	27,360,407	23,709,249	24,962,438	13,005,526
<u>\$ 213,904,052</u>	<u>\$ 218,271,925</u>	<u>\$ 208,953,858</u>	<u>\$ 216,253,955</u>	<u>\$ 218,461,283</u>
\$ 378,497,173	\$ 361,032,504	\$ 359,743,916	\$ 366,386,600	\$ 385,142,330
36,509,334	32,106,963	37,100,853	32,044,904	33,807,828
(71,920,617)	(51,970,147)	(84,647,272)	(73,644,761)	(94,636,330)
<u>\$ 343,085,890</u>	<u>\$ 341,169,320</u>	<u>\$ 312,197,497</u>	<u>\$ 324,786,743</u>	<u>\$ 324,313,828</u>

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				
	2011	2012	2013	2014	2015
Expenses					
Governmental activities:					
General government	\$ 14,736,737	\$ 14,868,384	\$ 16,521,801	\$ 16,103,854	\$ 17,104,364
Public safety	34,376,692	33,966,518	34,924,999	37,597,008	40,273,833
Parks and recreation	10,116,486	11,077,833	11,477,040	13,981,398	12,854,772
Library	9,269,135	1,651,069	1,550,322	1,354,687	1,347,161
Public works	9,647,529	10,666,968	12,041,338	12,182,288	16,430,725
Transit	543,153	576,640	605,772	686,510	707,736
Community and economic development	11,353,101	6,392,899	2,081,563	3,240,446	3,431,560
Social services	1,296,584	1,027,172	1,438,278	1,485,470	1,378,574
Interest and fiscal charges on long-term debt	2,262,446	3,330,309	1,748,528	2,042,943	1,975,129
Total governmental activities expenses	93,601,863	83,557,792	82,389,641	88,674,604	95,503,854
Business-type activities:					
Water	20,630,111	22,661,597	23,097,992	27,020,304	25,219,745
Wastewater	16,988,403	17,755,415	18,734,344	18,349,702	19,164,660
Refuse	14,674,758	15,495,244	16,554,729	15,715,226	15,991,886
Parking	3,703,325	3,419,668	3,693,854	4,232,851	4,344,177
Storm Water	1,428,044	1,626,366	1,446,463	1,512,850	1,782,683
Golf course	2,002,008	1,824,698	1,989,726	2,096,483	2,259,995
Total business-type activities expenses	59,426,649	62,782,988	65,517,108	68,927,416	68,763,146
Total primary government expenses	\$ 153,028,512	\$ 146,340,780	\$ 147,906,749	\$ 157,602,020	\$ 164,267,000
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 10,826,320	\$ 10,578,724	\$ 10,761,301	\$ 8,755,621	\$ 10,347,805
Public safety	1,844,641	1,799,363	2,315,985	2,241,926	3,711,308
Parks and recreation	3,135,504	3,390,568	3,463,516	3,601,559	3,538,225
Library	8,058,472	553,911	551,651	631,305	623,334
Public works	5,181,220	4,526,861	4,908,499	5,088,698	5,291,833
Community and economic development	1,963,487	262,134	142,129	455,537	377,862
Operating grants and contributions	4,526,405	5,003,822	2,752,597	4,317,013	4,112,975
Capital grants and contributions	10,683,790	10,427,261	3,523,019	6,663,071	6,157,091
Total governmental activities program revenues	46,219,839	36,542,644	28,418,697	31,754,730	34,160,433
Business-type activities:					
Charges for services:					
Water	23,686,923	24,643,888	25,490,105	25,327,920	24,560,507
Wastewater	15,412,062	16,648,708	16,368,427	17,676,130	17,244,371
Refuse	16,138,918	15,729,547	15,800,954	15,816,452	16,944,604
Parking	3,186,801	3,176,342	3,399,187	3,990,041	4,444,322
Storm Water	886,975	890,059	883,384	857,649	899,925
Golf course	1,437,154	1,524,190	1,597,442	1,562,952	1,570,590
Operating grants and contributions	401,760	459,166	963,585	1,218,151	1,314,782
Capital grants and contributions	1,162,777	1,567,286	332,823	440,849	-
Total business-type activities program revenues	62,313,370	64,639,186	64,835,907	66,890,144	66,979,101
Total primary government program revenues	108,533,209	101,181,830	93,254,604	98,644,874	101,139,534
Net (expense)/revenue:					
Governmental activities	(47,382,024)	(47,015,148)	(53,970,944)	(56,919,874)	(61,343,421)
Business-type activities	2,886,721	1,856,198	(681,201)	(2,037,272)	(1,784,045)
Total primary government net (expense)/revenue	\$ (44,495,303)	\$ (45,158,950)	\$ (54,652,145)	\$ (58,957,146)	\$ (63,127,466)

Fiscal Year Ended June 30

	2016	2017	2018	2019	2020
\$	12,974,400	\$ 18,898,202	\$ 19,350,479	\$ 20,614,327	\$ 20,322,085
	42,167,371	47,939,341	51,394,586	56,513,231	57,811,196
	13,509,643	16,516,857	17,650,040	17,529,459	17,067,868
	1,207,356	1,552,010	1,559,242	1,553,115	1,474,896
	13,408,682	18,578,171	15,609,565	16,471,190	17,352,820
	701,935	748,134	745,940	798,782	1,013,564
	6,108,539	4,627,227	10,516,746	4,185,767	6,268,475
	1,371,129	1,436,421	2,159,544	2,027,873	2,005,337
	2,354,508	1,950,851	1,581,810	1,456,449	1,152,581
	93,803,563	112,247,214	120,567,952	121,150,193	124,468,822
	25,319,800	28,375,996	33,284,532	36,562,160	37,405,164
	18,426,042	20,760,433	21,785,697	20,933,694	24,170,115
	15,360,501	17,099,090	18,451,537	19,253,241	21,556,523
	4,231,893	4,853,232	5,226,564	5,530,210	6,199,876
	1,990,558	1,761,243	1,673,093	1,368,656	1,565,293
	1,983,470	-	-	-	-
	67,312,264	72,849,994	80,421,423	83,647,961	90,896,971
\$	161,115,827	\$ 185,097,208	\$ 200,989,375	\$ 204,798,154	\$ 215,365,793
\$	9,110,127	\$ 10,188,422	\$ 10,985,577	\$ 11,626,464	\$ 11,076,557
	5,785,089	5,492,880	6,583,350	7,580,577	6,016,418
	3,376,136	5,384,041	5,294,923	5,018,462	3,760,139
	518,681	440,100	462,438	462,438	462,444
	6,699,865	5,126,400	6,023,639	5,745,566	4,819,236
	514,499	336,016	980,009	2,970,700	654,022
	3,495,313	6,029,003	4,239,889	5,702,440	9,264,260
	3,109,623	2,099,106	8,697,888	5,032,786	6,041,232
	32,609,333	35,095,968	43,267,713	44,139,433	42,094,308
	27,798,717	30,920,646	41,061,955	40,503,745	41,982,726
	18,558,775	20,100,738	21,018,559	19,750,169	21,296,244
	18,642,441	19,750,388	20,664,437	21,166,912	20,769,432
	4,950,879	5,102,475	5,456,159	6,215,875	5,378,070
	896,171	897,693	895,130	891,611	1,036,569
	1,486,366	-	-	-	-
	1,211,419	613,711	1,543,354	929,175	1,459,564
	-	-	-	-	-
	73,544,768	77,385,651	90,639,594	89,457,487	91,922,605
	106,154,101	112,481,619	133,907,307	133,596,920	134,016,913
	(61,194,230)	(77,151,246)	(77,300,239)	(77,010,760)	(82,374,514)
	6,232,504	4,535,657	10,218,171	5,809,526	1,025,634
\$	(54,961,726)	\$ (72,615,589)	\$ (67,082,068)	\$ (71,201,234)	\$ (81,348,880)

City of Santa Cruz
Changes in Net Position
Last Ten Fiscal Years

	Fiscal Year Ended June 30				
	2011	2012	2013	2014	2015
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes					
Property taxes	\$ 26,666,953	\$ 20,872,175	\$ 16,698,020	\$ 16,376,027	\$ 17,364,174
Sales and use taxes	13,649,822	13,838,216	14,925,305	15,679,768	16,572,267
Franchise taxes	2,905,127	3,017,332	2,949,193	2,875,933	3,148,619
Transient occupancy taxes	4,227,710	4,739,362	5,558,666	7,096,947	8,255,379
Utility users taxes	9,581,147	10,731,997	10,729,366	10,465,335	10,671,804
Admission taxes	2,029,176	2,126,484	2,298,767	2,274,117	2,394,716
Other taxes	2,203,232	2,600,429	2,767,513	2,782,903	3,263,780
Unrestricted Investment earnings	979,426	1,002,709	458,917	603,037	815,789
Gain (loss) on sale of assets	(226,936)	13,486	235,695	171,972	16,446
Extraordinary items	-	(18,017,623)	-	-	-
Transfers	(2,183,737)	(259,328)	(362,872)	(340,880)	(487,857)
Total governmental activities	59,831,920	40,665,239	56,258,570	57,985,159	62,015,117
Business-type activities:					
Taxes					
Property taxes	32,274	32,143	142,105	105,316	68,070
Unrestricted Investment earnings	939,980	1,141,421	497,416	710,529	678,166
Gain (loss) on sale of assets	(32,548)	53,644	92,565	81,942	338,049
Transfers	2,183,737	259,328	362,872	340,880	487,857
Special Item	-	-	-	-	-
Total business-type activities	3,123,443	1,486,536	1,094,958	1,238,667	1,572,142
Total primary government	\$ 62,955,363	\$ 42,151,775	\$ 57,353,528	\$ 59,223,826	\$ 63,587,259
Change in Net Position					
Governmental activities	\$ 12,449,896	\$ (6,349,909)	\$ 2,287,626	\$ 1,065,285	\$ 671,696
Business-type activities	6,010,164	3,342,734	413,757	(798,605)	(211,903)
Total primary government	\$ 18,460,060	\$ (3,007,175)	\$ 2,701,383	\$ 266,680	\$ 459,793

Source: City of Santa Cruz Finance Department

Fiscal Year Ended June 30

	2016	2017	2018	2019	2020
\$	18,720,421	\$ 19,890,236	\$ 20,681,464	\$ 23,135,942	\$ 23,836,366
	17,934,333	17,361,753	17,400,320	21,860,332	21,376,655
	3,369,016	3,538,252	3,678,560	4,025,643	4,014,250
	9,027,506	9,282,551	10,185,738	10,985,786	8,035,134
	11,028,860	11,314,374	11,568,654	11,517,468	11,459,173
	2,523,654	2,483,608	2,679,859	2,646,472	1,721,753
	3,718,803	4,958,113	6,930,592	6,219,024	6,911,076
	686,914	419,090	279,220	1,383,144	1,836,583
	1,551,578	33,487	584,367	-	7,479
	-	-	-	-	-
	(375,206)	404,783	990,940	526,098	495,802
	<u>68,185,879</u>	<u>69,686,247</u>	<u>74,979,714</u>	<u>82,299,909</u>	<u>79,694,271</u>
	68,070	112,754	128,614	68,080	-
	557,824	254,678	730,023	1,916,038	1,677,496
	259,410	6,840	47,906	32,551	-
	375,206	(404,783)	(990,940)	(526,098)	(495,802)
	-	-	(13,667,218)	-	-
	<u>1,260,510</u>	<u>(30,511)</u>	<u>(13,751,615)</u>	<u>1,490,571</u>	<u>1,181,694</u>
\$	<u>69,446,389</u>	<u>\$ 69,655,736</u>	<u>\$ 61,228,099</u>	<u>\$ 83,790,480</u>	<u>\$ 80,875,965</u>
\$	6,991,649	\$ (7,464,999)	\$ (2,320,525)	\$ 5,289,149	\$ (2,680,243)
	7,493,014	4,505,146	(3,533,444)	7,300,097	2,207,328
\$	<u>14,484,663</u>	<u>\$ (2,959,853)</u>	<u>\$ (5,853,969)</u>	<u>\$ 12,589,246</u>	<u>\$ (472,915)</u>

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

	Fiscal Year Ended June 30				
	2011	2012	2013	2014	2015
General Fund					
Non-spendable	3,109,265	3,137,315	6,827,901	7,581,024	7,456,064
Restricted	306,299	274,091	269,242	270,196	257,893
Committed	6,219,767	5,652,554	1,663,978	2,342,099	14,450,622
Assigned	2,861,159	3,120,928	3,978,567	18,579,309	5,831,522
Unassigned	13,035,365	18,020,657	21,989,130	656,776	(1,361,952)
Total General Fund	\$ 25,531,855	\$ 30,205,545	\$ 34,728,818	\$ 29,429,404	\$ 26,634,149
All Other Governmental Funds					
Non-spendable					
Redevelopment Agency fund	9,253,778	8,938,854	-	-	10,952,599
General Capital Improvement fund	-	-	-	-	-
Special revenue funds	3,077,319	3,238,759	10,373,014	-	2,900,207
Restricted					
Redevelopment Agency fund	49,524,621	-	-	-	15,253
Special revenue funds	9,199,195	12,624,507	14,195,882	25,668,781	8,948,513
Capital projects funds	-	273,187	270,454	269,833	10,888,867
Debt service funds	1,739,169	1,737,754	1,720,249	1,715,592	1,716,922
Unassigned					
Special revenue funds	(161,269)	-	-	-	-
Capital projects funds	(4,008,435)	(5,862,766)	(5,867,781)	(1,362,541)	-
Total all other governmental funds	\$ 68,624,378	\$ 20,950,295	\$ 20,691,818	\$ 26,291,665	\$ 35,422,361

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

2016	2017	2018	2019	2020
6,905,534	8,432,086	11,993,475	5,788,162	5,066,943
256,229	256,329	10,508,749	11,215,594	11,928,524
17,153,279	17,985,712	5,706,670	4,082,699	3,709,804
5,991,161	-	-	3,603,735	3,668,540
654,129	-	-	7,199,928	4,116,415
<u>\$ 30,960,332</u>	<u>\$ 26,674,127</u>	<u>\$ 28,208,894</u>	<u>\$ 31,890,118</u>	<u>\$ 28,490,226</u>
11,533,360	-	-	-	-
-	-	1,949	-	-
2,889,311	-	22,039	940	-
-	11,123,868	11,471,281	12,025,370	12,249,579
9,395,720	10,856,240	13,716,604	17,556,668	17,787,809
9,663,216	5,337,686	-	-	(6,183,533)
1,728,900	1,571,705	1,682,256	1,729,413	1,748,363
(472,996)	-	-	-	-
-	-	(301,062)	(2,564,118)	-
<u>\$ 34,737,511</u>	<u>\$ 28,889,499</u>	<u>\$ 26,593,067</u>	<u>\$ 28,748,273</u>	<u>\$ 25,602,218</u>

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

	Fiscal Year Ended June 30				
	2011	2012	2013	2014	2015
Revenues					
Taxes	\$ 61,263,165	\$ 57,925,996	\$ 55,926,830	\$ 57,551,029	\$ 61,670,739
Licenses and permits	585,203	676,571	886,624	846,682	956,587
Intergovernmental	14,480,708	13,199,139	6,080,208	9,766,514	6,415,667
Charges for services	21,070,349	12,446,605	13,890,562	12,279,247	13,873,068
Fines and forfeitures	2,110,367	1,910,212	1,818,773	1,985,697	1,947,157
Use of money and property	5,588,449	5,702,503	5,086,850	5,473,973	5,774,210
Other revenues	1,453,422	3,425,067	782,281	2,008,232	4,914,494
Total revenues	106,551,663	95,286,093	84,472,128	89,911,374	95,551,922
Expenditures					
General government	13,562,217	14,468,366	15,453,481	15,486,989	16,772,766
Public safety	32,884,543	32,791,088	33,998,273	36,713,253	40,423,564
Parks and recreation	8,046,410	8,739,970	9,575,209	10,874,354	11,371,378
Library	8,906,153	1,394,751	1,394,751	1,394,751	1,394,751
Public works	5,361,046	5,538,535	5,953,127	6,939,421	8,255,477
Transit	543,153	576,640	605,772	686,510	707,736
Community and economic development	11,378,345	5,819,128	1,915,903	2,379,854	4,389,168
Social services	1,296,584	1,027,172	1,438,278	1,485,470	1,378,574
Capital outlay	14,078,633	13,833,567	6,784,481	10,637,976	14,394,876
Debt service:					
Principal	1,563,973	3,145,674	1,985,754	2,135,072	2,299,080
Interest and fiscal charges	1,667,523	3,011,185	1,748,987	1,693,341	1,647,830
Bond issuance costs	1,563,315	-	-	-	-
Total expenditures	100,851,895	90,346,076	80,854,016	90,426,991	103,035,200
Excess of revenues over (under) expenditures	5,699,768	4,940,017	3,618,112	(515,617)	(7,483,278)
Other financing sources (uses)					
Proceeds from asset dispositions	15,000	13,486	235,695	831,539	16,446
Proceeds from long-term debt issued	63,710,000	-	249,526	-	14,130,000
Payment of pension UAAL	(22,989,831)	-	-	-	-
Payment to refunded bond escrow agent	(3,682,602)	-	-	-	-
Premiums on bonds sold	4,070	-	-	-	-
Interagency transfers out	(372,059)	-	-	-	-
Transfers in	9,029,883	4,201,330	3,298,296	9,448,854	6,321,861
Transfers out	(11,159,806)	(4,146,292)	(3,136,833)	(9,464,343)	(6,649,588)
Total other financing sources (uses)	34,554,655	68,524	646,684	816,050	13,818,719
Extraordinary items					
Extraordinary (loss) on dissolution of Redevelopment Agency	-	(48,008,934)	-	-	-
Total extraordinary items	-	(48,008,934)	-	-	-
Net change in fund balances	\$ 40,254,423	\$ (43,000,393)	\$ 4,264,796	\$ 300,433	\$ 6,335,441
Total Expenditures	\$ 100,851,895	\$ 90,346,076	\$ 80,854,016	\$ 90,426,991	\$ 103,035,200
Capitalized Portion of Capital Outlay	13,482,741	10,764,058	4,614,839	6,756,244	12,362,613
Total Non-Capitalized Expenditures	\$ 87,369,154	\$ 79,582,018	\$ 76,239,177	\$ 83,670,747	\$ 90,672,587
Debt Service: Principal & Interest	\$ 3,231,496	\$ 6,156,859	\$ 3,734,741	\$ 3,828,413	\$ 3,946,910
Debt service as a percentage of noncapital expenditures	3.7%	7.7%	4.9%	4.6%	4.4%

Source: City of Santa Cruz Finance Department

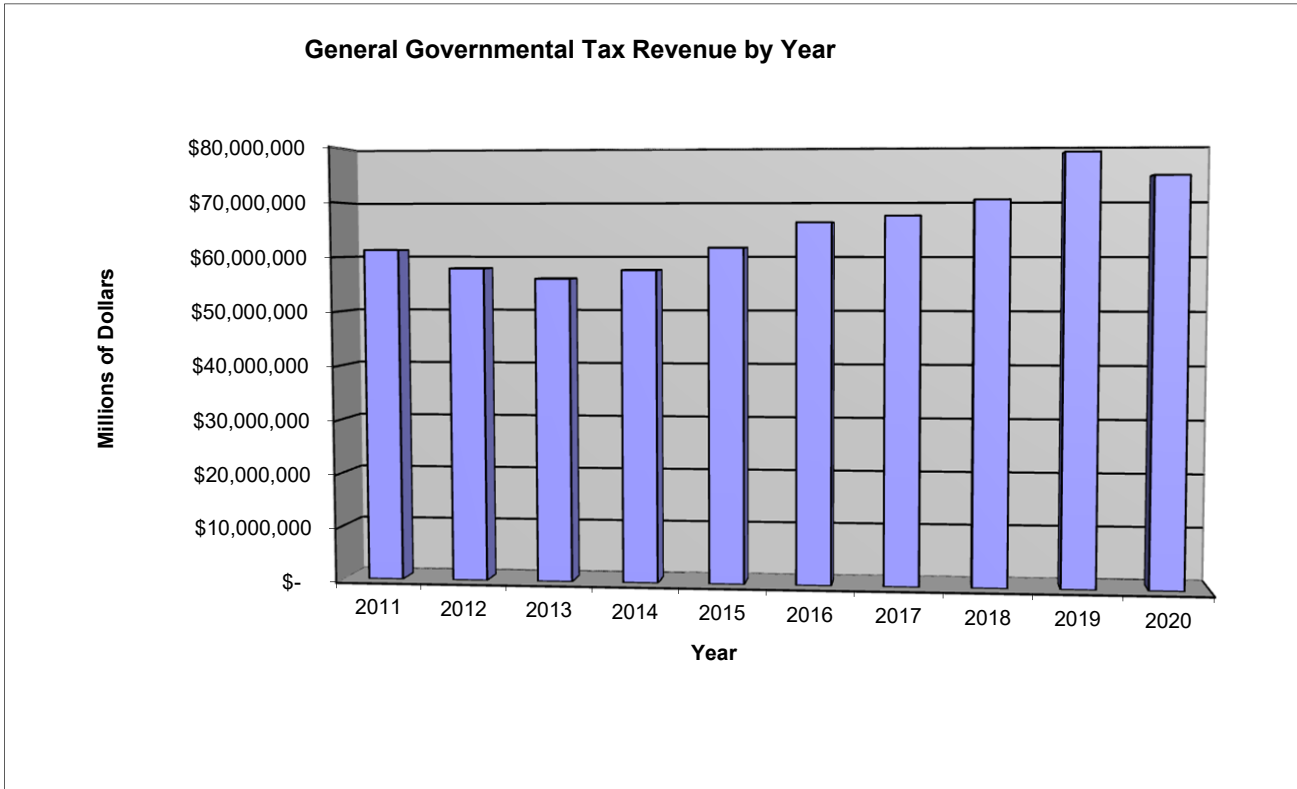
Fiscal Year Ended June 30

2016	2017	2018	2019	2020
\$ 66,322,593	\$ 68,828,889	\$ 73,781,043	\$ 80,390,667	\$ 77,354,407
1,237,340	1,059,040	1,449,842	1,617,733	1,492,276
6,464,559	6,086,088	8,344,392	8,785,444	10,181,715
15,759,647	16,765,767	18,415,749	19,221,412	16,376,880
1,943,034	1,821,418	1,723,744	1,753,002	1,535,295
6,063,555	5,768,075	6,889,627	8,863,017	8,151,370
3,177,854	1,829,894	7,678,476	3,455,888	1,557,853
<u>100,968,582</u>	<u>102,159,171</u>	<u>118,282,873</u>	<u>124,087,163</u>	<u>116,649,796</u>
16,422,406	18,118,532	18,706,083	20,548,575	19,495,392
43,100,322	45,715,309	46,445,392	50,084,320	49,920,365
12,009,683	14,270,030	15,045,740	15,969,852	14,417,269
1,394,751	1,464,751	1,534,781	1,604,751	1,674,751
8,677,836	7,858,508	8,383,175	14,685,689	8,678,317
701,935	748,134	745,940	798,782	1,013,564
5,071,783	3,417,657	4,670,681	2,787,499	4,480,675
1,371,129	1,436,421	2,159,544	2,027,873	2,005,337
4,253,195	12,332,342	18,603,906	5,557,262	15,610,522
3,779,157	4,042,493	4,158,166	4,610,644	4,992,514
1,935,405	1,695,100	1,594,081	1,427,030	1,257,449
-	135,322	-	-	-
<u>98,717,602</u>	<u>111,234,599</u>	<u>122,047,489</u>	<u>120,102,277</u>	<u>123,546,155</u>
<u>2,250,980</u>	<u>(9,075,428)</u>	<u>(3,764,616)</u>	<u>3,984,886</u>	<u>(6,896,359)</u>
1,762,040	33,487	584,367	629,237	20,528
-	7,685,000	483,697	854,614	-
-	-	-	-	-
-	(8,665,624)	-	-	-
-	384,292	-	-	-
-	-	-	-	-
1,715,874	4,484,501	4,954,350	4,393,946	5,751,315
(2,087,561)	(4,980,445)	(3,019,463)	(4,026,253)	(5,421,431)
<u>1,390,353</u>	<u>(1,058,789)</u>	<u>3,002,951</u>	<u>1,851,544</u>	<u>350,412</u>
-	-	-	-	-
-	-	-	-	-
<u>\$ 3,641,333</u>	<u>\$ (10,134,217)</u>	<u>\$ (761,665)</u>	<u>\$ 5,836,430</u>	<u>\$ (6,545,947)</u>
\$ 98,717,602	\$ 111,234,599	\$ 122,047,489	\$ 120,102,277	\$ 123,546,155
1,560,817	4,039,289	9,630,958	5,557,262	10,604,396
\$ 97,156,785	\$ 107,195,310	\$ 112,416,531	\$ 114,545,015	\$ 112,941,759
\$ 5,714,562	\$ 5,737,593	\$ 5,752,247	\$ 6,037,674	\$ 6,249,963
5.9%	5.4%	5.1%	5.3%	5.5%

City of Santa Cruz

General Governmental Tax Revenues by Source¹ Last Ten Fiscal Years

Fiscal Year Ended June 30	Property	Sales and Use	Franchise	Transient Occupancy	Utility Users	Admission	Clean River, Beaches & Ocean
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 ²	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
2019	23,135,942	21,860,332	4,025,643	10,985,786	11,517,468	2,646,472	629,191
2020	23,836,366	21,376,655	4,014,250	8,035,134	11,459,173	1,721,753	629,680



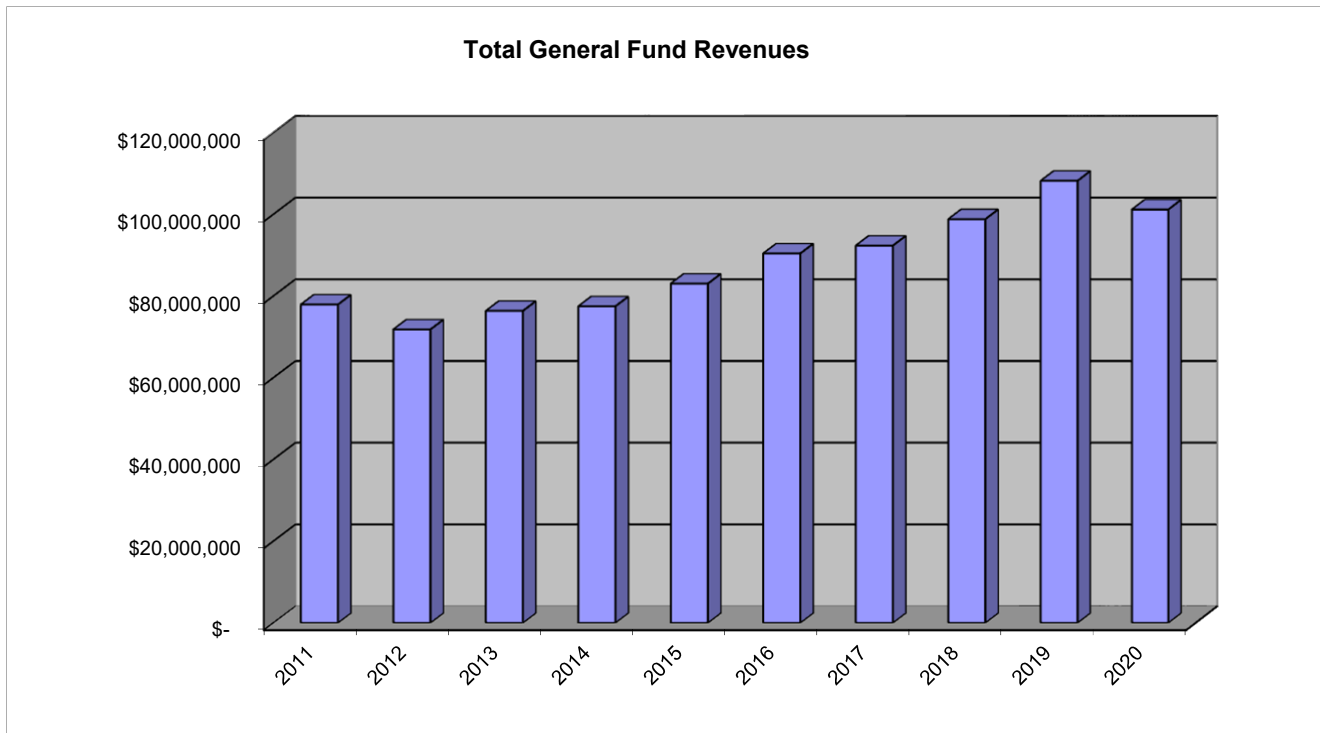
Parking	Business Improvement ²	Property Transfer	Business License	Parks and Recreation Facilities	Tourism Marketing District Assessment (Less payout)	Cannabis	Total
\$ 326,471	\$ 355,556	\$ - ⁴	\$ 723,897	\$ 158,304	\$ 19,341 ⁶	\$ -	\$ 61,295,441
422,104	358,682	60,079	870,708	75,261	124,120	-	57,936,247
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 ³	61,738,809
633,183	456,562	279,942	856,783	493,034	60,918	309,596	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
699,715	464,868	306,256	902,226	457,973	163,345	943,832	78,739,049
509,965	486,099	319,874	867,252	233,342	(304,202)	1,410,175	74,595,516

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 did 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
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
2019	77,141,459	1,617,733	589,336	19,152,126	1,750,058	7,270,160	680,469	108,201,341
2020	73,226,236	1,492,276	1,261,048	16,315,020	1,535,295	6,810,672	529,933	101,170,480



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

Fiscal Year Ended June 30	Real Property				Unsecured	Total Assessed Value	Total Direct Tax Rate
	Residential	Commercial	Other	Total			
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	0.005%
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%
2019	7,927,418,102	1,196,069,243	400,653,617	9,524,140,962	275,180,236	9,799,321,198	0.005%
2020	8,408,918,190	1,244,844,880	436,735,058	10,090,498,128	301,488,477	10,391,986,605	0.005%

City of Santa Cruz
Direct and Overlapping Property Tax Rates¹
Last Ten Fiscal Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Direct Rates:										
General Obligation Bonds	0.006	0.006	0.006	0.006	0.006	0.006	0.005	0.005	0.005	0.005
Total Direct Rate	0.006	0.006	0.006	0.006	0.006	0.006	0.005	0.005	0.005	0.005
Overlapping Rates ² :										
County ³	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
School Districts:										
Cabrillo College	0.036	0.039	0.040	0.040	0.037	0.037	0.033	0.024	0.021	0.021
Santa Cruz Schools	0.047	0.052	0.053	0.047	0.042	0.040	0.038	0.090	0.086	0.078
Bonny Doon Schools	0.026	0.025	0.026	0.025	0.000	0.000	0.000	0.000	0.000	0.000
Live Oak Schools	0.052	0.053	0.055	0.054	0.053	0.046	0.036	0.020	0.021	0.021
Scotts Valley Schools	0.046	0.046	0.048	0.046	0.041	0.075	0.051	0.084	0.069	0.086
Total Overlapping Rate	1.208	1.215	1.223	1.212	1.172	1.198	1.157	1.218	1.197	1.206
Total Direct and Overlapping Rate	\$ 1.213	\$ 1.221	\$ 1.229	\$ 1.218	\$ 1.178	\$ 1.203	\$ 1.162	\$ 1.223	\$ 1.202	\$ 1.211

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	2020 ²			2011 ³		
	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Santa Cruz Seaside Company	\$ 85,601,872	1	0.82%	\$ 54,741,902	1	0.81%
363 Western Drive Owner LLC	57,420,356	2	0.55%			
Cypress Point Re Investors LLC	49,421,156	3	0.48%	42,090,471	3	0.62%
Selby Development Group LLC	43,174,792	4	0.42%			
Santa Cruz Shaffer Road Investors	39,604,846	5	0.38%	33,664,029	4	0.50%
S C Beach Holdco LLC	30,496,074	6	0.29%	43,859,749	2	0.65%
555 Pacific LLC	28,174,327	7	0.27%			
1010 Pacific Investors	27,039,035	8	0.26%	22,957,060	8	0.34%
Essex Chestnut Apartments LP	25,963,752	9	0.25%	22,124,865	10	0.33%
Cooper House LLC	24,858,406	10	0.24%			
Regents of the University of California ¹				28,164,317	6	0.42%
Frederick Electronics Corporation ¹				30,578,030	5	0.45%
Costco Wholesale Corporation ¹				23,797,944	7	0.35%
CRRI/Seagate Ocean Street LLC ¹				22,528,925	9	0.33%
Totals	\$ 411,754,616		3.96%	\$ 324,507,292		4.81%
Total assessed value	\$ 10,391,986,605			\$ 6,741,308,599		

Notes:

¹ The listed tax owners were not ranked in the top 10 during 2020.

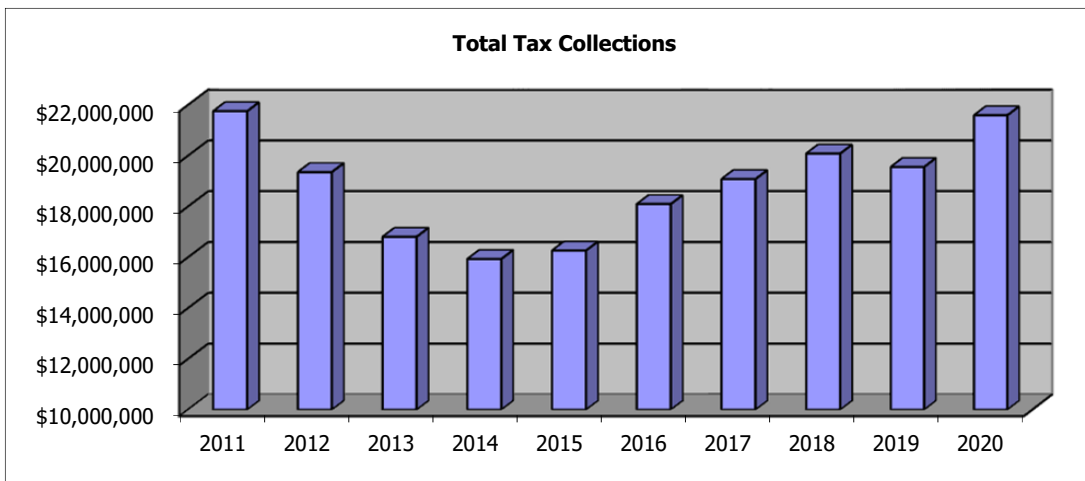
Sources:

² County of Santa Cruz

³ HDL Coren & Cone

City of Santa Cruz
Property Tax Levies and Collections¹
Last Ten Fiscal Years

Fiscal Year Ended June 30	Total Tax Levy ²	Current Tax Collections ²	Percent of Levy Collected	Delinquent Tax Collections ³	Total Tax Collections	Total Collections as Percent of Current Levy	Outstanding Delinquent Taxes ³	Outstanding Delinquent Taxes as Percent of Current Levy
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%	-	-
2019	19,557,083	19,557,083	100.0%	-	19,557,083	100.0%	-	-
2020	21,590,859	21,590,859	100.0%	-	21,590,859	100.0%	-	-



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				
	2011	2012	2013	2014	2015
Governmental Activities:					
General obligation bonds	\$ 6,760,000	\$ 6,580,000	\$ 6,390,000	\$ 6,185,000	\$ 5,965,000
Pension obligation bonds	23,340,000	21,870,000	20,425,000	18,860,000	17,160,000
Revenue bonds payable	10,175,000	9,890,000	9,600,000	9,300,000	8,995,000
Certificates of participation	-	-	-	-	-
Capital leases	474,844	436,460	390,784	344,427	297,379
Notes	14,157	-	234,449	215,735	14,318,705
Other	57,385	-	-	-	-
Premiums	47,708	32,020	30,201	28,832	26,565
Total Governmental Activities	40,869,094	38,808,480	37,070,434	34,933,993.44	46,762,649
Business-type Activities:					
Wastewater revenue bonds	3,670,000	3,445,000	3,215,000	18,701,778	15,359,178
Storm water revenue bonds	5,220,000	5,025,000	4,825,000	4,620,000	4,520,000
Water revenue bonds	11,210,000	10,950,000	10,680,000	10,400,000	10,670,000
Refuse revenue bonds	3,755,000	3,490,000	3,185,000	2,870,000	2,545,000
Parking Revenue bonds	5,180,000	4,940,000	4,695,000	4,445,000	4,190,000
Certificates of Participation	3,110,000	3,000,000	-	-	-
Leases	1,415,217	862,197	521,060	171,096	-
Notes	27,436,062	24,601,653	24,285,784	5,286,731	4,653,748
Premiums	125,523	115,165	104,807	94,123	99,035
Total Business-type Activities	61,121,802	56,429,015	51,511,651	46,494,605	42,036,961
Successor Agency Trust:					
Tax allocation bonds	40,235,000	39,260,000	37,560,000	35,760,000	33,855,000
Premiums	13,872	12,372	10,872	9,372	7,873
Total Successor Agency Trust	40,248,872	39,272,372	37,570,872	35,769,372	33,862,873
Total Primary Government	\$ 142,239,768	\$ 134,509,867	\$ 126,152,957	\$ 117,197,971	\$ 122,662,483
Personal income ¹	\$ 2,946,046,170	\$ 2,937,224,595	\$ 3,048,930,476	\$ 3,326,920,480	\$ 3,334,888,920
Debt as percentage of personal income	4.83%	4.58%	4.14%	3.52%	3.68%
Population ²	59,946	61,955	62,372	63,440	63,789
Debt per capita	2,373	2,171	2,023	1,847	1,923
Assessed value ³	6,954,067,918	6,991,920,559	6,980,490,262	7,243,863,380	7,726,335,775
Debt as percentage of assessed value	2.05%	1.92%	1.81%	1.62%	1.59%

Notes:

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

Source:

² California Department of Finance

³ California Municipal Statistics, Inc.

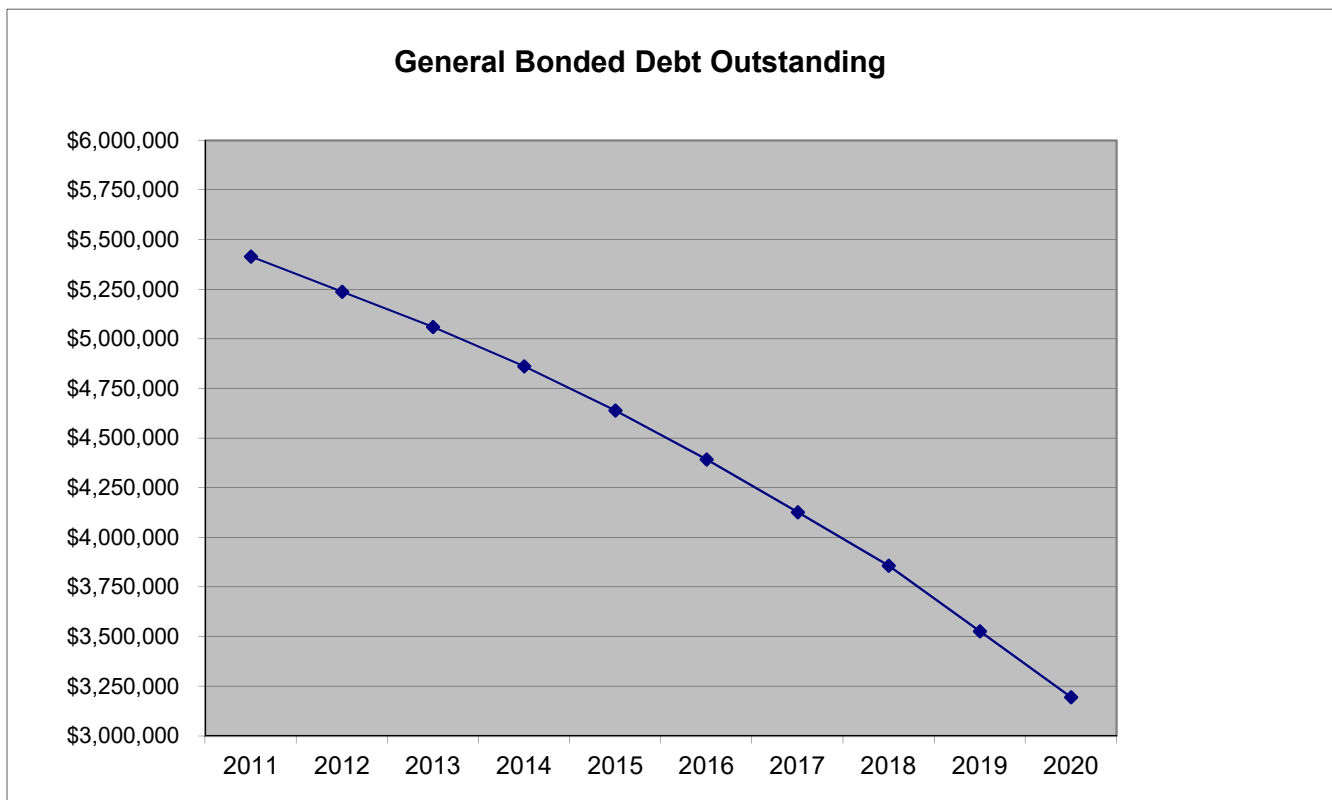
City of Santa Cruz Finance Department

Fiscal Year Ended June 30

	2016	2017	2018	2019	2020
\$	5,730,000	\$ 5,475,000	\$ 5,205,000	\$ 4,915,000	\$ 4,600,000
	15,310,000	13,295,000	11,100,000	8,685,000	6,040,000
	8,680,000	7,685,000	7,560,000	7,255,000	6,940,000
	-	-	-	-	-
	249,630	201,170	152,536	102,813	42,813
	12,987,297	13,920,402	12,871,003	12,162,137	10,504,623
	-	-	-	-	-
	24,747	399,607	376,258	352,908	329,558
	42,981,674	40,976,180	37,264,797	33,472,857	28,456,994
	11,925,013	8,433,487	4,888,944	1,272,570	967,858
	4,245,000	3,945,000	3,640,000	3,330,000	3,015,000
	10,235,000	9,835,000	9,425,000	9,015,000	29,450,000
	2,215,000	1,875,000	1,525,000	1,160,000	785,000
	3,930,000	3,350,000	3,065,000	2,830,000	2,590,000
	-	-	-	-	-
	-	-	-	-	-
	4,277,317	26,632,000	29,407,533	35,655,891	24,376,046
	87,363	359,289	322,811	286,332	5,466,295
	36,914,693	54,429,776	52,274,288	53,549,793	66,650,199
	31,835,000	29,690,000	27,415,000	25,000,000	22,435,000
	6,374	4,874	3,374	1,875	375
	31,841,374	29,694,874	27,418,374	25,001,875	22,435,375
\$	111,737,741	\$ 125,100,830	\$ 116,957,459	\$ 112,024,525	\$ 117,542,568
\$	3,700,634,424	\$ 3,934,137,350	\$ 4,254,916,712	\$ 4,564,044,485	\$ 4,612,243,008
	3.02%	3.18%	2.75%	2.45%	2.55%
	64,632	66,170	66,454	65,807	64,424
	1,729	1,891	1,760	1,702	1,825
	8,252,953,643	8,670,965,022	9,200,592,924	9,799,321,198	10,391,986,605
	1.35%	1.44%	1.27%	1.14%	1.13%

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

Fiscal Year Ended June 30	General Obligation Bonds	Less: Amount Available in Debt Service Fund	Total	Percentage of Assessed Value	Debt Per Capita	Assessed Value ¹	Population ²
2011	\$ 6,760,000	\$ 1,344,043	\$ 5,415,957	0.08%	\$ 90	\$ 6,954,067,918	59,946
2012	6,580,000	1,342,513	5,237,487	0.08%	85	6,991,920,559	61,955
2013	6,390,000	1,328,974	5,061,026	0.07%	81	6,980,490,262	62,372
2014	6,185,000	1,322,942	4,862,058	0.07%	77	7,243,863,380	63,440
2015	5,965,000	1,324,435	4,640,565	0.06%	73	7,726,335,775	63,789
2016	5,730,000	1,336,146	4,393,854	0.05%	68	8,252,953,643	64,632
2017	5,475,000	1,346,719	4,128,281	0.05%	63	8,670,965,022	65,070
2018	5,222,390	1,364,141	3,858,249	0.04%	58	9,200,592,924	66,454
2019	4,930,833	1,402,848	3,527,985	0.04%	54	9,799,321,198	65,807
2020	4,614,275	1,418,805	3,195,470	0.03%	50	10,391,986,605	64,424



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

City of Santa Cruz
Computation of Direct and Overlapping Debt
June 30, 2020

2019-2020 Assessed Valuation \$ 10,391,986,605

	Total Debt Outstanding	Percentage Applicable to City ⁽¹⁾	Amount Applicable to City
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Cabrillo Joint Community College District	\$ 114,961,609	21.389%	\$ 24,589,139
Santa Cruz High School District	114,887,508	46.210%	53,089,517
Santa Cruz Elementary School District	56,311,924	95.382%	53,711,439
Live Oak School District	10,231,000	0.651%	66,604
Scotts Valley Unified School District	39,770,000	0.014%	5,568
City of Santa Cruz	4,600,000	100.000%	4,600,000
Santa Cruz Libraries FA Community Facilities District No. 2016-1	39,080,000	23.791%	9,297,523
Total Direct and Overlapping Tax and Assessment Debt	<u>\$ 379,842,041</u>		<u>\$ 145,359,790</u>
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Santa Cruz County Certificates of Participation	70,733,864	21.553%	15,245,270
Santa Cruz County Office of Education Certificates of Participation	8,158,808	21.553%	1,758,468
Scotts Valley Unified School District Certificates of Participation	9,760,000	0.014%	1,366
Santa Cruz City Schools Certificates of Participation	1,000,000	46.210%	462,100
Live Oak School District Certificates of Participation	12,208,973	0.651%	79,480
Santa Cruz High School District Certificates of Participation	2,107,738	46.210%	973,986
City of Santa Cruz General Fund Obligations	17,487,436	100.000%	17,487,436
City of Santa Cruz Pension Obligations	6,040,000	100.000%	6,040,000
Total Direct and Overlapping General Fund Debt	127,496,819		42,048,106
<u>OVERLAPPING TAX INCREMENT DEBT</u>	22,435,000	100.000%	22,435,000
TOTAL DIRECT DEBT			28,127,436
TOTAL OVERLAPPING DEBT			181,715,460
Combined Total Debt	<u>\$ 507,338,860</u>		<u>\$ 209,842,896</u> ⁽²⁾

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 2019-20 Assessed Valuation:

Direct Debt (\$4,600,000)	0.04%
Total Direct and Overlapping Tax and Assessment Debt	1.40%
Total Direct Debt (\$28,127,436)	0.27%
Combined Total Debt	2.02%

Ratios to Incremental Valuation (\$1,982,173,415)

Total Overlapping Tax Increment Debt	1.13%
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Source: California Municipal Statistics, Inc.

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

	Fiscal Year Ended June 30				
	2011	2012	2013	2014	2015
Debt limit	\$ 1,043,110,188 *	\$ 1,048,788,084	\$ 1,047,073,539	\$ 1,086,579,507	\$ 1,158,950,366
Total net debt applicable to limit	5,415,957	5,237,487	5,061,026	4,862,058	4,640,565
Legal debt margin	\$ 1,037,694,231	\$ 1,043,550,597	\$ 1,042,012,513	\$ 1,081,717,449	\$ 1,154,309,801
Total net debt applicable to the limit as a percentage of debt limit	0.52%	0.50%	0.48%	0.45%	0.40%

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% which is used 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

Fiscal Year Ended June 30				
2016	2017	2018	2019	2020
\$ 1,237,943,046	\$ 1,300,644,753	\$ 1,380,088,939	\$ 1,469,898,180	\$ 1,558,797,991
4,393,854	4,128,281	3,840,859	3,512,152	3,181,195
<u>\$ 1,233,549,192</u>	<u>\$ 1,296,516,472</u>	<u>\$ 1,376,248,080</u>	<u>\$ 1,466,386,028</u>	<u>\$ 1,555,616,796</u>
0.35%	0.32%	0.28%	0.24%	0.20%

Legal Debt Margin Calculation For Fiscal Year 2019-20

Total assessed value	\$ 10,391,986,605
Debt limit (15% of total assessed value)	1,558,797,991
Debt applicable to limit:	
General obligation bonds (reported at accreted value)	4,600,000
Less: Amount available in debt service fund for repayment of bonds	<u>1,418,805</u>
Total net debt applicable to limit	<u>3,181,195</u>
Legal debt margin	<u>\$ 1,555,616,796</u>

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

	Fiscal Year Ended June 30				
	2011	2012	2013	2014	2015
Wastewater Revenue Bonds:					
Wastewater charges and other	\$ 15,819,819	\$ 17,064,015	\$ 16,665,280	\$ 17,351,944	\$ 17,702,332
Less: operating expenses	12,064,824	12,928,161	13,993,246	13,770,395	13,317,173
Net available revenue	3,754,995	4,135,854	2,672,034	3,581,549	4,385,160
Debt service:					
Principal	220,000	225,000	230,000	240,000	1,709,898
Interest	151,128	143,961	136,157	44,491	48,609
Total	371,128	368,961	366,157	284,491	1,758,507
Coverage	10.12	11.21	7.30	12.59	2.49
Water Revenue Bonds:					
Water charges and other	\$ 24,010,332	\$ 25,071,978	\$ 25,809,906	\$ 24,635,604	\$ 24,654,059
Less: operating expenses	17,987,359	19,983,914	20,264,057	23,821,485	21,279,237
Net available revenue	6,022,973	5,088,064	5,545,849	814,119	3,374,822
Debt service:					
Principal	250,000	260,000	270,000	311,368	-
Interest	508,489	498,356	487,823	386,783	72,733
Total	758,489	758,356	757,823	698,151	72,733
Coverage	7.94	6.71	7.32	1.17	46.40
Storm Water Revenue Bonds:					
Storm Water charges and other	\$ 906,683	\$ 916,601	\$ 893,217	\$ 856,893	\$ 889,617
Less: operating expenses	427,263	628,349	465,600	505,896	312,574
Net available revenue	479,420	288,252	427,617	350,997	577,043
Debt service:					
Principal	190,000	195,000	200,000	197,815	275,000
Interest	208,498	202,685	196,535	100,175	26,109
Total	398,498	397,685	396,535	297,990	301,109
Coverage	1.20	0.72	1.08	1.18	1.92

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

	2016	2017	2018	2019	2020
\$	18,638,430	\$ 20,294,352	\$ 21,239,594	\$ 20,020,688	\$ 21,534,439
	13,543,016	14,269,230	15,535,701	15,666,972	17,807,641
	5,095,414	6,025,121	5,703,892	4,353,716	3,726,798
	3,434,164	3,491,526	3,544,544	3,616,374	304,712
	234,324	176,024	116,764	43,118	35,177
	3,668,488	3,667,550	3,661,308	3,659,492	339,889
	1.39	1.64	1.56	1.19	10.96
\$	26,676,455	\$ 31,120,650	\$ 41,515,458	\$ 41,036,708	\$ 42,647,198
	21,949,166	22,464,366	27,393,908	26,631,004	28,641,586
	4,727,289	8,656,284	14,121,550	14,405,704	14,005,612
	348,000	320,000	328,000	328,000	406,000
	279,705	242,057	235,603	229,043	799,607
	627,705	562,057	563,603	557,043	1,205,607
	7.53	15.40	25.06	25.86	11.62
\$	1,025,705	\$ 915,299	\$ 920,052	\$ 911,553	\$ 912,701
	576,609	726,257	709,824	229,031	626,822
	449,096	189,042	210,228	682,522	285,879
	275,000	300,000	305,000	310,000	315,000
	100,313	94,438	88,363	82,188	75,912
	375,313	394,438	393,363	392,188	390,912
	1.20	0.48	0.53	1.74	0.73

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

	Fiscal Year Ended June 30				
	2011	2012	2013	2014	2015
Refuse Loan Agreement:					
Refuse charges and other	\$ 16,280,793	\$ 15,938,918	\$ 15,878,882	\$ 15,160,656	\$ 16,771,121
Less: operating expenses	12,482,121	13,236,313	14,281,118	13,705,783	14,006,805
Net available revenue	3,798,672	2,702,605	1,597,764	1,454,873	2,764,316
Debt service:					
Principal	156,500	164,200	172,200	214,033	98,300
Interest	137,588	129,781	121,589	112,997	24,833
Total	294,088	293,981	293,789	327,031	123,133
Coverage	12.92	9.19	5.44	4.45	22.45
Refuse Revenue Bonds:					
Refuse charges and other	\$ 16,280,793	\$ 15,938,918	\$ 15,878,882	\$ 15,160,656	\$ 16,771,121
Less: operating expenses	12,482,121	13,236,313	14,281,118	13,705,783	14,006,805
Net available revenue	3,798,672	2,702,605	1,597,764	1,454,873	2,764,316
Debt service:					
Principal	-	265,000	305,000	315,000	330,000
Interest	120,311	116,388	107,538	98,163	21,513
Total	120,311	381,388	412,538	413,163	351,513
Coverage	31.57	7.09	3.87	3.52	7.86
Parking Lease Revenue Bonds:					
Parking charges and other	\$ 3,632,924	\$ 3,265,001	\$ 3,569,946	\$ 4,046,835	\$ 4,542,711
Less: operating expenses	2,958,653	2,685,446	2,974,546	3,407,113	3,568,439
Net available revenue	674,271	579,555	595,400	639,721	974,272
Debt service:					
Principal	250,000	240,000	245,000	250,000	-
Interest	176,378	181,066	178,250	2,300	54,055
Total	426,378	421,066	423,250	252,300	54,055
Coverage	1.58	1.38	1.41	2.54	18.02

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.

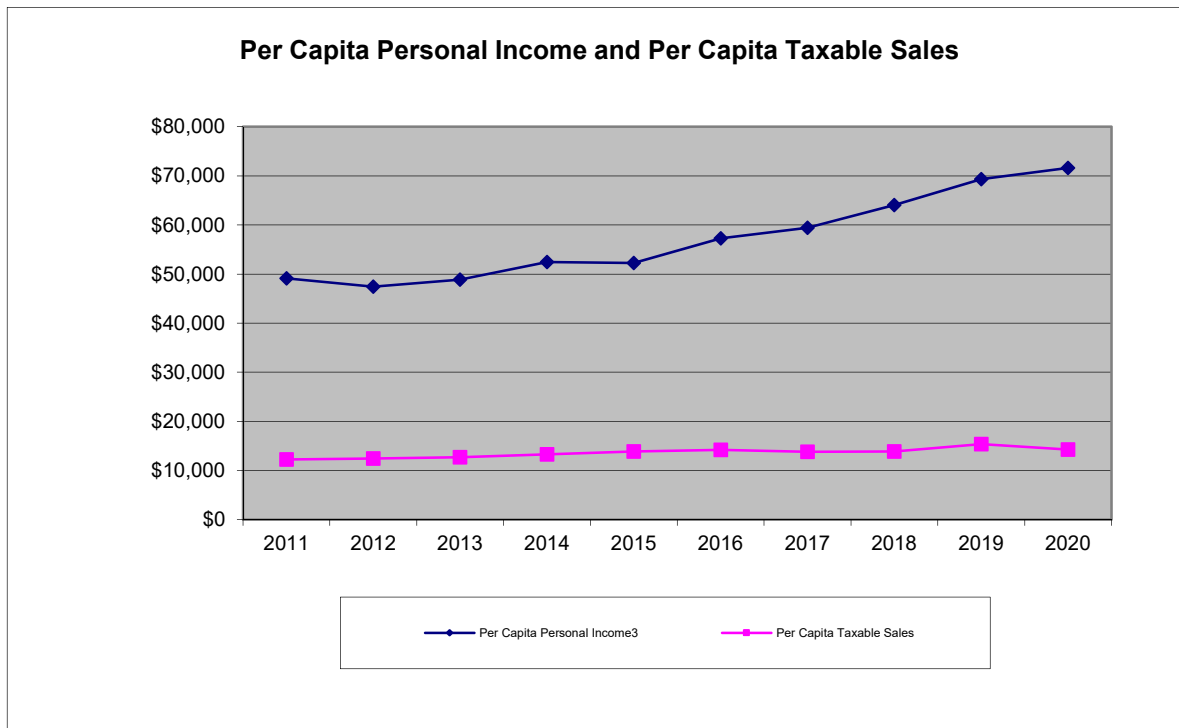
Source: City of Santa Cruz Finance Department

Fiscal Year Ended June 30

	2016	2017	2018	2019	2020
\$	18,011,931	\$ 19,965,814	\$ 21,031,042	\$ 21,539,115	\$ 21,161,698
	13,960,753	15,011,430	16,485,296	17,406,827	19,399,515
	4,051,178	4,954,384	4,545,746	4,132,288	1,762,183
	232,333	208,700	219,100	229,900	241,200
	94,517	84,591	74,176	63,243	51,775
	326,850	293,291	293,276	293,143	292,975
	12.39	16.89	15.50	14.10	6.01
\$	18,011,931	\$ 19,965,814	\$ 21,031,042	\$ 21,539,115	\$ 21,161,698
	13,960,753	15,011,430	16,485,296	17,406,827	19,399,515
	4,051,178	4,954,384	4,545,746	4,132,288	1,762,183
	330,000	340,000	350,000	365,000	375,000
	78,625	68,500	58,075	46,553	34,447
	408,625	408,500	408,075	411,553	409,447
	9.91	12.13	11.14	10.04	4.30
\$	5,049,171	\$ 5,250,820	\$ 5,645,434	\$ 6,354,197	\$ 5,489,968
	3,740,393	4,073,705	4,557,291	4,724,064	5,463,240
	1,308,778	1,177,116	1,088,143	1,630,133	26,728
	260,000	-	285,000	235,000	240,000
	160,866	97,038	101,134	112,750	104,000
	420,866	97,038	386,134	347,750	344,000
	3.11	12.13	2.82	4.69	0.08

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

Fiscal Year Ended June 30	Population ¹	Unemployment Rate ²	Total Personal Income	Per Capita Personal Income ³	Taxable Sales ⁴	Per Capita Taxable Sales
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	66,170	4.5%	3,934,137	59,455	913,691	13,808
2018	66,454	3.4%	4,254,917	64,028	922,226	13,878
2019	65,807	4.2%	4,564,044	69,355	1,009,300	15,337
2020	64,424	11.2%	4,612,243	71,592	915,857	14,216



Notes:

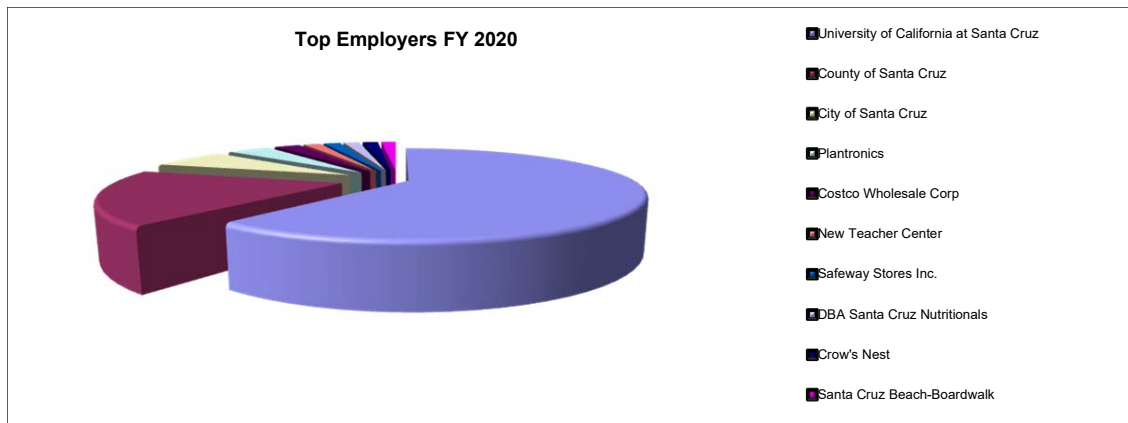
- A For calendar year ending during the fiscal year.
- B Amounts are for the Santa Cruz-Watsonville Metropolitan Area.
- C Total Personal Income and Taxable Sales amounts are in thousands.
- D Calendar year data not yet available.

Source:

- ¹ California Department of Finance
- ² California Employment Development Department
- ³ U.S. Department of Commerce, Bureau of Economic Analysis
- ⁴ California Department of Tax and Fee Administration

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

Employer:	Fiscal Year Ended June 30					
	2020			2011		
	Number of Employees	Rank	Percentage of Total Employment	Number of Employees	Rank	Percentage of Total Employment
University of California at Santa Cruz	8,266	1	25.048%	7,364	1	26.585%
County of Santa Cruz	2,558	2	7.752%	2,319	2	8.372%
City of Santa Cruz	903	3	2.736%	780	3	2.816%
Plantronics	529	4	1.603%	505	4	1.823%
Costco Wholesale Corp	314	5	0.952%	239	6	0.863%
New Teacher Center	211	6	0.639%	211	9	0.762%
Safeway Stores Inc.	210	7	0.636%	-	-	-
DBA Santa Cruz Nutritionals	200	8	0.606%	-	-	-
Crow's Nest	194	9	0.588%	-	-	-
Santa Cruz Beach-Boardwalk	186	10	0.564%	347	5	1.253%
Santa Cruz Biotechnology Inc.	-	-	-	204	10	0.736%
Threshold Enterprises Ltd.	-	-	-	213	7	0.769%
Community Bridges	-	-	-	212	8	0.765%
Totals	13,571		41.124%	12,394		44.744%
Total employment	33,000			27,700		



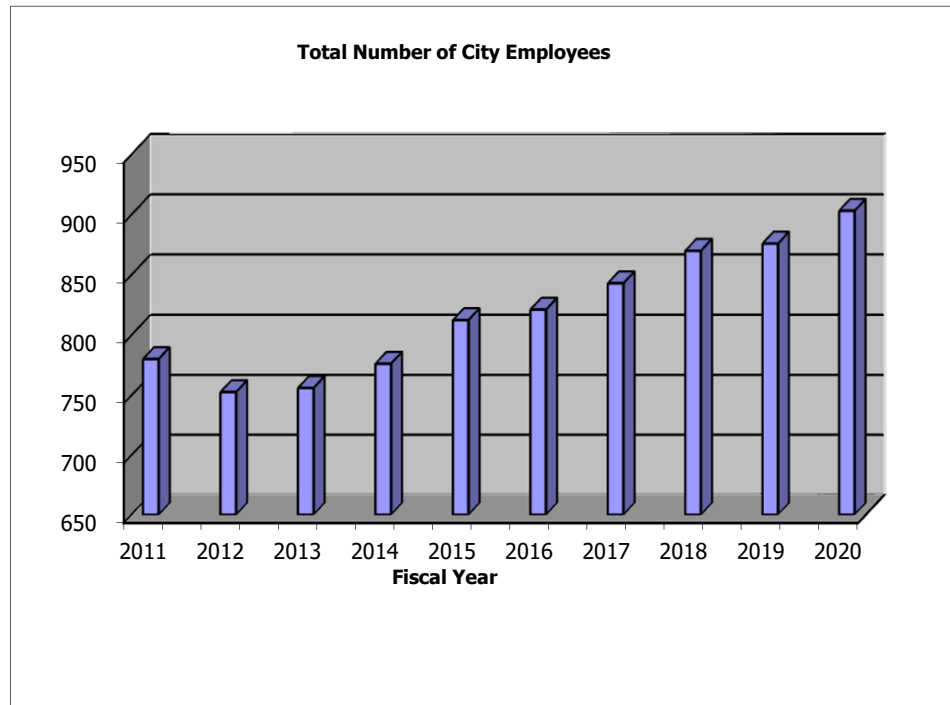
Notes:

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

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

City of Santa Cruz
Number of City Employees¹ by Department
Last Ten Fiscal Years

	Fiscal Year Ended June 30									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Departments:										
City Clerk ³	6	-	-	-	-	-	-	-	-	-
City Manager	5	11	11	12	12	12	12	12	12	13
Administrative Services ²	29	29	28	28	30	31	31	32	32	34
Finance	25	24	24	29	30	30	30	30	32	32
Information Technology ²	-	-	-	-	-	-	-	-	-	-
Police	118	118	118	117	124	124	124	127	136	144
Fire ⁴	55	53	54	54	65	65	65	66	66	66
Parks and Recreation	83	83	82	82	84	88	94	96	87	86
Library	97	71	77	80	83	84	90	93	93	98
Public Works	223	224	229	233	234	235	240	250	251	258
Planning and Community Development	28	28	27	35	37	38	39	39	39	38
Economic Development/Redevelopment	16	16	10	9	11	12	12	12	14	15
Water	95	96	96	98	102	102	107	113	114	119
Total	780	753	756	776	812	821	843	870	876	903



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				
	2011	2012	2013	2014	2015
City Clerk					
Hours for creating the agenda for posting	300	300	300	300	500
Advisory body hours	575	575	575	575	300
Election hours	5	450	450	450	-
Initiative/referendum petitions processing hours	-	-	200	-	-
Human Resources					
Number of recruitments	68	69	74	76	101
Number of applications	2,346	1,205	1,351	3,384	3,438
Workers compensation claim payments	\$ 1,161,722	\$ 1,670,856	\$ 1,677,161	\$ 1,770,711	\$ 2,059,341
Police					
Calls for service	81,505	90,484	104,836	104,709	102,592
Cases	10,011	11,063	11,432	10,675	10,759
Fire					
Emergency calls	6,966	7,005	7,005	7,483	8,264
Inspections	1,843	1,575	655	1,934	1,946
Parks and Recreation					
Number of classes	907	891	832	889	901
Facility rentals:					
Parks (Picnic Areas)	2,760	2,160	2,622	1,033	598
Louden Nelson	5,650	5,700	4,611	5,044	5,218
Civic Auditorium	125	150	137	138	142
Swimming pool	-	n/a	70	77	80
Special events produced	12	12	12	12	30
Library (all locations)					
Items checked out	1,938,317	2,005,328	1,769,845	2,367,679	1,961,846
Queries handled	333,991	168,057	314,028	326,612	263,308
Open hours/week	257	265	359	359	359
Public Works					
Overlay (square footage)	278,680	266,888	515,700	1,856	633,386
Seal coat (square footage)	-	515,653	-	1,910,000	-
Sewer					
New connections	39	39	57	52	66
Average daily flow (MGD)	11	9	9	8	8
Annual total flow (MG)	3,870	3,294	3,182	3,011	2,767
Water					
Active accounts	24,351	24,347	24,425	24,429	24,511
Average daily consumption (MGD)	8	8	8	8	8
Annual consumption (MG)	2,860	2,820	2,984	2,959	2,979
Average monthly residential bill	\$ 38	\$ 44	\$ 45	\$ 45	\$ 41

** 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

2016	2017	2018	2019	2020
500	500	300	500	500
300	300	300	300	100
-	450	450	-	450
-	200	200	300	400
118	129	127	128	120
4,087	3,885	3,613	3,619	3,983
\$ 1,368,840	\$ 1,725,200	\$ 2,339,551	\$ 2,635,482	\$ 2,437,257
103,645	100,877	101,181	96,231	100,055
11,119	10,733	10,129	12,295	11,409
8,741	8,596	9,133	8,891	8,121
2,951	1,475	1,165	1,282	943
962	903	843	752	972
2,506	791	1,478	526	238
6,504	5,430	5,856	5,272	3,281
124	148	163	238	141
85	975	276	340	62
12	10	13	12	8
1,785,427	1,756,741	1,809,648	1,544,328	1,252,509
287,505	302,958	287,256	149,431	114,318
359	359	425	384	355
349,245	461,961	856,680	149,600	445,352
817,506	2,234,457	-	718,902	-
57	72	40	37	25
8	10	10	8	8
3,077	3,687	3,650	2,920	2,920
24,514	24,517	24,518	24,550	24,545
6	6	7	7	6
2,234	2,342	2,437	2,416	2,345
\$ 48	\$ 50	\$ 66	\$ 68	\$ 74

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

Function:	Fiscal Year Ended June 30				
	2011	2012	2013	2014	2015
Public Safety					
Police					
Stations	1	1	1	1	1
Vehicular patrol units	67	67	69	69	69
Fire stations	3	3	3	3	4
Lifeguard Headquarters	1	1	1	1	1
Public Parking					
Lots	26	26	26	26	26
Spaces	5,380	5,322	5,300	5,301	5,514
Parking meters	1,875	1,866	1,933	1,945	1,931
Parks and Recreation					
Parks	30	30	32	31	31
Parks acreage	1,970	1,970	1,704	1,706	1,706
Playgrounds	17	17	16	17	17
Swimming pools	1	1	1	1	1
Tennis courts	6	6	7	6	6
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	3,077	3,087	3,091	3,094	3,096
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	298	298	296	298
Fire hydrants	2,024	2,025	2,027	2,024	2,031

Fiscal Year Ended June 30

2016	2017	2018	2019	2020
1	1	1	1	1
69	69	70	70	70
4	4	4	4	4
1	1	1	1	1
24	23	25	24	24
5,244	5,174	5,357	5,470	5,460
1,922	1,920	1,906	1,906	1,906
31	31	31	31	31
1,706	1,706	1,706	1,706	1,706
18	18	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	1	1
2	2	2	2	2
136	136	136	136	136
13	13	13	13	13
3,136	2,926	3,136	2,904	2,861
155	155	155	155	155
49	49	50	50	50
296	294	296	294	294
2,031	2,028	2,033	2,034	2,039