

ANNUAL COMPREHENSIVE FINANCIAL REPORT
CITY OF SANTA CRUZ
CALIFORNIA



FOR THE FISCAL YEAR ENDED JUNE 30, 2022



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**City of Santa Cruz,
State of California**

**Annual Comprehensive Financial Report for
the Fiscal Year Ended June 30, 2022**

Prepared by

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March 1, 2023

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

In accordance with the City Charter, the Finance Department is pleased to present the Annual Comprehensive Financial Report (ACFR) of the City of Santa Cruz for the fiscal year ended June 30, 2022. Responsibility for the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the City. It is the opinion of the Finance Department that the data is accurate in all material aspects, is presented in a manner designed to fairly set forth the financial position and results of the operations of the City, and contains all disclosures necessary to enable the reader to gain an understanding of the City's financial affairs.

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

The City's financial statements have been audited by Eide Bailly, LLP, a public accounting firm licensed and qualified to perform audits within the State of California. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Santa Cruz for the fiscal year ended June 30, 2022, 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, 2022, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report. The independent audit of the financial statements of the City of Santa Cruz was part of a broader, federally mandated "Single Audit" designed to meet the needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Santa Cruz's separately issued Single Audit Report.

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

Profile of the Government

The City of Santa Cruz, incorporated in 1866, is located on the northern part of the Monterey Bay approximately 74 miles south of San Francisco and 30 miles west of San Jose. The City of Santa Cruz was first founded in 1769 by the Spanish explorer Don Gaspar de Portola, who, along with Father Junipero Serra, began land-based settlement in the area. Santa Cruz is the county seat for the County of Santa Cruz and is a charter city which operates under the provisions of a voter-approved charter. The City has an area of 12 square miles and an estimated population of 64,072 as of June 2022. Santa Cruz is home to the University of California, Santa Cruz which first opened in 1965 with 650 students. It now has a current enrollment of nearly 17,084 undergraduate and 1,896 graduate students, and is the City's largest employer, with over 7,997 employees. The main campus covers over 2,000 acres overlooking the Monterey Bay National Marine Sanctuary. The City is also home to the historical Santa Cruz Beach Boardwalk and the Santa Cruz Warriors' basketball team. Major industries include tourism, manufacturing, and technology.

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

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

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

The City of Santa Cruz has operated under the council-manager form of government since its incorporation in 1866. Policy-making and legislative authority are vested in a seven-member governing council consisting of the Mayor and six Councilmembers who serve four year overlapping terms. In 2022, for the first time, the Mayor was elected directly by the people in the November general election. In 2022 the City also moved to district elections for Councilmembers. Each Councilmember represents a geographic district in the City and is 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 serves as the administrative head of the City of Santa Cruz government and is responsible for carrying out the policies and ordinances of the City Council, and all management functions of the City, including budget, delivery of services, and hiring all department directors.

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 2.49 billion gallons of clean, safe water in 2022. Service extends beyond the municipal boundaries and has a total service population of approximately 98,000. Many major public services delivered within the City's boundaries, including education and public transportation, are provided by other agencies. The City of Santa Cruz is not financially accountable for the operations of the franchisees or these government agencies.

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

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

Factors Affecting Financial Condition

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

Economic Conditions and Outlook

The City adopted the fiscal year 2023 budget on June 14, 2023. The budget was balanced using almost \$5M in reserves. The City is in the process of updating the long-term financial forecast, taking into account the pandemic and expected recession. The CZU fire in August 2020 and the COVID pandemic which began in March 2020 placed the City in a state of emergency and had significant impacts to General Fund revenues. Recovery from these disasters began in fiscal year 2022 with the City seeing increases of 15% and 32% over fiscal year 2021 in Sales Tax and Transient Occupancy Taxes respectively. Property tax receipts remain relatively unaffected by the disasters, increasing 7% between fiscal year 2021 and fiscal year 2022. The City expects recovery to continue and adopted a 2023 revenue budget of \$121.9M, a 10% increase over the 2022 adopted revenue budget of \$110.8M.

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 is used solely for essential, primary support services such as Police, Fire, Public Works, Parks & Recreation, and community programs. In November 2017, the City Council increased the tax from 7% to 8% and designated this 1% increase to a Children's Fund supporting enhancement and expansion of evidenced-based programs that prioritize access to early childhood development, prevention, and vulnerable youth programs. The tax generated \$155,000 in fiscal year 2015. Cannabis Business Tax has steadily increased each year to a total of \$2.1 million in 2022 and is budgeted to bring in \$2.5 million in fiscal year 2023.

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 \$1.7 million in revenue during fiscal year 2022.

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 \$2.8 million for fiscal year 2020, and \$2.3 million in fiscal year ending 2021 and an additional \$2.4 million for fiscal year 2022.

With the ongoing COVID-19 pandemic, the U.S. government passed several stimulus and relief packages, and two of the relief packages provided direct fiscal funding to the City. The Coronavirus Aid, Relief, and Economic Security Act, that signed into law on March 27, 2020, appropriated \$2.3 trillion for many different efforts including \$150 billion in grants to state and local governments. The City received approximately \$0.8 million of State pass-through funding in the fiscal year 2020-21. The American Rescue Plan Act, which President Biden signed into law on March 11, 2021, appropriated \$1.9 trillion of stimulus and relief proposals with \$350 billion of the total funding going to state and local governments. The City was allocated approximately \$14.2 million, which was received over two fiscal years, \$7.1M each in fiscal years 2021 and 2022.

During the 2021 State Legislative session, Santa Cruz's representatives, Senator John Laird and Assembly member Mark Stone were able to obtain a one-time \$14 million allocation from the State General Fund for use by the City of Santa Cruz in addressing its issues with homelessness. Part of the justification for the funding is that Santa Cruz has a higher number of persons experiencing homelessness per city resident than much larger communities such as Los Angeles, San Francisco or San Diego. This situation, along with Santa Cruz's lack of adequate resources to site and build facilities such as a Navigation Center, a community resource that has proven to be an important element in working with those experiencing homelessness elsewhere in the state, provided further justification for this special, one-time appropriation. The City received this grant in November 2021.

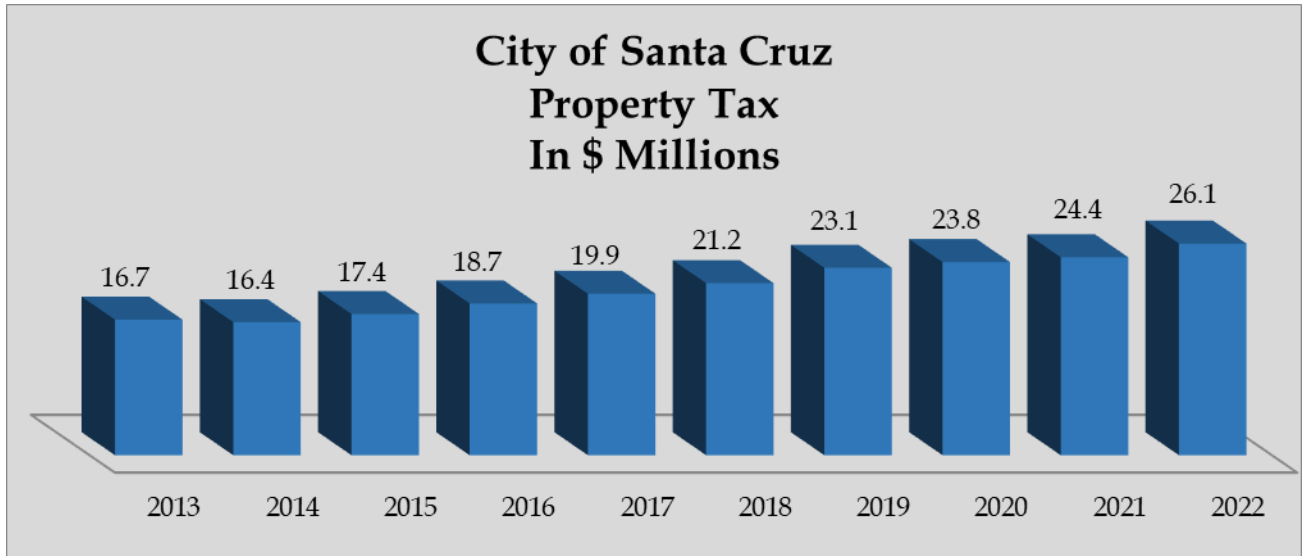
The City continues to evaluate its financial future, and the City's goal is to find a structural equilibrium between available resources and service requirements. The City is also dedicated to increasing local revenues with more economic development and incentive programs to improve the quality of local 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 City Council adopted an Interim Recovery Plan in fiscal year 2020 that sets goals and identifies metrics for measuring progress in the economic recovery from the COVID-19 pandemic.

Historical Trend Information

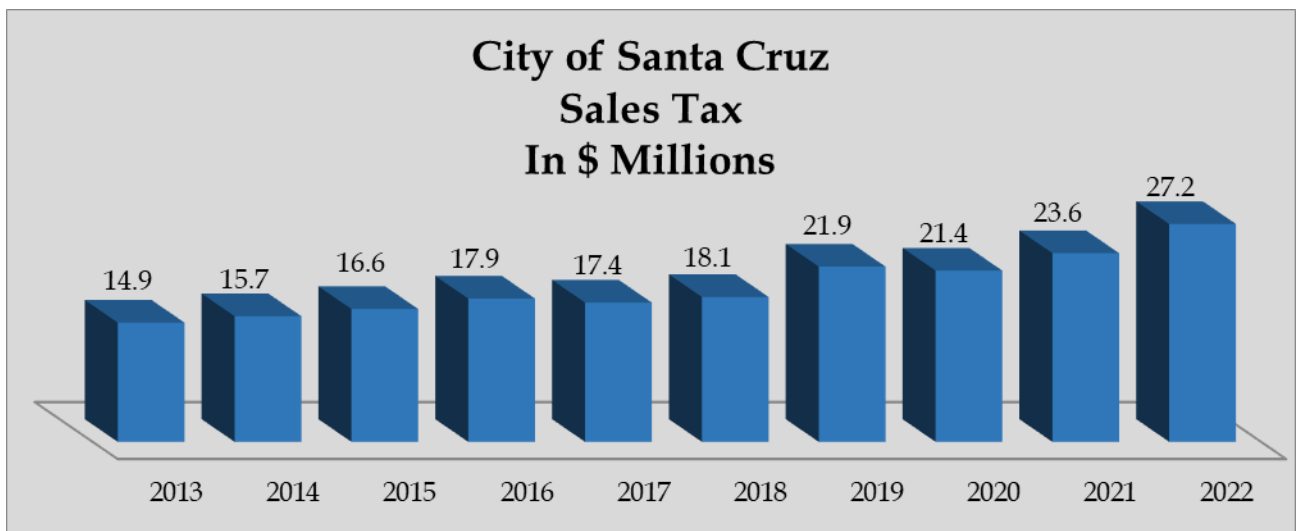
Property Tax

As illustrated in the following chart, property tax has continued to grow steadily, even through the pandemic. The average rate of growth over the last five years is 5.5%.



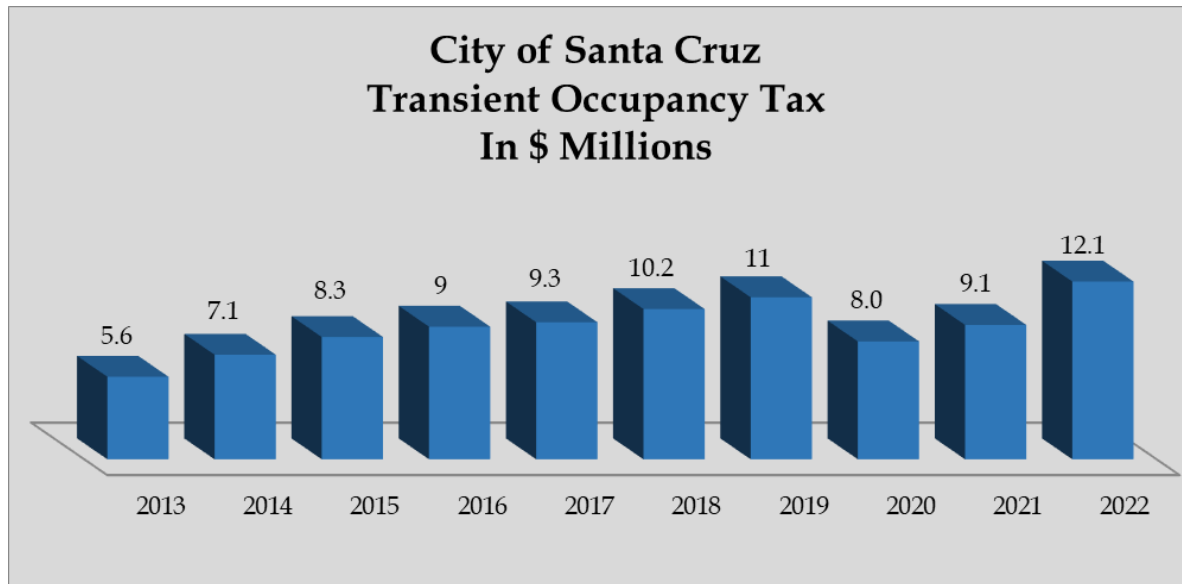
Sales & Use Tax, Local Transactions and Use Tax and Supplemental Property Tax In-Lieu of Sales Tax

The City has a well-diversified economy and sales tax base and has seen steady growth in sales tax revenue since 2013. In 2018 voters approved a ¼ percent tax rate increase which resulted in a \$3 million increase in tax revenues in fiscal year 2019 to \$21.9 million. Revenue in fiscal year 2020 declined slightly to \$21.4 million due to the COVID-19 shelter-in-place orders but increased to \$23.4 million and \$27.1 million in fiscal years 2021 and 2022 respectively as a result of ending COVID-19 shelter-in-place orders and the reopening of businesses.



Transient Occupancy Tax

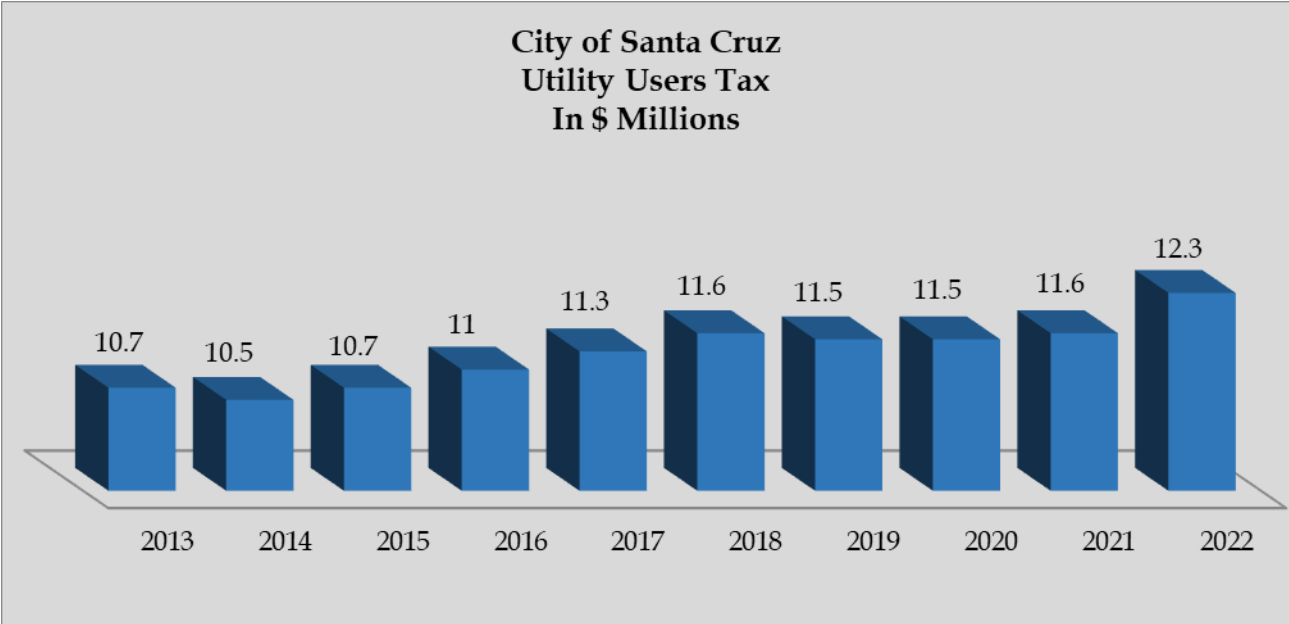
Transient Occupancy Tax (TOT) annual revenues have continued to grow each year, until 2020 when the COVID-19 pandemic resulted in a 27.3% or \$3 million decrease to \$8 million. Recovery from the pandemic began in fiscal year 2021 when revenues increased by 13.8% or \$1.1 million and continued in fiscal year 2022 with a 33.0% or \$3 million increase to \$12.1 million. This revenue source is expected to continue to grow in fiscal year 2023 as the City continues to aggressively pursue the addition of major chain hotels and with the passage of a sales tax measure in November 2022 increasing to 12% the rate for hotels, motels and other commercial lodging facilities and increasing to 14% the rate for short term residential vacation rental properties.



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.

Utility Users Tax has remained flat over the past three fiscal years, primarily due to residents eliminating cable services and telephone landlines. Fiscal year saw a modest increase of \$0.7 million to \$12.3 million.



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 established two Section 115 Trusts – one for Pension and one for other post-employment benefits (OPEB) – to help address these rising costs. During the next five years, pension costs as a percentage of General Fund expenditures are expected to increase. This increase is primarily due to the California Public Employees Retirement System (CalPERS) lowering the discount rate from 7.5% to 7% in fiscal year 2020 and from 7% to 6.8% in November 2021.

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, as described in the Council approved Long Range Financial Plan for the Water Department.

The City continues to seek funding to improve the condition of its infrastructure, including major renovations to the Municipal Wharf (now 108 years old) and the Civic Auditorium (82 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 Annual Comprehensive Financial Report for the fiscal year ended June 30, 2021. This was the fourteenth 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 2022 Annual Budget. This award is the highest form of recognition in governmental budgeting. This was the ninth that the government has received this esteemed award.

Acknowledgements

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

Respectfully submitted,



Elizabeth Cabell
Director of Finance



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Santa Cruz
California**

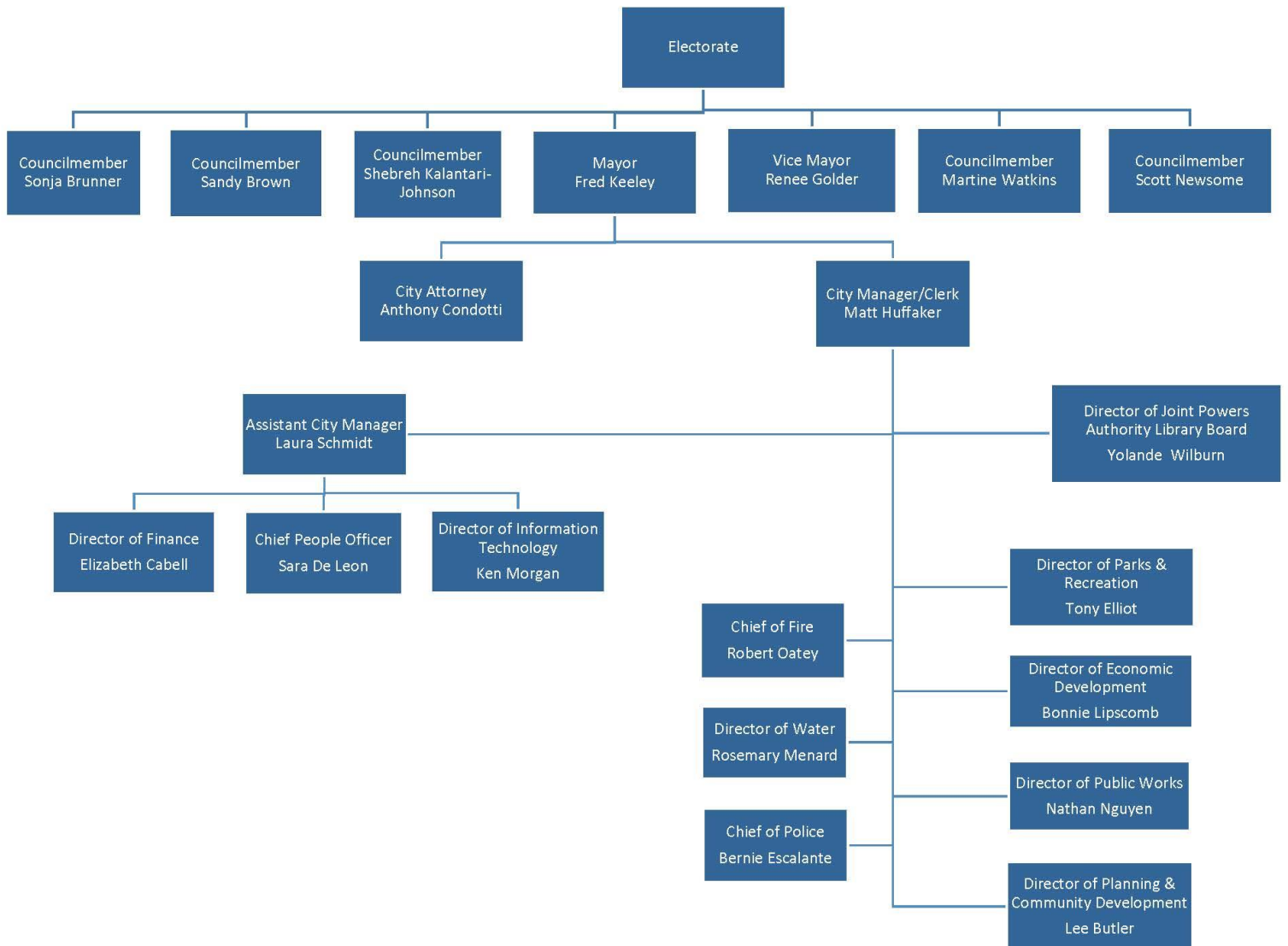
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO





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

Mayor Fred Keeley

Vice Mayor Renee Golder

Councilmember Sandy Brown

Councilmember Sonja Brunner

Councilmember Shebreh Kalantari-Johnson

Councilmember Martine Watkins

Councilmember Scott Newsome

City Manager, Matthew Huffaker

Assistant City Manager.....Laura Schmidt
Chief of FireRobert Oatey
Chief of Police.....Bernard Escalante
City AttorneyAnthony Condotti
Director of Economic DevelopmentBonnie Lipscomb
Director of Finance.....Elizabeth Cabell
Chief People Officer.....Sara De Leon
Director of Information TechnologyKen Morgan
Director of Parks and Recreation.....Tony Elliot
Director of Planning and Community DevelopmentLee Butler
Director of Public Works.....Nathan Nguyen
Director of Water DepartmentRosemary Menard



Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Santa Cruz, California as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Santa Cruz's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Santa Cruz, California, as of June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Santa Cruz, California and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Adoption of New Accounting Standard

As discussed in Note 15 to the financial statements, the City of Santa Cruz, California has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. Accordingly, a restatement has been made to the governmental activities, business-type activities, water, wastewater, refuse, and parking funds net position, general, and RDA successor agency – LMIH fund balances as of July 1, 2021, to restate beginning net position. Our opinions are not modified with respect to this matter.

Restatement and Reissuance

As further discussed in Note 17, subsequent to the issuance of the City's 2022 financial statements and our report thereon dated March 1, 2023, we became aware that the statement of cash flows had an error for amounts reported as "proceeds from debt issuance" and "principal paid on capital debt" within the Water Fund. In our original report we expressed unmodified opinions on the 2022 statement of cash flows and our opinion on the revised statement, as expressed herein, remains unmodified.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Santa Cruz, California's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Santa Cruz, California's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about of City of Santa Cruz, California’s ability to continue as a going concern for a reasonable period of time

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison – general fund, budgetary comparison – RDA Successor Agency – LMIH, schedule of changes in net pension liability and related ratios – miscellaneous plan, schedule of pension contributions – miscellaneous plan, schedule of proportionate share of the net pension liability – cost sharing plan, schedule of pension contributions – cost sharing plan, schedule of changes in net other postemployment benefit liability and related ratios, and schedule of net OPEB contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Santa Cruz, California’s basic financial statements. The combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 and individual fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2023 and June 23, 2023 on our consideration of the City of Santa Cruz, California'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 City of Santa Cruz, California'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 City of Santa Cruz, California's internal control over financial reporting and compliance.

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

Menlo Park, California

March 1, 2023, except for the statement of cash flows, and Note 17, which is dated June 23, 2023

The Management Discussion and Analysis (MD&A) section of the City of Santa Cruz's Annual Comprehensive financial report provides a narrative overview of the City's financial activities for the fiscal year ended June 30, 2022. 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 \$400.5 million as of June 30, 2022. 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, 2022 was \$166.2 million, and from business-type activities, \$234.4 million. Of this \$400.5 million in net position, a deficit of \$64.1 million represents unrestricted net position, which is comprised of a deficit of \$82.4 million for governmental activities and \$18.3 million for business-type activities. In addition, the City's restricted net position totals of \$48.9 million (for governmental activities only), is dedicated to specific purposes. The balance of \$415.7 million represents the City's net investment in capital assets (\$199.7 million for governmental activities and \$216.0 million for business-type activities).

The City's overall net position increased by \$54.4 million (15.7%) from the City's net position at the end of June 30, 2021.

Revenues exceeded expenditures in the amount of \$54.4 million. The change in net position is an increase of \$45.4 million for the governmental activities and an increase of \$9.1 million for the business-type activities from the previous fiscal year, as explained below.

The governmental activities' revenues were \$165.4 million, an increase of \$32.2 million from the prior fiscal year. The increase was primarily due to increases in capital grant revenues. Governmental activities expenditures were \$120 million, an increase of \$2.3 million from the prior fiscal year. The increase was caused predominately by an increase of Public Works projects during the course of the fiscal year. After transfers from the business-type activities in the amount of \$0.5 million, the ending fiscal year 2022 net position was \$166.2 million.

The business-type activities revenues exceeded expenses (before transfers) by \$9.1 million, an increase of \$2.9 million from the prior fiscal year. This increase was primarily due to decreased expenses in all of the enterprise funds, excluding Parking and Storm Water. In the water fund, service charges decreased \$0.3 million, while expenditures decreased \$1.9 million from prior year. In the Wastewater fund, the sewer service charges increased \$1.2 million, while the expenditures decreased \$2.3 million from prior year.

In the Refuse fund the personnel services decreased by \$1.2 million and charges for services increased by about the same amount. In the parking fund, charges for services increased \$0.7 million over the prior year. After transfers to the governmental activities in the amount of \$0.5 million, the ending fiscal year 2022 net position was \$234.4 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 2022, the City reported a combined ending fund balance of \$84.9 million, an increase of \$16.9 million (24.9%) in comparison to the prior fiscal year. This is mainly attributed to the State homelessness response grant fund, with a restricted ending fund balance of \$10.8 million.

General Fund – At the close of fiscal year 2022, the City's General Fund reported a total fund balance of \$50.9 million, an increase of \$14.9 million (41.6%) in comparison to the prior fiscal year. There is \$7.1 million unassigned fund balance available for appropriation held in the City's Stabilization Fund. Before net interfund transfers, revenues exceed expenditures in the amount \$6.9 million during fiscal year 2022. Parks and Recreation has reestablished a majority of its programs, thus has had an increase in expenditures of \$1.9 million over the prior year of in order to support these programs. Public Safety shows a reduction of \$1.5 million in expenditures over the prior year as pandemic related expenditures and assistance has reduced.

Redevelopment Successor Agency Low and Moderate Income Housing (LMIH) Fund – At the close of fiscal year 2022, the Redevelopment Successor Agency LMIH fund reported a total fund balance of \$15.1 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 2022, the City's General Capital Improvement Fund reported a negative fund balance of \$7.7 million, adding an additional \$3 million to the prior fiscal year CIP deficit.

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 24-26 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 120-121.

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 maintains several individual governmental funds organized according to their type (special revenue and capital projects), 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 28-31 of this report. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 120-121 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 33-37 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 136-138 of this report.

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

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

Custodial funds are custodial in nature (assets equal liabilities), do not involve measurement of results of operations and use of the accrual basis of accounting. Custodial funds include activities of the Library Joint Powers Authority, and Trust Deposit Holding. The basic fiduciary fund financial statements can be found on pages 39-40 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 44-107 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 108-116 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 120-134 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, 2022, the City's total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by \$400.5 million. This was an increase of \$54.4 million (15.7%) in comparison to the prior fiscal year. The following is a condensed summary of the City's net position for governmental and business-type activities:

Condensed Statements of Net Position

(amounts expressed in \$ millions)

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets:						
Current assets	\$ 125.5	\$ 106.9	\$ 112.7	\$ 112.9	\$ 238.2	\$ 219.8
Noncurrent assets	36.6	39.1	2.2	3.7	38.8	42.8
Capital assets	213.5	199.2	354.6	305.2	568.1	504.4
Total assets	375.6	345.2	469.5	421.8	845.1	767.0
Deferred outflows of resources:						
Deferred charge on refunding	0.2	0.3	0.6	0.7	0.8	1.0
Deferred outflows related to OPEB	4.7	3.1	1.7	1.1	6.4	4.2
Deferred outflows related to pensions	29.1	16.6	8.6	18.7	37.6	35.3
Total deferred outflows of resources	34.0	20.0	10.9	20.5	44.8	40.5
Liabilities:						
Current liabilities	27.2	29.5	22.7	18.5	49.9	48.0
Noncurrent liabilities	138.7	188.1	200.9	192.6	339.6	380.7
Total liabilities	165.9	217.6	223.6	211.1	389.5	428.7
Deferred inflows of resources:						
Deferred inflows related to leases	20.5	21.7	0.4	0.7	20.9	22.4
Deferred inflows related to pensions	53.1	1.4	20.6	3.2	73.7	4.6
Deferred inflows related to OPEB	3.9	4.3	1.4	1.5	5.3	5.8
Total deferred inflows of resources	77.5	27.4	22.4	5.4	99.9	32.8
Net position						
Net investment in capital assets	199.7	184.5	216.0	215.6	415.7	400.1
Restricted	48.9	40.8	-	-	48.9	40.8
Unrestricted	(82.4)	(105.1)	18.3	10.2	(64.1)	(94.9)
Total net position	\$ 166.2	\$ 120.2	\$ 234.4	\$ 225.8	\$ 400.5	\$ 346.0

At June 30, 2022, 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 \$64.1 million at the end of the fiscal year a decrease from the prior fiscal year deficit of \$94.9 million, as explained below.

By far the largest portion of the City's net position, \$415.7 million, reflects its net investment in capital assets (e.g., land, streets, bridges, water and sewer lines, buildings, machinery and equipment, less any related debt used to acquire those assets that is still outstanding). This category reflects an increase of \$15.5 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 44-107.

The restricted portion of the City's net position, \$48.9 million, is \$8.1 million more than the previous year. This represents resources in the governmental activities that were subject to external restrictions on their use. The change is primarily due to an increase in the capital projects as a result of reclassifying the deficit balance in the general capital improvement fund.

Of the total net position at June 30, 2022, a deficit amount of \$64.1 million, represents *unrestricted net position* (negative \$82.4 million for governmental activities and positive \$18.3 million for business-type activities) and may be used to meet the government's ongoing obligations to citizens and creditors. In the governmental activities due to a large restricted balances and net investment in capital asset categories, the unrestricted net position category is reported as a deficit. One cause of the decrease to the deficit is the change in other postemployment benefits liabilities. In 2022, the net pension liability decreased by \$79.9 million to \$103.6 million when compared to the prior year. The other postemployment benefit liability increased by \$5.2 million to \$45.1 million when compared to the prior year. These two noncurrent liabilities vary each year based on actuarial valuations.

Changes in Net Position

During fiscal year 2022, the City's total net position increased by \$54.4 million, reflecting a \$45.9 million increase in the governmental activities and a \$8.4 million increase in the business-type activities. Notable changes in the statement of net position between June 30, 2022 and June 30, 2021 included:

- City's liabilities increased by \$36 million. This is primarily due to the combined 2020 & 2021 State Water Resource Control Board (SWRCB) loans totaling \$40 million.

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

Condensed Statements of Activities
(amounts expressed in millions)

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 30.8	\$ 28.4	\$ 92.3	\$ 91.6	\$ 123.1	\$ 120.0
Operating grants and contributions	5.7	7.8	3.2	2.1	8.9	9.9
Capital grants and contributions	38.0	14.0	-	-	38.0	14.0
Total program revenues	<u>74.5</u>	<u>50.2</u>	<u>95.5</u>	<u>93.7</u>	<u>170.0</u>	<u>143.9</u>
General revenues:						
Property taxes	25.8	24.2	0.3	0.2	26.1	24.4
Sales and use taxes	27.2	23.6	-	-	27.2	23.6
Franchise taxes	4.1	4.0	-	-	4.1	4.0
Transient occupancy taxes	12.1	9.1	-	-	12.1	9.1
Utility users taxes	12.3	11.6	-	-	12.3	11.6
Admissions taxes	8.6	0.7	-	-	8.6	0.7
Other taxes	2.1	7.7	-	-	2.1	7.7
Total taxes	<u>92.2</u>	<u>80.9</u>	<u>0.3</u>	<u>0.2</u>	<u>92.5</u>	<u>81.1</u>
Unrestricted investment earnings	(1.3)	2.1	(1.7)	0.5	(3.0)	2.6
Gain (loss) on sale of assets	-	-	-	0.1	-	0.1
Total revenues	<u>165.4</u>	<u>133.2</u>	<u>94.1</u>	<u>94.5</u>	<u>259.5</u>	<u>227.7</u>
Expenses:						
General government	21.9	23.5	-	-	22.0	23.5
Public safety	53.3	54.8	-	-	53.3	54.8
Parks and recreation	17.0	15.1	-	-	17.0	15.1
Library	0.2	1.9	-	-	0.2	1.9
Public works	19.0	14.2	-	-	19.0	14.2
Transit	1.1	0.8	-	-	1.1	0.8
Community and economic development	4.1	4.2	-	-	4.1	4.2
Social services	2.6	2.2	-	-	2.6	2.2
Interest and charges on long term debt	0.8	1.0	-	-	0.8	1.0
Water	-	-	36.7	38.0	36.7	38.0
Wastewater	-	-	21.0	23.4	21.0	23.4
Refuse	-	-	18.4	19.7	18.4	19.7
Parking	-	-	6.3	5.5	6.3	5.5
Storm water	-	-	2.6	1.7	2.6	1.7
Total expenses	<u>120.0</u>	<u>117.7</u>	<u>85.0</u>	<u>88.3</u>	<u>205.1</u>	<u>206.0</u>
Increase (decrease) before transfers	45.4	15.5	9.1	6.2	54.4	21.7
Transfers	0.5	(1.1)	(0.5)	1.1	-	-
Change in net position	45.9	14.4	8.6	7.3	54.4	21.7
Net position, beginning of year, restated	120.3	105.9	225.8	218.5	346.1	324.4
Net position - end of year	<u>\$ 166.2</u>	<u>\$ 120.3</u>	<u>\$ 234.4</u>	<u>\$ 225.8</u>	<u>\$ 400.5</u>	<u>\$ 346.1</u>

Governmental Activities

The net position for the City's governmental activities increased in fiscal year 2022 by \$45.9 million. This is primarily due to an increase in revenues from sales, transient occupancy tax and property taxes.

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)

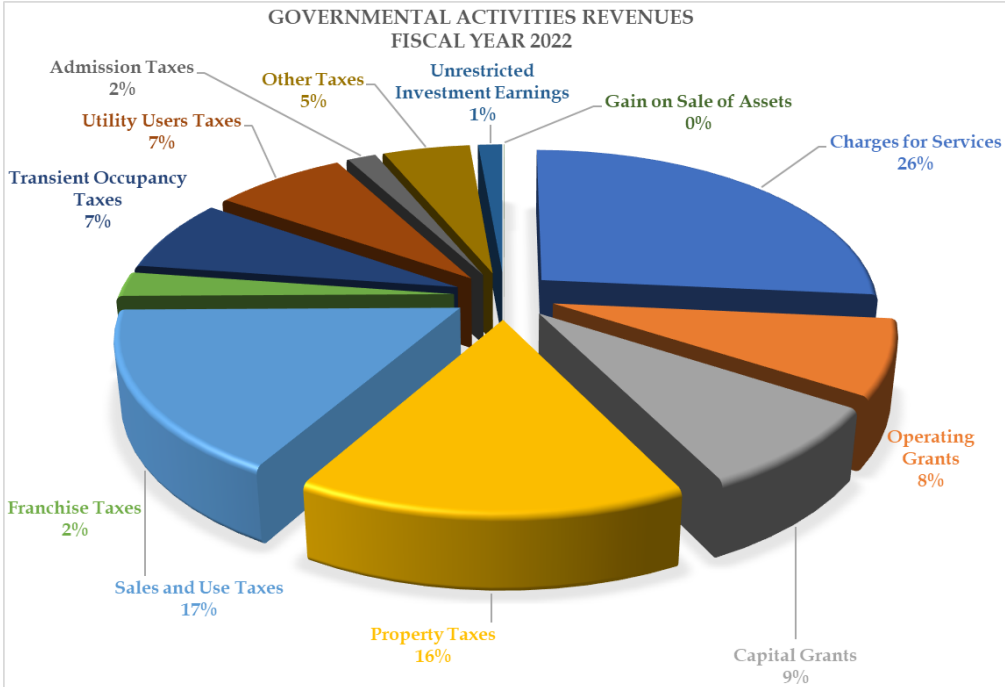
	2022	2021	Net Change
Expenses net of program revenues:			
General government	\$ (12.5)	\$ 3.1	\$ (15.6)
Public safety	45.4	46.0	(0.6)
Parks and recreation	10.9	10.6	0.3
Library	(0.3)	1.4	(1.7)
Public works	(2.5)	2.0	(4.5)
Community and economic development	1.1	1.2	(0.1)
Social services	2.6	2.2	0.4
Interest and fiscal charges on long-term debt	0.8	1.0	(0.2)
Total expenses net of program revenues - governmental activities	45.5	67.5	(22.0)
General revenues transfers and special items:			
General revenues:			
Property taxes	25.8	24.2	1.6
Sales and use taxes	27.2	23.6	3.6
Franchise taxes	4.1	4.0	0.1
Transient occupancy taxes	12.1	9.1	3.0
Utility users taxes	12.3	11.6	0.7
Admission taxes	8.6	0.7	7.9
Other taxes	2.1	7.7	(5.6)
Total taxes	92.2	80.9	11.3
Unrestricted investment earnings	(1.3)	2.1	(3.4)
Transfers	0.5	(1.1)	1.6
Total general revenues and transfers	91.4	81.9	9.5
Change in governmental activities net position	\$ 45.9	\$ 14.4	\$ 31.5

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 \$74.5 million in fiscal year 2022, an increase of \$24.3 million (48.4%) from the previous fiscal year. This revenue increase is a direct result of some City services being offered again, after having to shut down due to the COVID-19 pandemic.

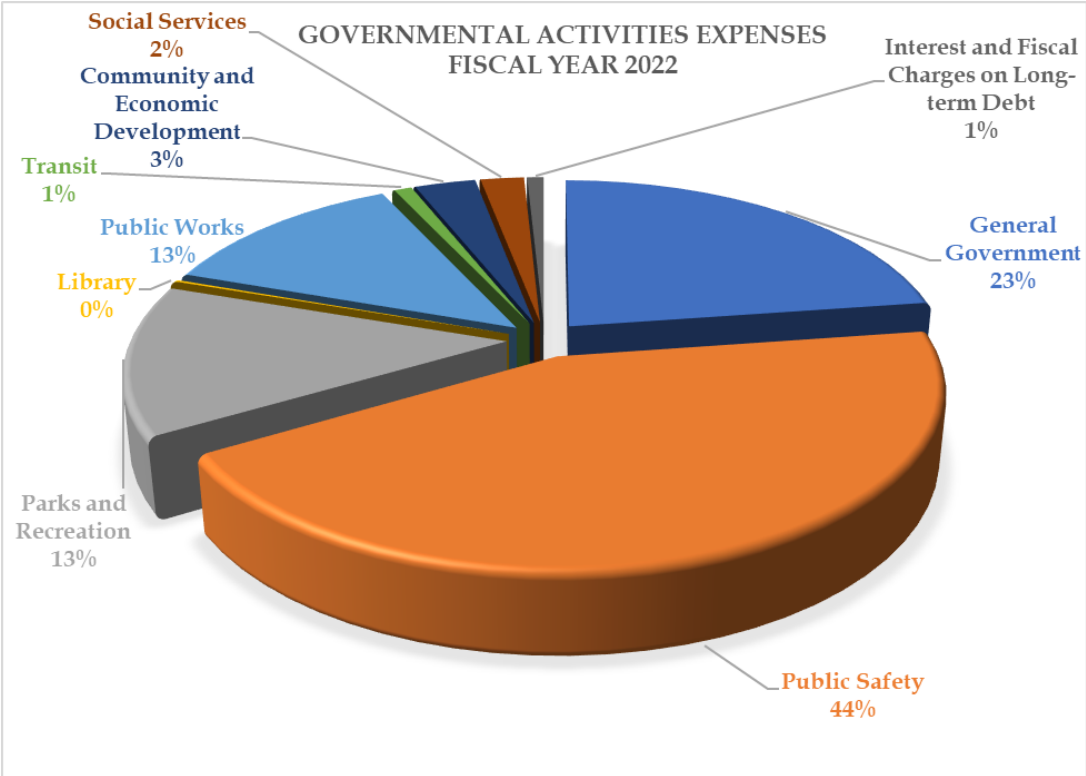
Governmental program revenues are derived primarily from *charges for services*, which included licenses and permits, planning fees, developer fees, recreation charges, traffic and other fines and forfeitures, and several other revenues. Program revenues under the *operating grants and contributions*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

General revenues are all other revenues not categorized as program revenues, and include all taxes, unrestricted grants, contributions and investment earnings, material gains on sales of capital assets, and other miscellaneous revenues. Taxes of \$92.2 million made up 56% of total governmental revenues for fiscal year 2022. The largest single source of general revenues received during fiscal year 2022 was \$27.2 million of sales and use taxes, which were 16.5% of total revenues, followed by \$25.8 of property taxes, which were 15.6% of total revenues. With an offset from unrestricted investment earnings of \$1.3 million, total revenues from governmental activities fiscal year 2022 were \$90.9 million. The following graph depicts program and general revenues as a percentage of all governmental activities revenues by source:



Governmental Expenses

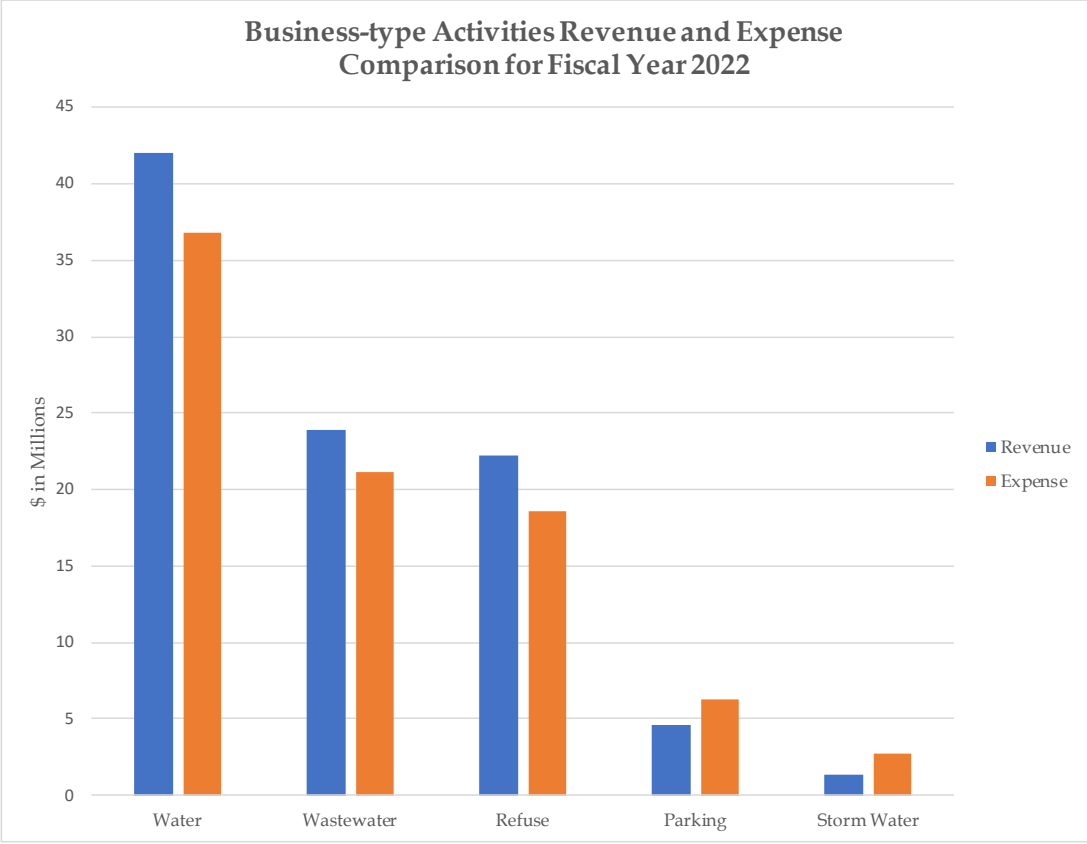
Total governmental activities expenses were \$120 million in fiscal year 2022, offset by \$74.5 million in program revenues. The balance is funded through general revenues. The largest expenses were incurred for public safety at \$53.2 million, general government at \$21.9 million, public works at \$19 million, and parks and recreation at \$17 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 2022.



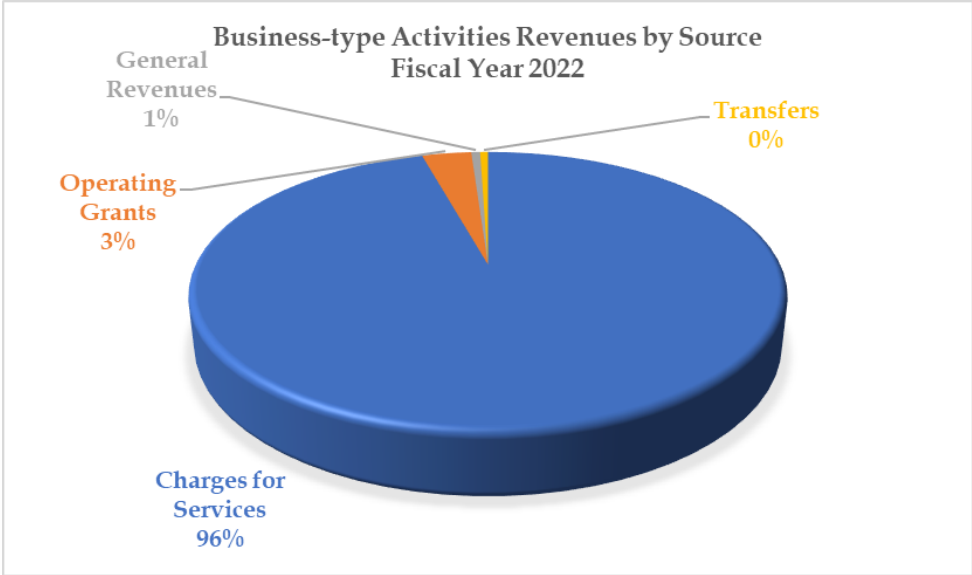
Business Type Activities

As shown in the condensed statement of activities table, net position for the City’s business-type activities at June 30, 2022 was \$234.4 million, an increase of \$8.6 million from the previous fiscal year. Total program revenues for business-type activities were \$95.5 million. The largest program revenues were charges for services of \$92.3 million, with other program revenues including capital and operating grants and contributions totaling \$3.2 million. Total expenses for the business-type activities were \$85 million during fiscal year 2022.

The following chart shows fiscal year 2022 revenue and expenses for the City's enterprise funds:



The following chart shows fiscal year 2022 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 2022, the City's governmental funds reported a combined ending fund balance of \$84.9 million, an increase of \$16.9 million (24.9%) in comparison with the prior fiscal year. This is due to an increase in tax revenues as the City returns to pre-pandemic levels. Of this amount, \$5.2 million is considered "non-spendable" because it represents the portion of the City's assets classified as long-term receivables, advances and prepaid expenses, \$49.5 million is considered "restricted" as these balances are for specific services, \$25.6 million is committed by City Council resolution for capital improvement. More information concerning fund balances can be found in Note 14 on page 102.

General Fund – Total fund balance of the General Fund on June 30, 2022 was \$51.0 million, an increase of \$15.0 million (41.59%) from the previous fiscal year. This is primarily due to an increase in taxes received as the City returns to pre-pandemic levels. Of this amount, \$5.2 million was considered non-spendable; \$7.8 million was restricted; \$25.6 million is committed by City Council resolution for capital improvement; \$5.3 million is assigned for the City public trust fund and Economic development trust fund; and \$7.1 million is unassigned as of June 30. The assigned and unassigned fund balances may serve as a useful measurement of the government's net resources available for spending at the end of the fiscal year. The unassigned fund balance represents the portion of the fund balance that has not yet been obligated for a particular purpose by either an external party, the City Council, or anyone delegated with the authority to assign resources. \$7.1 million in unassigned fund balance is held in the City's Stabilization Reserve fund. Total fund balances of \$51.0 million in the General Fund is 46.4% of total General Fund expenditures of \$109.9 million.

RDA Successor Agency - LMIH – The Redevelopment Successor Agency - LMIH (Low & Moderate Income Housing) fund is used to account for housing assets transferred from the former Redevelopment Agency (due to the State of California's dissolution of redevelopment agencies) to the City as a housing successor. At the end of fiscal year 2022, the total fund balance of the RDA Successor Agency - LMIH fund was \$12.7 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 2022, the total fund balance of the General Capital Improvement Fund was a deficit of \$7.8 million, an increase from the prior fiscal year of \$3.1 million deficit.

The entire amount is classified as unassigned since the fund balance is a deficit. The deficit increase is due to the fact that the capital expenditures exceeded the related funding received, including transfers, for \$7.5 million in the current year. This is a temporary cash flow issue due to grant-funded expenditures in the current year that will be reimbursed in subsequent years.

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

At the end of fiscal year 2022, the net position of the enterprise funds was \$234.4 million, a \$8.6 million (3.8%) increase over the prior fiscal year, primarily due to reduced operating expenses.

Operating revenues in the City's enterprise funds experienced an increase of \$0.6 million when compared to the prior fiscal year, primarily due to an increase in charges for services. This is a result of Wastewater and Refuse rate increases during the year. Operating expenses decreased by \$3.9 million compared to the prior fiscal year and included a \$4.2 million decrease in services, supplies, and other charges and a \$0.9 million decrease in personnel services. The personnel services decrease can be attributed to vacancies.

Net position in the internal service funds in the amount of \$6.0 million represented a decrease of \$6.0 million compared to the previous fiscal year. The decrease was primarily due to an increase of operating expenses of \$4.3 million compared to the prior fiscal year and the use of fund balance to cover current year insurance thresholds.

General Fund Budgetary Highlights

The fiscal year 2022 final amended General Fund budget (not including other financing sources and uses) totaled \$126.2 million and included amendments to the original budget, resulting in a \$19.5 million increase when compared to the prior fiscal year total of \$106.6 million. This is primarily attributed to increase in personnel relating to unfreezing positions relating to the previous years' COVID-19 reductions and creating a new Homelessness Response division within the City Manager's Office.

At June 30, 2022, actual operating expenditures (not including other financing sources and uses) in the City's General Fund totaled \$109.9 million, which was \$16.3 million less than the final amended budget. The remaining amount represented salary, services and supplies savings, primarily in the public works, parks and recreation and planning department. The public works department had significant salary savings due to vacancies and reduced maintenance costs, while parks and recreation and planning had savings in both personnel and services and supplies due to the pandemic as many programs were reduced. Actual operating revenues totaled \$118.7 million which was \$8.3 million higher than the amount budgeted. This was primarily due to increased tax revenue as a result of the COVID-19 shelter-in-place order ending.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2022, amounted to \$1.1 billion, or \$568.1 million net of accumulated depreciation as shown below. This investment in capital assets included land, land improvements, infrastructure, buildings, machinery and equipment, lease improvements, intangibles, and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the City such as roads, bridges, streets and sidewalks, drainage systems, lighting systems and similar items. The total increase to the City's investment in capital assets for the current fiscal year, after deletions, was \$86.3 million. Additions and deletions consisted of a net increase to capital assets of \$62.9 million offset by a net increase to accumulated depreciation of \$19.4 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 8 & 9 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 67-69.

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

	Governmental Activities		Business-Type Activities		Total	
	June 30		June 30			
	2022	2021	2022	2021	2022	2021
Land	\$ 85.6	\$ 74.3	\$ 2.7	\$ 2.7	\$ 88.3	\$ 77.0
Construction in progress	11.5	2.5	120.8	95.3	132.3	97.8
Land improvements	9.5	10.4	9.3	2.9	18.8	13.3
Infrastructure	64.9	67.7	141.0	118.9	205.9	186.6
Buildings	34.4	35.8	63.9	67.4	98.3	103.2
Machinery and equipment	5.9	6.4	15.8	16.9	21.7	23.3
Right-to-use lease assets	1.7	2.1	1.1	1.1	2.8	3.2
Totals	<u>\$ 213.5</u>	<u>\$ 199.2</u>	<u>\$ 354.6</u>	<u>\$ 305.2</u>	<u>\$ 568.1</u>	<u>\$ 504.4</u>

Debt Administration

Long Term Debt - At June 30, 2022, the City had \$173.5 million in long term debt outstanding compared to \$136.9 million last fiscal year, which was an increase of \$36.6 million (26.7%). The bonds, notes, loans and leases payable associated with governmental activities decreased from \$20 million to \$19.4 million (3%). 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 \$116.9 million to \$154.1 million (31.8%). This is primarily due to the issuance of notes payable related to the water fund.

The City's Pension Obligation Bond was retired this year and as of June 30, 2022. The largest debt obligation in the City's business type funds is the 2020 Water California State Water Resources Control Board loan issued for City-wide improvements to the water system. The outstanding balance is \$58.0 million with the capacity to be drawn up to \$103.5 million.

The chart below illustrates the changes in bonds, notes, loans and leases payable for the year ending June 30, 2022:

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

	Governmental Activities		Business-Type Activities		Total	
	June 30		June 30			
	2022	2021	2022	2021	2022	2021
Revenue bonds payable	\$ 6.5	\$ 6.9	\$ 37.7	\$ 40.0	\$ 44.2	\$ 46.9
General obligation bonds	3.9	4.3	-	-	3.9	4.3
Pension obligation bonds	-	3.2	-	-	-	3.2
Notes payable	7.3	9.0	115.3	75.8	122.6	84.8
Leases payable	1.7	2.2	1.1	1.1	2.8	3.3
Totals	\$ 19.4	\$ 25.6	\$ 154.1	\$ 116.9	\$ 173.5	\$ 142.5

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, 2022	
	2022	2021			Due in less than one year	Due in more than one year
	Compensated absences	\$ 6.9			\$ 7.0	\$ (0.1)
Claims and judgments	17.3	13.5	3.8	28.1%	5.0	12.3
Closure and post closure landfill costs	9.3	8.6	0.7	8.1%	-	9.3
Totals	\$ 33.5	\$ 29.1	\$ 4.4	15.1%	\$ 9.6	\$ 23.9

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 98.

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, and in August 2020 the area would be affected by the CZU Lightning Fire Complex. The City reduced expenditures to the greatest extent possible during that year, while maintaining community outreach for those affected by either issue. These actions have helped the City navigate the fiscal impacts of these emergencies, however in March 2022 Council voted to declare a Fiscal Emergency, as even though revenue climbed, at the time the pace was estimated to be slower than what was needed to sustain operations. A Sales and Use Tax increase made it's way onto the June 2022 ballot, but ultimately failed to pass. However, by the end of the fiscal year, the City's top General Revenues sources have all reached pre-pandemic levels.

The City has a balanced tax base of property, sales, transient occupancy and utility tax. While property and sales tax reached pre-pandemic levels as of fiscal year end 2021, franchise, utility user, and transient occupancy taxes reached pre-pandemic levels by this fiscal year end 2022. Sales tax revenues increased \$3.6 million, or 15.5% over the prior year. Transient occupancy tax revenues have increased just above \$2.9 million, or 32.3% from the previous year. With a new rate going into effect January 2023, the transient occupancy tax rate is currently 12% for commercial properties and 14% for residential properties; the City continues to invite major name hotels into the area.

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

Requests for Information

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

City of Santa Cruz
Statement of Net Position
June 30, 2022

	Governmental Activities	Business-Type Activities	Total
Assets:			
Current assets:			
Cash and investments	\$ 82,256,783	\$ 93,533,521	\$ 175,790,304
Restricted cash and investments	8,415,452	3,227,650	11,643,102
Interest receivable	1,997,239	247,801	2,245,040
Taxes receivable	11,138,353	116,542	11,254,895
Accounts receivable - net	4,853,855	15,264,271	20,118,126
Grants receivable	5,410,874	81,565	5,492,439
Intergovernmental receivable	4,886,322	-	4,886,322
Notes receivable - net	382,429	-	382,429
Loans receivable - net	11,465	-	11,465
Leases receivable	1,106,088	224,795	1,330,883
Prepaid items	-	4,439	4,439
Inventories	74,092	-	74,092
Deposits	4,990,957	30,000	5,020,957
Total current assets	125,523,909	112,730,584	238,254,493
Noncurrent assets:			
Restricted investments	-	1,053,461	1,053,461
Notes receivable	14,182,641	1,049,425	15,232,066
Loans receivable	2,863,684	-	2,863,684
Leases receivable	19,403,086	188,487	19,591,573
Capital assets:			
Land	85,595,946	2,662,704	88,258,650
Land improvements	23,350,125	11,818,171	35,168,296
Infrastructure	236,242,266	266,924,376	503,166,642
Buildings	61,929,309	170,892,176	232,821,485
Machinery and equipment	25,937,878	55,752,177	81,690,055
Lease improvements	573,239	70,000	643,239
Right-to-use leased assets	2,197,581	1,398,584	3,596,165
Intangibles	1,218,026	1,261,417	2,479,443
Construction in progress	11,506,776	120,838,611	132,345,387
Total capital assets	448,551,146	631,618,216	1,080,169,362
Less accumulated depreciation and amortization	(235,034,381)	(277,065,517)	(512,099,898)
Total capital assets, net	213,516,765	354,552,699	568,069,464
Total noncurrent assets	249,966,176	356,844,072	606,810,248
Total assets	375,490,085	469,574,656	845,064,741
Deferred outflows of resources:			
Deferred charge on refunding	229,742	585,045	814,787
Deferred outflows related to OPEB	4,711,043	1,641,113	6,352,156
Deferred outflows related to pension	29,109,595	8,634,274	37,743,869
Total deferred outflows of resources	34,050,380	10,860,432	44,910,812

The accompanying notes are an integral part of these financial statements.

City of Santa Cruz
Statement of Net Position, Continued
June 30, 2022

	Governmental Activities	Business-Type Activities	Total
Liabilities:			
Current liabilities:			
Overdrafts	350,601	-	350,601
Accounts payable and other current liabilities	8,476,081	15,604,880	24,080,961
Interest payable	135,520	1,316,650	1,452,170
Unearned revenue	5,720,778	805,039	6,525,817
Deposits payable	1,075,143	302,569	1,377,712
Claims and judgments payable	4,959,169	-	4,959,169
Compensated absences payable	3,306,509	1,321,850	4,628,359
Bonds, notes, loans and leases payable	3,127,810	3,303,451	6,431,261
Total current liabilities	<u>27,151,611</u>	<u>22,654,439</u>	<u>49,806,050</u>
Noncurrent liabilities:			
Claims and judgments payable	12,362,029	-	12,362,029
Compensated absences payable	1,653,254	660,924	2,314,178
Bonds, notes, loans and leases payable	16,289,464	150,780,937	167,070,401
Landfill closure and postclosure costs	-	9,215,755	9,215,755
Net other postemployment benefits liability	33,455,849	11,654,481	45,110,330
Net pension liability	75,001,185	28,631,298	103,632,483
Total noncurrent liabilities	<u>138,761,781</u>	<u>200,943,395</u>	<u>339,705,176</u>
Total liabilities	<u>165,913,392</u>	<u>223,597,834</u>	<u>389,511,226</u>
Deferred inflows of resources:			
Deferred inflows related to leases	20,469,243	418,420	20,887,663
Deferred inflows related to pensions	53,071,199	20,747,164	73,818,363
Deferred inflows related to OPEB	3,892,406	1,355,935	5,248,341
Total deferred inflows of resources	<u>77,432,848</u>	<u>22,521,519</u>	<u>99,954,367</u>
Net position:			
Net investment in capital assets	199,711,083	215,993,915	415,704,998
Restricted for:			
Capital projects	10,375,141	-	10,375,141
Debt service	1,700,071	-	1,700,071
Public safety	899,678	-	899,678
Parks and recreation	3,119,374	-	3,119,374
Community and economic development	32,776,269	-	32,776,269
Unrestricted	<u>(82,387,391)</u>	<u>18,321,820</u>	<u>(64,065,571)</u>
Total net position	<u>\$ 166,194,225</u>	<u>\$ 234,315,735</u>	<u>\$ 400,509,960</u>

The accompanying notes are an integral part of these financial statements.

City of Santa Cruz
Statement of Activities
Year Ended June 30, 2022

Functions/Programs	Program Revenues				Total	Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Governmental	Business-Type	Total
						Activities	Activities	
Governmental activities:								
General government	\$ 21,935,750	\$ 11,641,708	\$ 1,220,410	\$ 21,586,019	\$ 34,448,137	\$ 12,512,387	\$ -	\$ 12,512,387
Public safety	53,197,958	7,305,973	270,803	224,423	7,801,199	(45,396,759)	-	(45,396,759)
Parks and recreation	17,025,262	5,683,150	368,050	46,380	6,097,580	(10,927,682)	-	(10,927,682)
Library	213,503	509,838	-	-	509,838	296,335	-	296,335
Public works	19,034,665	4,998,217	1,195,250	15,365,118	21,558,585	2,523,920	-	2,523,920
Transit	1,063,500	-	1,063,500	-	1,063,500	-	-	-
Community and economic development	4,112,247	622,922	1,630,311	753,247	3,006,480	(1,105,767)	-	(1,105,767)
Social services	2,601,450	-	-	-	-	(2,601,450)	-	(2,601,450)
Interest and fiscal charges on long-term debt	791,598	-	-	-	-	(791,598)	-	(791,598)
Total governmental activities	119,975,933	30,761,808	5,748,324	37,975,187	74,485,319	(45,490,614)	-	(45,490,614)
Business-type activities:								
Water	36,703,987	41,608,957	1,228,676	-	42,837,633	-	6,133,646	6,133,646
Wastewater	21,004,203	22,847,859	1,326,008	-	24,173,867	-	3,169,664	3,169,664
Refuse	18,538,166	22,561,510	87,528	-	22,649,038	-	4,110,872	4,110,872
Parking	6,261,166	4,371,755	219	-	4,371,974	-	(1,889,192)	(1,889,192)
Storm water	2,551,066	894,520	526,996	-	1,421,516	-	(1,129,550)	(1,129,550)
Total business-type activities	85,058,588	92,284,601	3,169,427	-	95,454,028	-	10,395,440	10,395,440
Total	\$ 205,034,521	\$ 123,046,409	\$ 8,917,751	\$ 37,975,187	\$ 169,939,347	(45,490,614)	10,395,440	(35,095,174)
General Revenues and transfers:								
General revenues								
Property taxes						25,804,829	274,750	26,079,579
Sales and use taxes						27,223,493	-	27,223,493
Franchise taxes						4,089,489	-	4,089,489
Transient occupancy taxes						12,066,476	-	12,066,476
Utility users taxes						12,264,890	-	12,264,890
Parking, admission, property transfer, cannabis, and libraries parcel taxes						8,586,123	-	8,586,123
Other taxes						2,131,088	-	2,131,088
Unrestricted investment earnings						(1,275,802)	(1,711,880)	(2,987,682)
Gain on sale of assets						36,199	21,448	57,647
Transfers						505,138	(505,138)	-
Total general revenues and transfers						91,431,923	(1,920,820)	89,511,103
Change in net position						45,941,309	8,474,620	54,415,929
Net position - beginning, restated						120,252,916	225,841,115	346,094,031
Net position - ending						\$ 166,194,225	\$ 234,315,735	\$ 400,509,960

The accompanying notes are an integral part of these financial statements.

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

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

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

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

City of Santa Cruz
Balance Sheet – Governmental Funds
June 30, 2022

	Major Funds			Other	Total
	General Fund	RDA Successor Agency - LMIH	General Capital Improvement	Governmental Funds	Governmental Funds
Assets:					
Cash and investments	\$ 33,551,862	\$ 2,030,191	\$ -	\$ 32,806,535	\$ 68,388,588
Restricted cash and investments	8,414,572	-	-	880	8,415,452
Interest receivable	222,379	2,336	11,229	1,741,198	1,977,142
Taxes receivable	10,960,555	-	-	177,798	11,138,353
Accounts receivable - net	1,935,936	24,574	2,212,858	658,966	4,832,334
Grants receivable	823,022	-	4,587,852	-	5,410,874
Intergovernmental receivable	-	-	-	4,886,322	4,886,322
Deposits	506,675	-	-	-	506,675
Notes receivable - net	2,626,962	11,580,071	-	358,037	14,565,070
Loans receivable - net	-	-	-	2,875,149	2,875,149
Leases receivable	19,212,362	990,245	-	306,567	20,509,174
Advances to other funds	2,509,687	500,000	-	-	3,009,687
Total assets	\$ 80,764,012	\$ 15,127,417	\$ 6,811,939	\$ 43,811,452	\$ 146,514,820
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Overdrafts	\$ -	\$ -	\$ 350,601	\$ -	\$ 350,601
Accounts payable and other current liabilities	3,390,399	-	2,324,491	1,286,993	7,001,883
Unearned revenue	-	-	-	5,720,778	5,720,778
Deposits payable	1,044,234	30,875	-	34	1,075,143
Advances from other funds	4,844,531	-	5,509,687	500,000	10,854,218
Total liabilities	9,279,164	30,875	8,184,779	7,507,805	25,002,623
Deferred inflows of resources:					
Deferred inflows related to leases	19,180,346	984,349	-	304,548	20,469,243
Unavailable revenue	1,306,373	1,390,392	6,407,238	7,013,930	16,117,933
Total deferred inflows of resources	20,486,719	2,374,741	6,407,238	7,318,478	36,587,176
Fund Balances (deficits):					
Non-spendable:					
Noncurrent receivables	2,658,978	-	-	-	2,658,978
Interfund advances	2,509,687	-	-	-	2,509,687
Restricted:					
Clean rivers, oceans, and beaches	-	-	-	1,848,756	1,848,756
Debt service	-	-	-	1,835,591	1,835,591
Hardship grants	267,601	-	-	-	267,601
Housing programs	-	12,721,801	-	14,388,493	27,110,294
Parks and recreation	-	-	-	2,972,111	2,972,111
Police programs	-	-	-	899,678	899,678
Streets and roads	-	-	-	5,944,057	5,944,057
Traffic impact	-	-	-	1,096,483	1,096,483
Retiree benefits	7,520,033	-	-	-	7,520,033
Committed	25,640,741	-	-	-	25,640,741
Assigned	5,259,744	-	-	-	5,259,744
Unassigned	7,141,345	-	(7,780,078)	-	(638,733)
Total fund balances (deficits)	50,998,129	12,721,801	(7,780,078)	28,985,169	84,925,021
Total liabilities, deferred inflows of resources and fund balances	\$ 80,764,012	\$ 15,127,417	\$ 6,811,939	\$ 43,811,452	\$ 146,514,820

The accompanying notes are an integral part of these financial statements.

City of Santa Cruz
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2022

Total Fund Balances - All Governmental Funds \$ 84,925,021

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	\$ 97,102,722	\$ -	97,102,722
Depreciable, net	116,414,043	(1,513,300)	114,900,743
Total capital assets	<u>\$ 213,516,765</u>	<u>\$ (1,513,300)</u>	<u>212,003,465</u>

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

(135,520)

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

Equipment Operations Fund	(2,174,225)
Risk Management Fund	8,170,876
Total internal service funds	<u>5,996,651</u>

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

16,117,933

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

	Government- Wide Statement of Net Position	Internal Service Funds	
OPEB liabilities	\$ (33,455,849)	\$ 805,237	(32,650,612)
Pension liabilities	(75,001,185)	1,482,128	(73,519,057)
Pension deferred inflows of resources	(53,071,199)	1,073,997	(51,997,202)
Pension deferred outflows of resources	29,109,595	(446,963)	28,662,632
Deferred outflows related to OPEB	4,711,043	(113,389)	4,597,654
Deferred inflows related to OPEB	(3,892,406)	93,684	(3,798,722)
Compensated absences payable - due within one year	(3,306,509)	13,292	(3,293,217)
Compensated absences payable - due in more than one year	(1,653,254)	6,646	(1,646,608)
Bonds, notes, loans and leases payable - due within one year	(3,127,810)	51,824	(3,075,986)
Bonds, notes, loans and leases payable - due in more than one year	(16,289,464)	67,515	(16,221,949)
Total long-term liabilities	<u>\$ (155,977,038)</u>	<u>\$ 3,033,971</u>	<u>(152,943,067)</u>

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

229,742

Net Position of Governmental Activities

\$ 166,194,225

City of Santa Cruz

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

Year Ended June 30, 2022

	Major Funds			Other	Total
	General Fund	RDA Successor Agency - LMIH	General Capital Improvement	Governmental Funds	Governmental Funds
Revenues:					
Taxes	\$ 88,124,347	\$ -	\$ 2,351,891	\$ 1,690,149	\$ 92,166,387
Licenses and permits	1,370,582	-	-	-	1,370,582
Intergovernmental	1,277,145	-	985,842	35,182,665	37,445,652
Charges for services	20,097,878	43,750	-	41,883	20,183,511
Fines and forfeitures	1,165,243	-	-	-	1,165,243
Use of money and property	4,338,175	338,075	79,711	113,080	4,869,041
Other revenues	508,307	3,661	143,822	1,077,261	1,733,051
Total revenues	116,881,677	385,486	3,561,266	38,105,038	158,933,467
Expenditures:					
Current:					
General government	20,706,993	-	432,524	-	21,139,517
Public safety	52,031,631	-	-	132,070	52,163,701
Parks and recreation	17,174,643	-	-	-	17,174,643
Public works	8,488,658	-	1,993,394	5,674,736	16,156,788
Transit	-	-	-	1,063,500	1,063,500
Community and economic development	3,119,916	113,170	-	702,604	3,935,690
Social services	2,601,450	-	-	-	2,601,450
Capital outlay	46,741	-	11,525,711	10,164,667	21,737,119
Debt service:					
Principal	5,345,811	-	155,000	574,798	6,075,609
Interest and fiscal charges	380,856	-	85,689	347,795	814,340
Total expenditures	109,896,699	113,170	14,192,318	18,660,170	142,862,357
Excess (deficiency) of revenues over (under) expenditures	6,984,978	272,316	(10,631,052)	19,444,868	16,071,110
Other financing sources or (uses):					
Contributions from other entities	27	-	17,500	-	17,527
Proceeds from sale of capital assets	36,199	-	-	-	36,199
Transfers in	9,991,761	-	7,538,764	780,911	18,311,436
Transfers out	(2,032,057)	-	(20,000)	(15,419,266)	(17,471,323)
Total other financing sources (uses)	7,995,930	-	7,536,264	(14,638,355)	893,839
Net change in fund balances	14,980,908	272,316	(3,094,788)	4,806,513	16,964,949
Fund balances, beginning of year, restated	36,017,221	12,449,485	(4,685,290)	24,178,658	67,960,074
Fund balances (defecit), end of year	\$ 50,998,129	\$ 12,721,801	\$ (7,780,078)	\$ 28,985,171	\$ 84,925,023

The accompanying notes are an integral part of these financial statements.

City of Santa Cruz

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Year Ended June 30, 2022

Net Change in Fund Balances - All Governmental Funds		\$ 16,964,949
Amounts reported for governmental activities in the Statement of Activities were different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the governmental funds (not including Internal service funds) for the current period, which are reported below.		
Capital assets	21,737,119	
Depreciation and amortization	<u>(7,159,272)</u>	14,577,847
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, loss/gain on disposals, and capital contributions) is to increase net position.		
Contribution of capital assets	17,527	
Net gain on sale of capital assets	<u>(21,031)</u>	(3,504)
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.		
		6,429,882
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.		
		1,626
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.		
		6,075,609
Amortization of premium is not recorded in the governmental funds but it impacts the statement of activities.		
		23,350
Amortization of refunding costs are not recorded in the governmental funds but they impact the statement of activities.		
		(25,377)
Governmental funds report OPEB expenditures equal to OPEB benefit payments, however in the statement of net position, OPEB expenses are adjusted to reflect changes in total OPEB liabilities and related deferrals.		
		(1,528,961)
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.		
		32,727
Governmental funds report pension expenditures equal to pension contributions, however in the statement of net position, pension expenses are adjusted to reflect changes in net pension liabilities and related deferrals.		
		9,399,846
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.		
		<u>(6,006,685)</u>
Change in Net Position of Governmental Activities		<u>\$ 45,941,309</u>

The accompanying notes are an integral part of these 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, 2022

	Business-type Activities					Total Enterprise Funds	Governmental Activities -
	Water Total	Wastewater Total	Refuse Total	Parking Total	Storm Water Total		Internal Service Funds
Assets:							
Current assets:							
Cash and investments	\$ 48,034,906	\$ 18,085,180	\$ 23,303,896	\$ 1,795,690	\$ 2,313,849	\$ 93,533,521	\$ 13,868,195
Restricted cash and investments	91,925	3,094,307	41,418	-	-	3,227,650	-
Interest receivable	184,848	23,099	32,763	4,311	2,780	247,801	20,097
Taxes receivable	-	-	-	78,857	37,685	116,542	-
Accounts receivable - net	6,447,960	5,999,236	2,809,918	6,157	1,000	15,264,271	21,521
Grants receivable	66,476	-	-	-	15,089	81,565	-
Leases receivable	-	-	166,343	58,452	-	224,795	-
Prepaid items	4,439	-	-	-	-	4,439	-
Inventories	-	-	-	-	-	-	74,092
Deposits	-	-	-	30,000	-	30,000	4,484,282
Total current assets	<u>54,830,554</u>	<u>27,201,822</u>	<u>26,354,338</u>	<u>1,973,467</u>	<u>2,370,403</u>	<u>112,730,584</u>	<u>18,468,187</u>
Noncurrent assets:							
Restricted cash and investments	1,053,461	-	-	-	-	1,053,461	-
Notes receivable	1,049,425	-	-	-	-	1,049,425	-
Leases receivable	-	-	167,383	21,104	-	188,487	-
Advances to other funds	-	-	-	-	-	-	7,844,531
Capital assets:							
Land	1,941,687	-	721,017	-	-	2,662,704	-
Land improvements	2,010,648	1,526,507	7,300,386	311,696	668,934	11,818,171	-
Infrastructure	159,837,784	61,277,631	21,002,092	1,298,864	23,508,005	266,924,376	-
Buildings	18,742,857	126,746,279	3,121,543	22,281,497	-	170,892,176	-
Machinery and equipment	15,074,854	13,181,821	24,717,591	2,716,685	61,226	55,752,177	3,700,120
Lease improvements-buildings	-	70,000	-	-	-	70,000	-
Right-to-use leased assets	469,501	399,221	93,035	436,827	-	1,398,584	157,915
Software	642,191	212,018	397,274	9,934	-	1,261,417	-
Construction in progress	112,515,865	5,133,128	378,298	435,820	2,375,500	120,838,611	-
Less accumulated depreciation and amortization	(78,773,628)	(131,162,848)	(35,410,899)	(15,587,821)	(16,130,321)	(277,065,517)	(2,344,735)
Total capital assets (net of accumulated depreciation)	<u>232,461,759</u>	<u>77,383,757</u>	<u>22,320,337</u>	<u>11,903,502</u>	<u>10,483,344</u>	<u>354,552,699</u>	<u>1,513,300</u>
Total noncurrent assets	<u>234,564,645</u>	<u>77,383,757</u>	<u>22,487,720</u>	<u>11,924,606</u>	<u>10,483,344</u>	<u>356,844,072</u>	<u>9,357,831</u>
Total assets	<u>289,395,199</u>	<u>104,585,579</u>	<u>48,842,058</u>	<u>13,898,073</u>	<u>12,853,747</u>	<u>469,574,656</u>	<u>27,826,018</u>
Deferred outflows of resources:							
Deferred charge on refunding of debt	254,653	11,585	19,658	117,116	182,033	585,045	-
Deferred outflows related to OPEB	601,126	352,480	513,153	174,354	-	1,641,113	113,389
Deferred outflows related to pension	3,640,240	2,060,543	2,183,176	692,226	58,089	8,634,274	446,963
Total deferred outflows of resources	<u>4,496,019</u>	<u>2,424,608</u>	<u>2,715,987</u>	<u>983,696</u>	<u>240,122</u>	<u>10,860,432</u>	<u>560,352</u>

The accompanying notes are an integral part of these financial statements.

City of Santa Cruz
Statement of Net Position - Proprietary Funds, Continued
June 30, 2022

	Business-type Activities					Total Enterprise Funds	Governmental
	Water	Wastewater	Refuse	Parking	Storm Water		Internal Service Funds
Liabilities:							
Current liabilities:							
Accounts payable and other current liabilities	12,184,400	1,180,529	1,546,745	303,175	390,031	15,604,880	1,474,198
Interest payable	1,245,739	37,051	5,151	13,400	15,309	1,316,650	-
Unearned revenue	775,899	-	29,140	-	-	805,039	-
Deposits payable	52,645	175,719	2,028	72,177	-	302,569	-
Claims and judgments payable	-	-	-	-	-	-	4,959,169
Compensated absences payable	649,056	281,866	292,035	98,893	-	1,321,850	13,292
Bonds, notes, loans and leases payable due in less than one year	1,752,489	483,577	344,627	390,555	332,203	3,303,451	51,824
Total current liabilities	16,660,228	2,158,742	2,219,726	878,200	737,543	22,654,439	6,498,483
Noncurrent liabilities:							
Claims and judgments payable	-	-	-	-	-	-	12,362,029
Compensated absences payable	324,528	140,933	146,017	49,446	-	660,924	6,646
Bonds, notes, loans and leases payable due in more than one year	142,722,714	3,577,971	176,775	2,261,911	2,041,566	150,780,937	67,515
Landfill closure and postclosure costs	-	-	9,215,755	-	-	9,215,755	-
Total other postemployment benefits liability	4,268,940	2,503,162	3,644,194	1,238,185	-	11,654,481	805,237
Net pension liability	12,071,054	6,832,773	7,239,422	2,295,426	192,623	28,631,298	1,482,128
Total noncurrent liabilities	159,387,236	13,054,839	20,422,163	5,844,968	2,234,189	200,943,395	14,723,555
Total liabilities	176,047,464	15,213,581	22,641,889	6,723,168	2,971,732	223,597,834	21,222,038
Deferred inflows of resources:							
Deferred inflows related to leases	-	-	342,153	76,267	-	418,420	-
Deferred inflows related to pensions	8,747,076	4,951,248	5,245,919	1,663,340	139,581	20,747,164	1,073,997
Deferred inflows related to OPEB	496,668	291,229	423,982	144,056	-	1,355,935	93,684
Total deferred inflows of resources	9,243,744	5,242,477	6,012,054	1,883,663	139,581	22,521,519	1,167,681
Net position:							
Net investment in capital assets	100,489,490	76,224,789	21,651,006	9,368,152	8,260,478	215,993,915	1,393,961
Unrestricted	8,110,520	10,329,340	1,253,096	(3,093,214)	1,722,078	18,321,820	4,602,690
Total net position	\$ 108,600,010	\$ 86,554,129	\$ 22,904,102	\$ 6,274,938	\$ 9,982,556	\$ 234,315,735	\$ 5,996,651

The accompanying notes are an integral part of these financial statements.

City of Santa Cruz
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds
Year Ended June 30, 2022

	Business-type Activities					Total Enterprise Funds	Governmental
	Water	Wastewater	Refuse	Parking	Storm Water		Activities - Internal Service Funds
Operating revenues:							
Charges for services	\$ 41,251,786	\$ 22,826,521	\$ 22,370,066	\$ 4,211,631	\$ 891,020	\$ 91,551,024	\$ 29,597,165
Rental revenues	6,600	-	-	87,086	-	93,686	-
Other revenues	350,571	21,338	191,444	347,788	3,500	914,641	37,271
Total operating revenues	<u>41,608,957</u>	<u>22,847,859</u>	<u>22,561,510</u>	<u>4,646,505</u>	<u>894,520</u>	<u>92,559,351</u>	<u>29,634,436</u>
Operating expenses:							
Personnel services	15,608,655	8,294,980	7,290,193	2,869,594	337,561	34,400,983	1,930,615
Services, supplies, and other charges	14,097,009	8,001,088	9,087,016	2,526,563	1,346,077	35,057,753	32,982,333
Depreciation and amortization	4,225,838	4,560,440	2,107,919	789,044	775,784	12,459,025	405,754
Total operating expenses	<u>33,931,502</u>	<u>20,856,508</u>	<u>18,485,128</u>	<u>6,185,201</u>	<u>2,459,422</u>	<u>81,917,761</u>	<u>35,318,702</u>
Operating income (loss)	<u>7,677,455</u>	<u>1,991,351</u>	<u>4,076,382</u>	<u>(1,538,696)</u>	<u>(1,564,902)</u>	<u>10,641,590</u>	<u>(5,684,266)</u>
Nonoperating revenues (expenses):							
Intergovernmental	1,228,676	1,326,008	87,528	219	526,996	3,169,427	-
Investment earnings	(842,050)	(313,000)	(463,535)	(41,833)	(51,462)	(1,711,880)	12,556
Interest expense and fiscal charges	(2,772,485)	(147,695)	(53,038)	(75,965)	(91,644)	(3,140,827)	-
Gain (loss) on sale of capital assets	(2,067)	(742)	16,219	8,038	-	21,448	-
Total nonoperating revenues (expenses)	<u>(2,387,926)</u>	<u>864,571</u>	<u>(412,826)</u>	<u>(109,541)</u>	<u>383,890</u>	<u>(1,661,832)</u>	<u>12,556</u>
Income (loss) before transfers	<u>5,289,529</u>	<u>2,855,922</u>	<u>3,663,556</u>	<u>(1,648,237)</u>	<u>(1,181,012)</u>	<u>8,979,758</u>	<u>(5,671,710)</u>
Transfers in	4,000	-	-	18,200	-	22,200	-
Transfers out	(115,599)	(131,762)	(56,441)	(26,536)	(197,000)	(527,338)	(334,975)
Total transfers	<u>(111,599)</u>	<u>(131,762)</u>	<u>(56,441)</u>	<u>(8,336)</u>	<u>(197,000)</u>	<u>(505,138)</u>	<u>(334,975)</u>
Change in net position	<u>5,177,930</u>	<u>2,724,160</u>	<u>3,607,115</u>	<u>(1,656,573)</u>	<u>(1,378,012)</u>	<u>8,474,620</u>	<u>(6,006,685)</u>
Net position:							
Net Position, beginning of year, restated	103,422,080	83,829,969	19,296,987	7,931,511	11,360,568	225,841,115	12,003,336
Net Position, end of year	<u>\$ 108,600,010</u>	<u>\$ 86,554,129</u>	<u>\$ 22,904,102</u>	<u>\$ 6,274,938</u>	<u>\$ 9,982,556</u>	<u>\$ 234,315,735</u>	<u>\$ 5,996,651</u>

The accompanying notes are an integral part of these financial statements.

City of Santa Cruz
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2022

	Business-type Activities					Total Enterprise Funds	Governmental
	(as restated) Water	Wastewater	Refuse	Parking	Storm Water		Internal Service Funds
Cash flows from operating activities:							
Cash received from customers and users	\$ 41,221,865	\$ 19,321,104	\$ 22,588,161	\$ 4,294,504	\$ 894,488	\$ 88,320,122	\$ -
Cash received from interfund services provided	-	-	-	-	-	-	29,604,640
Cash payments to suppliers for goods and services	(12,380,306)	(7,894,433)	(7,907,343)	(2,342,277)	(982,166)	(31,506,525)	(29,403,207)
Cash payments for employee services and pensions	(14,496,150)	(8,982,887)	(10,188,404)	(2,892,623)	(245,325)	(36,805,389)	(2,207,224)
Cash received from others	357,171	-	795,219	434,874	-	1,587,264	37,271
Net cash provided by (used) operating activities	14,702,580	2,443,784	5,287,633	(505,522)	(333,003)	21,595,472	(1,968,520)
Cash flows from noncapital financing activities:							
Transfers from other funds	4,000	-	-	18,200	-	22,200	-
Transfers to other funds	(115,599)	(131,762)	(56,441)	(26,536)	(197,000)	(527,338)	(334,975)
Receipts from other governments	1,162,200	1,326,008	87,528	(74,698)	514,491	3,015,529	-
Net cash provided (used) by noncapital financing activities	1,050,601	1,194,246	31,087	(83,034)	317,491	2,510,391	(334,975)
Cash flows from capital and related financing activities:							
Acquisition and construction of capital assets	(53,249,588)	(2,435,336)	(5,915,860)	(649,159)	(668,934)	(62,918,877)	(38,576)
proceeds from debt issuance	40,437,199	-	-	88,296	-	40,525,495	-
Principal paid on capital debt	(1,144,829)	(91,791)	(590,433)	(48,660)	(303,078)	(2,178,791)	-
Interest paid on capital debt	(2,422,622)	(115,169)	(60,272)	(77,698)	(93,294)	(2,769,055)	-
Net cash used by capital and related financing activities	(16,379,840)	(2,642,296)	(6,566,565)	(687,221)	(1,065,306)	(27,341,228)	(38,576)
Cash flows from investing activities:							
Interest income received	(895,152)	(322,861)	(478,612)	(42,822)	(53,153)	(1,792,600)	6,463
Net cash provided (used) by investing activities	(895,152)	(322,861)	(478,612)	(42,822)	(53,153)	(1,792,600)	6,463
Net increase (decrease) in cash and cash equivalents	(1,521,811)	672,873	(1,726,457)	(1,318,599)	(1,133,971)	(5,027,965)	(2,335,608)
Cash and cash equivalents, beginning of year	50,702,103	20,506,614	25,071,771	3,114,289	3,447,820	102,842,597	16,203,803
Cash and cash equivalents, end of year	\$ 49,180,292	\$ 21,179,487	\$ 23,345,314	\$ 1,795,690	\$ 2,313,849	\$ 97,814,632	\$ 13,868,195
Reconciliation of cash and cash equivalents to amounts reported on the statement of net position:							
Reported on the statement of net position							
Cash and investments	\$ 48,034,906	\$ 18,085,180	\$ 23,303,896	\$ 1,795,690	\$ 2,313,849	\$ 93,533,521	\$ 13,868,195
Restricted cash and investments - current	91,925	3,094,307	41,418	-	-	3,227,650	-
Restricted cash and investments - noncurrent	1,053,461	-	-	-	-	1,053,461	-
Cash and Cash Equivalents - June 30, 2022	\$ 49,180,292	\$ 21,179,487	\$ 23,345,314	\$ 1,795,690	\$ 2,313,849	\$ 97,814,632	\$ 13,868,195

The accompanying notes are an integral part of these financial statements.

City of Santa Cruz
Statement of Cash Flows - Proprietary Funds, Continued
Year Ended June 30, 2022

	Business-type Activities					Total Enterprise Funds	Governmental
	Water	Wastewater	Refuse	Parking	Storm Water		Activities - Internal Service Funds
Reconciliation of operating income/(loss) to net cash provided by operating activities:							
Operating income (loss)	\$ 7,677,455	\$ 1,991,351	\$ 4,076,382	\$ (1,538,696)	\$ (1,564,902)	\$ 10,641,590	\$ (5,684,266)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation and amortization	4,225,838	4,560,440	2,107,919	789,044	775,784	12,459,025	405,754
Estimated closure/postclosure costs	-	-	603,775	-	-	603,775	-
Changes in assets and liabilities and related deferrals:							
Accounts receivable	(44,297)	(3,702,474)	216,498	86,162	(32)	(3,444,143)	7,475
Prepaid items	(232)	-	-	-	-	(232)	783,588
Inventories	-	-	-	-	-	-	10,167
Accounts payable and other current liabilities	1,716,935	106,655	1,179,673	184,286	363,911	3,551,460	(382,961)
Unearned revenue	17,618	-	(7,358)	-	-	10,260	-
Deposits payable	(3,242)	175,719	528	-	-	173,005	(614,248)
Claims and judgments payable	-	-	-	-	-	-	3,782,580
Other postemployment benefits liability and related deferral	234,692	57,102	210,960	359,444	(18,251)	843,947	183,633
Net pension liability and related deferrals	900,818	(751,894)	(3,101,882)	(400,710)	110,487	(3,243,181)	(448,118)
Leases receivable and related deferred inflows	-	-	8,427	(3,289)	-	5,138	-
Compensated absences payable	(23,005)	6,885	(7,289)	18,237	-	(5,172)	(12,124)
Total adjustments	7,025,125	452,433	1,211,251	1,033,174	1,231,899	10,953,882	3,715,746
Net cash provided (used) by operating activities	\$ 14,702,580	\$ 2,443,784	\$ 5,287,633	\$ (505,522)	\$ (333,003)	\$ 21,595,472	\$ (1,968,520)
Noncash investing, capital and financing activities:							
Increase/(Decrease) in fair value of investments	\$ 809,563	\$ 263,621	\$ 377,773	\$ 12,764	\$ 52,246	\$ 1,515,967	\$ 199,890
Amortization of bond premiums	(364,697)	-	(10,387)	(51,174)	(4,406)	(430,664)	-

The accompanying notes are an integral part of these financial statements.

Private - Purpose Trust Funds

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

Custodial Funds

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

City of Santa Cruz
Statement of Fiduciary Net Position – Fiduciary Funds
June 30, 2022

	Private- Purpose Trust Funds	Custodial Funds
Assets:		
Cash and investments	\$ 14,631,575	\$ 9,262,775
Restricted cash and equivalent	1,737,199	-
Receivables:		
Accounts receivable	10,093	345,522
Interest receivable	15,183	9,153
Taxes receivable	-	845,292
Notes receivable	293,517	-
Prepaid expenses	-	400
Nondepreciable capital assets	902,621	-
Depreciable capital assets, net	6,599,431	-
Total assets	24,189,619	10,463,142
 Liabilities:		
Accounts payable and other current liabilities	-	282,739
Interest payable	70,653	-
Bonds, notes, loans and leases payable		
due in less than one year	990,000	-
Bonds, notes, loans and leases payable		
due in more than one year	4,115,000	-
Total liabilities	5,175,653	282,739
 Net position:		
Restricted for:		
Held in trust for Library programs	578,374	-
Held in trust for RDA Successor Agency	18,435,592	-
Other governments, individuals and organizations	-	10,180,403
Total net position	\$ 19,013,966	\$ 10,180,403

The accompanying notes are an integral part of these financial statements.

City of Santa Cruz
Statement of Changes in Fiduciary Net Position – Fiduciary Funds
Year Ended June 30, 2022

	Private- Purpose Trust Funds	Custodial Funds
Additions:		
Taxes	\$ 2,044,873	\$ 10,677,936
Member and private contributions	-	6,558,468
Employer contributions	-	10,530
Use of money and property	(234,213)	(146,368)
Total additions	1,810,660	17,100,566
Deductions:		
Library programs	-	14,595,264
Administrative expenses	135	-
Interest expense	301,434	-
Depreciation expense	385,670	-
Contractual services	1,105,501	-
Total deductions	1,792,740	14,595,264
Change in net position	17,920	2,505,302
Net position:		
Net Position, beginning of year	18,996,046	7,675,101
Net Position, end of year	\$ 19,013,966	\$ 10,180,403

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Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity

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

The financial statements present the City and its component units (legally separate entities for which the City is considered to be financially accountable). Component units include those entities for which the City may have governing authority or is in a relationship of financial benefit or burden.

Component units also include entities that are fiscally dependent upon the City. The financial activities of these entities are integrally related to those of the City and, therefore, blended with those of the City. Blending involves combining component unit data with City data in the Government- Wide Financial Statements.

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

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

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

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

Basis of Accounting and Measurement Focus

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

Government-Wide Financial Statements

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

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

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

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

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

Governmental Fund Financial Statements

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

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

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

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

Proprietary Fund Financial Statements

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

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

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

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

Fiduciary Fund Financial Statements

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

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

Use of Restricted/Unrestricted Net Position

Net Position Flow Assumptions

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

Fund Balance Flow Assumptions

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

Cash, Cash Equivalents, and Investments

For purposes of both, the Statement of Net Position/Balance Sheet and the Statement of Cash Flows, cash and cash equivalents include currency on hand and deposits in the City's cash and investment pool. These deposits have the same characteristics for the participating funds as demand deposit accounts, in that the funds may deposit additional cash at any time and also effectively withdraw cash at any time without prior notice or penalty. Cash and cash equivalents also include restricted cash and money market funds held by fiscal agents. Except for money market funds which are presented at cost, the City's cash and investments are stated at fair value, which is based on a quoted market price. This includes all investments except the City's investment in the California Local Agency Investment Fund ("LAIF"). The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The City valued its investments in LAIF at June 30, 2022, by multiplying its balance by a fair value factor determined by LAIF (1.00008297). This fair value factor was calculated by dividing the total fair value for all participants by the total amortized cost.

Restricted Cash and Investments with Fiscal Agents

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

Prepaid Items

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

Inventories

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

Interfund Transactions

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

Capital Assets

Government-Wide Financial Statements

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

Infrastructure	\$25,000
Buildings and Lease Improvement	10,000
Land Improvement	10,000
Leased buildings	10,000
Machinery and Equipment	5,000
Leased 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
Leased buildings	5-50 years
Machinery and Equipment (including leases)	5-20 years
Software (if qualified)	5 years

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

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

Fund Financial Statements

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

Leases

Lessee: The City is a lessee for a noncancellable lease of equipment and buildings. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Lessor: The City is a lessor for a noncancellable lease of equipment, land and buildings. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

The City determines the discount rate it uses to discount the expected lease payments to present value given the availability of information for both lessor and lessee activities. The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability or receivable. The City will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Interest Payable

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

Deferred Outflows/Inflows of Resources

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

Compensated Absences

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

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

Bond Premiums and Discounts

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

Long-Term Debt

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

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

Pensions and Other Postemployment Benefits (OPEB)

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

Net Position

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

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

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

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

Fund Balances

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

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

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

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

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

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

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

Property Taxes

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

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

Use of Estimates

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

New Accounting Pronouncements

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 effect of the implementation of this standard on beginning net position is disclosed in Note 15 and the additional disclosures required by this standard are included in Note 3 and Note 7.

Note 2 - Cash Deposits and Investments

The following is a summary of cash, cash equivalents, and investments, including restricted cash and investments with fiscal agents at June 30, 2022:

	Government-Wide Statement of Net Position			Statement of	
	Governmental Activities	Business-Type Activities	Total	Fiduciary Net Position	Total
Unrestricted assets:					
Cash and cash equivalents	\$ 82,256,783	\$ 93,533,521	\$ 175,790,304	\$ 23,894,350	\$ 199,684,654
Total unrestricted assets	82,256,783	93,533,521	175,790,304	23,894,350	199,684,654
Restricted assets:					
Cash and cash equivalents	8,415,452	3,227,650	11,643,102	1,737,199	13,380,301
Cash and investments with fiscal agents	-	1,053,461	1,053,461	-	1,053,461
Total restricted assets	8,415,452	4,281,111	12,696,563	1,737,199	14,433,762
Total cash and investments	\$ 90,672,235	\$ 97,814,632	\$ 188,486,867	\$ 25,631,549	\$ 214,118,416

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, 2022:

Unrestricted cash and deposits:	
Pooled cash deposits	\$ 1,082,489
Other deposits and cash held by city	57,987
Total cash and deposits	<u>1,140,476</u>
Certificates of deposit	308,169
Money market mutual funds available for debt service	1,402
Federal agency securities	50,969,344
State local agency investment fund (LAIF)	147,265,263
Total unrestricted investments	<u>199,684,654</u>
Restricted investments:	
Money market held by fiscal agents	5,970,349
Mutual funds	8,463,413
Total restricted investments	<u>14,433,762</u>
Total cash, cash equivalents, and investments	<u><u>\$ 214,118,416</u></u>

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, 2022, the balances of these certificates of deposit were: Comerica Bank \$101,009; Lighthouse Bank \$105,130; and Santa Cruz County Bank \$102,030.

Investments

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

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

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

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

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

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

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

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

The City has the following recurring fair value measurements as of June 30, 2022:

		Level			Not Subject to Fair Value or Uncatetorized
		1	2	3	
Certificates of Deposit	\$ 308,169	\$ -	\$ -	\$ -	\$ 308,169
Federal Government Agencies	50,969,344	-	50,969,344	-	-
LAIF	147,265,263	-	-	-	147,265,263
Money Market	5,971,751	-	-	-	5,971,751
Mutual Funds	8,463,413	-	8,463,413	-	-
Cash and Deposits	1,140,476	-	-	-	1,140,476
Total	\$ 214,118,416	\$ -	\$ 59,432,757	\$ -	\$ 154,685,659

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 430 days at June 30, 2022. At June 30, 2022, the City had the following investment maturities:

Investment Type	Fair Value	No Maturity	Investment Maturities in Years				
			< 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years
Federal Government Agencies	\$ 50,969,344	\$ -	\$ 1,999,980	\$ 5,971,480	\$ 19,361,334	\$ 13,213,570	\$ 10,422,980
Certificates of Deposit	308,169	-	-	308,169	-	-	-
Local Agency Investment Fund	147,265,263	-	147,265,263	-	-	-	-
Money Market	5,971,751	5,971,751	-	-	-	-	-
Mutual Funds	8,463,413	8,463,413	-	-	-	-	-
Cash and Deposits	1,140,476	1,140,476	-	-	-	-	-
Total	\$ 214,118,416	\$ 15,575,640	\$ 149,265,243	\$ 6,279,649	\$ 19,361,334	\$ 13,213,570	\$ 10,422,980

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, 2022, the City held \$48,969,364 in callable securities, which amounted to approximately 23% of investments at June 30, 2022. The investment policy limits the purchase of callable U.S. Agency instruments to discreet calls and those that pay 100% of the principal at the redemption date. In addition, purchases of callable U.S. Agency instruments are not to exceed 30% of the value of the portfolio. The City is in compliance with these provisions of the investment policy.

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

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

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

Concentration of Credit Risk – The City's investment policy states that not more than 25% of the portfolio shall be invested in any one entity or any one instrument to protect the City from concentration of credit risk, with the following exceptions: U.S. Treasury Obligations and the external investment pool (LAIF). In addition, purchases of mutual funds must not exceed 20% of the value of the portfolio. Purchases in a single mutual fund may not exceed 10% of the value of the portfolio. The City is in compliance with these provisions of the investment policy. The City did not maintain investments in any one issuer (other than U.S. Treasury securities and external investment pools) that represent 5% or more of total investments at June 30, 2022.

Custodial Credit Risk – For deposits, custodial credit risk is the risk that, in the event of the failure of a deposit financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the provision for deposits stated in Note 2A. \$2,715,672 of the City's deposits with financial institutions in excess of federal depository insurance limits was held in collateralized accounts.

Note 3 - Notes, Leases, and Loans Receivable

Government-Wide Statements

The following is a summary of notes and loans receivables net of allowances at June 30, 2022:

	Notes Receivables	Loans Receivables	Total	Amount Due Within One Year	Amount Due in More Than One Year
Governmental Funds:					
General Fund	\$ 2,626,962	\$ -	\$ 2,626,962	\$ 382,429	\$ 2,244,533
RDA Successor Agency - LMIH	11,580,071	-	11,580,071	-	11,580,071
Other Governmental Funds	358,037	2,875,149	3,233,186	11,465	3,221,721
Total Governmental Funds	<u>14,565,070</u>	<u>2,875,149</u>	<u>17,440,219</u>	<u>393,894</u>	<u>17,046,325</u>
Proprietary Funds:					
Water	1,049,425	-	1,049,425	-	1,049,425
Total loans and notes	<u>\$ 15,614,495</u>	<u>\$ 2,875,149</u>	<u>\$ 18,489,644</u>	<u>\$ 393,894</u>	<u>\$ 18,095,750</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, 2022, the Fund Financial Statements show the following notes, loans, and intergovernmental receivables:

Notes Receivable in the General Fund of \$2,626,962 (net of an allowance for doubtful amounts of \$454,734) consist primarily of \$623,797 due from SC Warriors LLC for construction of a temporary arena facility and \$1,062,325 due from Santa Cruz Solar One, LLC for installation of solar panels on various City facilities. The Warrior's note accrues interest at 3% per annum and was approved by council for a one year extension which matures on 9/17/2022. Payments on the Solar One note are due monthly at an interest rate of 4%. The added two in the current year for 350 Ocean St., \$300,000, and \$70,072 for 712 Water St. The remaining balance is made up of an (uncollectible) note to Neary Lagoon Partners in the amount of \$208,800, which accrues interest at 2.25% per annum; a note from Economic Development's Microloan Program for \$88,410; a note to First Night Santa Cruz for \$20,000; Harvey West Assessment District notes in the amount of \$52,723 with an interest rate of 6.8%; and \$70,000 in loans with an interest rate of 4.5% to two borrowers participating in the Accessory Dwelling Unit Loan Program. No periodic payments on these loans are required until the occurrence of any triggering event as specified in the loan agreement. Some notes are secured by a deed of trust. In addition, the City recognizes a note receivable from the State for reimbursable state-mandated costs in the amount of \$448,045 and various other (doubtful) notes in the amount of \$335,088.

Notes Receivable in the City's RDA Successor Agency - LMIH fund of \$11,580,071 (net of an allowance for uncollectible amounts of \$324,512), 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 \$2,780,490 (net of an allowance for uncollectible amounts of \$12,912,145) for rehabilitation of low/moderate income housing. The bulk of these loans were made with Federal funds from the Department of Housing and Urban Development. There are various types of loan repayment schedules: monthly installments, due upon sale or transfer, deferred to a future date when monthly repayment will begin, a percentage of residual receipts from property operations, and no repayment if the property remains in use for low/moderate income housing for a specified time period. Interest rates range from 0% to 7%. The loans are all secured by a deed of trust on the property being rehabilitated.

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

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

Leases Receivable

Leases Receivable - During the fiscal year the City of Santa Cruz, California entered into leases varying from 14 months to 67 years. The City of Santa Cruz, California acts as the lessor for the use of land and buildings with Delaveaga Golf Lodge, Cafe Delmarette, SC Warriors Arena, Del Mar Theatre, Dolphin Restaurant, 49-A Municipal Wharf, Santa Cruz Bay Company, Bonnie's Gifts, Marini's, Cafe Limelight, Arts Council, Santa Cruz Shakespeare, Mandarin Gourmet, Surf Life, Stagnaro Bros, Sockshop, Made in Santa Cruz, 745 River St., Olitas, Library Union/Locust, Pipeline, Opulence, Encompass Homeless Shelter, Firefish, NahNa, and Santa Cruz Thread. The leases have interest rates varying from 0.1850% to 1.7050%, not including those leases adjusted for Consumer Price Index (CPI) adjustments. Additionally, during the fiscal year the City entered into a 42 month lease for the use of a vehicle, acting as the lessor. The lease has an interest rate of 0.4570%. Also, the City entered into a 38-month lease for the use of infrastructure, as lessor for use by Solar Turbines. The lease has an interest rate of 0.3150%.

The initial lease receivables were recorded in the amount of \$22,358,409. As of June 30, 2022, the value of the lease receivables is \$20,922,456. The lessees are required to make monthly, quarterly, or annual variable principal and interest or fixed payments depending on the lease agreement. The annual amount of the payments was \$1,813,764. The value of the deferred inflow of resources as of June 30, 2022, was \$20,887,663, and City of Santa Cruz, California recognized lease revenue of \$1,470,746 during the fiscal year.

Note 4 - Deposits

The City had deposits in the amount of \$5,020,957 at June 30, 2022:

Governmental Activities:	
Housing Programs	\$ 70,630
Mailing House	12,100
Economic Development	423,945
Workers' Compensation	230,000
Liability Insurance	4,254,282
Total Governmental Activities	4,990,957
Business-type Activities:	
Parking	30,000
Total Deposits	\$ 5,020,957

Governmental Activities

Deposits in the City's governmental funds total \$4,990,957 at June 30, 2022. 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 \$630 for a total deposit at June 30, 2022 of \$70,630. A deposit in the amount of \$12,100 has been placed with the City's outside mailing company. A deposit in the amount of \$500,000 was established with the Santa Cruz Community Credit Union for the purpose of giving small business loans to local business through Economic Development's Microloan Program. There was a total of \$498,500 in loans distributed. The deposit has accumulated interest of \$1,500 over the original balance of \$259,351 for a total deposit at June 30, 2022 of \$423,945. In FY 2005, the Workers Compensation Internal Service Fund established a deposit in the amount of \$230,000 with the Sedgwick CMS which equals approximately 6 weeks of expected claims. As referenced in the Risk Management and Self Insurance Note, the City is self-insured for up to \$1,000,000. At June 30, 2022 the City had a deposit in the amount of \$4,254,282 with ACCEL.

Business-type Activities

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

Note 5 - Interfund Balances and Transactions

Government-Wide Financial Statements

Transfers

The City had \$505,138 of transfers between Governmental Activities and Business-Type Activities to the Capital Improvement Fund and General Fund from the Enterprise funds for the year ending June 30, 2022.

Funds Financial Statements

Long-Term Advances

The City had the following long-term advances as of June 30, 2022:

Advances to Other Funds	Advances from Other Funds			
	General	LMIH	Risk Mgmt	
	Fund	Successor	Internal	Total
		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 Governmental Funds	-	500,000	-	500,000
Total	\$ 2,509,687	\$ 500,000	\$ 7,844,531	\$ 10,854,218

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

Transfers In/Out

The City had the following transfers for the year ending June 30, 2022:

		Transfers In					Total
		General Fund	Capital Improvement Fund	Non-Major Governmental Funds	Water Fund	Parking Fund	
Transfers Out	Governmental Funds:						
	General Fund	\$ -	\$ 2,020,557	\$ -	\$ 4,000	\$ 7,500	\$ 2,032,057
	General Capital Improvement Fund	-	-	20,000	-	-	20,000
	Non-Major Governmental Funds	9,919,240	4,728,415	760,911	-	10,700	15,419,266
	Enterprise Funds:						
	Water	8,038	107,561	-	-	-	115,599
	Wastewater	31,948	99,814	-	-	-	131,762
	Refuse	28,034	28,407	-	-	-	56,441
	Parking	1,244	25,292	-	-	-	26,536
	Storm Water	-	197,000	-	-	-	197,000
	Internal Service Funds						
	Equipment Operations Fund	3,257	-	-	-	-	3,257
	Risk Management Fund	-	331,718	-	-	-	331,718
	Total	\$ 9,991,761	\$ 7,538,764	\$ 780,911	\$ 4,000	\$ 18,200	\$ 18,333,636

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

Note 6 - Capital Assets

Government-Wide Financial Statements

At June 30, 2022 the City's capital assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Capital Assets:			
Capital assets, not being depreciated:			
Land	\$ 85,595,946	\$ 2,662,704	\$ 88,258,650
Construction in progress	11,506,776	120,838,611	132,345,387
Total capital assets, not being depreciated	<u>97,102,722</u>	<u>123,501,315</u>	<u>220,604,037</u>
Capital assets, being depreciated or amortized:			
Land improvements	23,350,125	11,818,171	35,168,296
Infrastructure	236,242,266	266,924,376	503,166,642
Buildings	61,929,309	170,892,176	232,821,485
Machinery and equipment	25,937,878	55,752,177	81,690,055
Lease improvements	573,239	70,000	643,239
Right-to-use leased assets	2,197,581	1,398,584	3,596,165
Intangibles	1,218,026	1,261,417	2,479,443
Total capital assets, being depreciated or amortized	<u>351,448,424</u>	<u>508,116,901</u>	<u>859,565,325</u>
Total capital assets	<u>448,551,146</u>	<u>631,618,216</u>	<u>1,080,169,362</u>
Less accumulated depreciation and amortization:			
Land improvements	(13,838,287)	(2,479,107)	(16,317,394)
Infrastructure	(171,315,296)	(126,066,597)	(297,381,893)
Buildings	(27,558,746)	(106,959,469)	(134,518,215)
Machinery and equipment	(20,030,886)	(39,950,481)	(59,981,367)
Lease improvements	(546,593)	(59,779)	(606,372)
Right-to-use leased assets	(533,533)	(291,920)	(825,453)
Intangibles	(1,211,040)	(1,258,164)	(2,469,204)
Total accumulated depreciation and amortization	<u>(235,034,381)</u>	<u>(277,065,517)</u>	<u>(512,099,898)</u>
Total capital assets, net	<u>\$ 213,516,765</u>	<u>\$ 354,552,699</u>	<u>\$ 568,069,464</u>

Governmental Activities

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

	Restated Balance			Balance
	July 1, 2021	Additions	Deletions	June 30, 2022
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 74,310,760	\$ 11,285,186	\$ -	\$ 85,595,946
Construction in progress	2,467,012	9,351,965	(312,201)	11,506,776
Subtotal:	<u>76,777,772</u>	<u>20,637,151</u>	<u>(312,201)</u>	<u>97,102,722</u>
Capital assets, being depreciated or amortized:				
Land improvements	23,193,901	156,224	-	23,350,125
Infrastructure	235,749,306	492,960	-	236,242,266
Buildings	61,894,309	35,000	-	61,929,309
Machinery and equipment	25,518,208	700,689	(281,019)	25,937,878
Lease improvements	545,943	27,296	-	573,239
Right-to-use leased equipment	2,056,967	140,614	-	2,197,581
Software	1,218,026	-	-	1,218,026
Subtotal:	<u>350,176,660</u>	<u>1,552,783</u>	<u>(281,019)</u>	<u>351,448,424</u>
Total capital assets	<u>426,954,432</u>	<u>22,189,934</u>	<u>(593,220)</u>	<u>448,551,146</u>
Less accumulated depreciation and amortization:				
Land improvements	(12,843,102)	(995,185)	-	(13,838,287)
Infrastructure	(168,025,905)	(3,289,391)	-	(171,315,296)
Buildings	(26,107,417)	(1,451,329)	-	(27,558,746)
Machinery and equipment	(19,018,453)	(1,289,950)	277,517	(20,030,886)
Lease improvements	(545,943)	(650)	-	(546,593)
Right-to-use leased equipment	-	(533,533)	-	(533,533)
Software	(1,206,052)	(4,988)	-	(1,211,040)
Total accumulated depreciation and amortization	<u>(227,746,872)</u>	<u>(7,565,026)</u>	<u>277,517</u>	<u>(235,034,381)</u>
Total capital assets, being depreciated net	<u>\$ 199,207,560</u>	<u>\$ 14,624,908</u>	<u>\$ (315,703)</u>	<u>\$ 213,516,765</u>

Depreciation and amortization expense of the governmental activities for the year ended June 30, 2022, was \$7,565,026 and was distributed as follows:

General Government	\$ 745,513
Public Safety	746,705
Parks and Recreation	1,283,291
Library - City	343
Public Works	3,831,235
Community & Economic Development	552,185
Total depreciation expense- general government	<u>7,159,272</u>
Internal Service Funds	405,754
Total depreciation expense- governmental activities	<u>\$ 7,565,026</u>

Business-Type Activities

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

	Restated Balance			Balance June 30,2022
	July 1, 2021	Additions	Deletions	
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,662,704	\$ -	\$ -	\$ 2,662,704
Construction in process	95,261,605	45,289,486	(19,712,480)	120,838,611
Subtotal:	<u>97,924,309</u>	<u>45,289,486</u>	<u>(19,712,480)</u>	<u>123,501,315</u>
Capital assets, being depreciated or amortized:				
Land improvements	4,999,522	6,818,649	-	11,818,171
Infrastructure	240,119,583	26,874,793	(70,000)	266,924,376
Buildings	170,892,176	-	-	170,892,176
Machinery and equipment	53,766,562	2,273,113	(287,498)	55,752,177
Lease improvements	70,000	-	-	70,000
Right-to-use leased vehicles	967,119	252,402	-	1,219,521
Right-to-use leased building	179,063	-	-	179,063
Software	1,242,658	18,759	-	1,261,417
Subtotal:	<u>472,236,683</u>	<u>36,237,716</u>	<u>(357,498)</u>	<u>508,116,901</u>
Total capital assets	<u>570,160,992</u>	<u>81,527,202</u>	<u>(20,069,978)</u>	<u>631,618,216</u>
Less accumulated depreciation and amortization:				
Land improvements	(2,055,142)	(423,965)	-	(2,479,107)
Infrastructure	(121,257,795)	(4,861,302)	52,500	(126,066,597)
Buildings	(103,457,458)	(3,502,011)	-	(106,959,469)
Machinery and equipment	(36,883,838)	(3,351,062)	284,419	(39,950,481)
Lease improvements	(55,829)	(3,950)	-	(59,779)
Right-to-use leased vehicles	-	(253,549)	-	(253,549)
Right-to-use leased building	-	(38,371)	-	(38,371)
Software	(1,233,349)	(24,815)	-	(1,258,164)
Total accumulated depreciation and amortization	<u>(264,943,411)</u>	<u>(12,459,025)</u>	<u>336,919</u>	<u>(277,065,517)</u>
Total capital assets, being depreciated net	<u>\$ 305,217,581</u>	<u>\$ 69,068,177</u>	<u>\$ (19,733,059)</u>	<u>\$ 354,552,699</u>

Business-type activities depreciation and amortization expense for the year ended June 30, 2022 is as follows:

Water	\$ 4,225,838
Wastewater	4,560,440
Refuse	2,107,919
Parking	789,044
Storm Water	775,784
Total depreciation expense	<u>\$ 12,459,025</u>

Note 7 - Long-Term Debt

Government Activities

For the year ended June 30, 2022, 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, 2022
<i>Compensated Absences</i>					
Accumulated, unpaid vacation, holiday and comp time leave	n/a	n/a	n/a	n/a	\$ 4,959,763
<i>Claims and Judgments</i>					
Liability and workers compensation claims paid by Risk Management internal service fund	n/a	n/a	n/a	n/a	17,321,198
<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	3,905,000
				Unamortized Premium	11,160
				Net Balance	<u>3,916,160</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	-
<i>2017 Refunding 2007 Lease Revenue Bonds</i>					
Refinanced 2007 Lease Revenue Bonds. Original issue was for land acquisition and improvements for public library and water department purposes	11/1/17 - 11/1/37	2.00%-5.00%	\$125,000-\$390,000	\$5,265,000	4,430,000
				Unamortized Premium	170,828
				Net Balance	<u>4,600,828</u>
<i>2017 Refunding 2010 Refunding Lease Revenue Bonds, Series B</i>					
Refinanced 2010 Series B Refunding. Original issue was for Civic Center acquisition, construction and improvement	11/1/17 - 11/1/31	2.00%-5.00%	\$140,000-\$220,000	\$2,420,000	1,840,000
				Unamortized Premium	100,870
				Net Balance	<u>1,940,870</u>
				Lease Revenue Bonds Subtotal	<u>6,541,698</u>

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Description/Purpose	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Balance at June 30, 2022
<i>Public Works Loans Payable to PG&E - Direct Borrowing</i>					
For city-wide enhancements	various	0.00%	\$57,429-\$62,151	various	\$ 194,581
<i>2015 I-Bank Arterial Roads Loan - Direct Borrowing</i>					
For City-wide road improvements	8/1/24	2.00%	\$1,306,455-\$1,524,530	\$14,130,000	4,496,253
<i>2012 Golf COP 13 Refunding</i>					
Issued for golf course improvements - Refunding of 2004 Golf COP 13	5/1/2029	3.50%	\$67,344-\$115,309	\$2,960,536	1,454,432
<i>2018 California Energy Commission Loan - Direct Borrowing</i>					
For comprehensive energy efficiency retrofit project	12/22/2033	1.00%	\$82,498	\$483,697	1,107,470
Total debt of governmental activities					\$ 39,991,555

Events of Default and Acceleration Clauses

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

The following table summarizes long-term debt activity for the year ended June 30, 2022:

	Restated			Balance June 30, 2022	Amount	Amount
	Balance July 1, 2021	Additions	Retirements		Due Within One Year	Due in More Than One Year
General obligation bonds	\$ 4,265,000	\$ -	\$ (360,000)	\$ 3,905,000	\$ 385,000	\$ 3,520,000
Bond issuance premiums	12,718	-	(1,558)	11,160	1,558	9,602
Total general obligation bonds	4,277,718	-	(361,558)	3,916,160	386,558	3,529,602
Lease revenue bonds	6,615,000	-	(345,000)	6,270,000	350,000	5,920,000
Bond issuance premiums	293,490	-	(21,792)	271,698	21,792	249,906
Total lease revenue bonds	6,908,490	-	(366,792)	6,541,698	371,792	6,169,906
Pension obligation bonds	3,150,000	-	(3,150,000)	-	-	-
Notes payable	9,021,020	-	(1,768,284)	7,252,736	1,799,538	5,453,198
Leases	2,056,967	140,614	(490,901)	1,706,680	518,098	1,188,582
Total Bonds, notes, loans, leases	25,414,195	140,614	(6,137,535)	19,417,274	3,075,986	16,341,288
Claims and judgments	13,538,618	7,256,079	(3,473,499)	17,321,198	4,959,169	12,362,029
Compensated absences	\$ 4,973,513	\$ 3,306,509	\$ (3,320,259)	\$ 4,959,763	\$ 3,306,509	\$ 1,653,254
Total	\$ 43,926,326	\$ 10,703,202	\$ (12,931,293)	\$ 41,698,235	\$ 11,341,664	\$ 30,356,571

As of June 30, 2022, the future debt service requirements to maturity for outstanding debt were:

Combined Debt Schedule - Governmental Activities

For Year Ending June 30,	General Obligation Bonds		Lease Revenue Bonds	
	Principal	Interest	Principal	Interest
2023	\$ 385,000	\$ 157,051	\$ 350,000	\$ 235,788
2024	410,000	140,946	360,000	228,788
2025	440,000	123,412	375,000	210,788
2026	465,000	104,516	390,000	197,813
2027	500,000	84,126	400,000	182,813
2028-2032	1,705,000	113,983	2,300,000	621,769
2033-2037	-	-	1,705,000	263,313
2038	-	-	390,000	14,625
	<u>3,905,000</u>	<u>724,034</u>	<u>6,270,000</u>	<u>1,955,694</u>
Unamortized Premiums	11,160	-	271,698	-
Totals	<u>\$ 3,916,160</u>	<u>\$ 724,034</u>	<u>\$ 6,541,698</u>	<u>\$ 1,955,694</u>

For Year Ending June 30,	Leases Payable		Notes and Loans		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 518,098	\$ 6,509	\$ 1,799,538	\$ 124,862	\$ 3,052,636	\$ 524,210
2024	522,685	4,371	1,832,386	91,793	3,125,071	465,898
2025	468,309	2,122	1,865,967	57,986	3,149,276	394,308
2026	183,477	480	314,187	36,920	1,352,664	339,729
2027	14,111	31	300,024	28,785	1,214,135	295,755
2028-2032	-	-	904,974	35,109	4,909,974	770,861
2033-2037	-	-	235,660	3,492	1,940,660	266,805
2038	-	-	-	-	390,000	14,625
	<u>1,706,680</u>	<u>13,513</u>	<u>7,252,736</u>	<u>378,947</u>	<u>19,134,416</u>	<u>3,072,188</u>
Unamortized Premiums	-	-	-	-	282,858	-
Totals	<u>\$ 1,706,680</u>	<u>\$ 13,513</u>	<u>\$ 7,252,736</u>	<u>\$ 378,947</u>	<u>\$ 19,417,274</u>	<u>\$ 3,072,188</u>

Leases Payable

The City leases 63 vehicles in the governmental activities. An initial lease liability was recorded in the amount of \$2,056,967 on July 1, 2021. As of June 30, 2022 the value of the lease liability was \$1,706,680. The City made monthly principal and interest payments of \$47,775. The leases have interest rates between 4.75% and 8.75%. The value of the right-to-use leased equipment as of the end of the current fiscal year was \$2,197,582.

Business-Type Activities

For the year ended June 30, 2022, long-term debt for business-type activities consisted of the following amounts:

Description/Purpose	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Balance at June 30, 2022
<i>Compensated Absences</i>					
Accumulated, unpaid vacation, holiday and comp time leave	n/a	n/a	n/a	n/a	\$ 1,982,774
<i>Landfill Closure and Postclosure Costs</i>					
Percentage of estimated costs	n/a	n/a	n/a	n/a	9,215,755
<i>2014 Storm Water Refunding Revenue Bonds</i>					
Issued to refinance 2005 Revenue Bonds	4/1/15-10/1/28	2.0%-3.0%	\$210,000-\$380,000	\$4,520,000	\$ 2,360,000
				Unamortized Premium	13,769
				Net Balance	\$ 2,373,769
<i>2014 Water Revenue Bonds</i>					
Issued to refinance 2006 Water Revenue Bonds and Water Note Payable to the State	9/1/14-3/1/36	2.0%-3.75%	\$400,000-\$675,000	\$11,260,000	\$ 7,725,000
				Unamortized Premium	5,237
				Net Balance	\$ 7,730,237
<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	\$ 20,170,000
				Unamortized Premium	4,852,443
				Net Balance	\$ 25,022,443
<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	\$ 2,080,000
				Unamortized Premium	164,183
				Net Balance	\$ 2,244,183
<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	\$ 329,605
				Revenue Bonds Subtotal	\$ 37,700,237

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City of Santa Cruz
Notes to Financial Statements
June 30, 2022

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Description/Purpose	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Balance at June 30, 2022
<i>2016 I-Bank Water Infrastructure Loan - Direct Borrowing</i>					
For City-wide improvements to the water system	8/1/16-8/1/46	3.240%	\$505,367-\$1,274,087	\$25,000,000	\$ 22,304,033
<i>2009 Refuse Refunding Loan - Direct Borrowing</i>					
Issued to refinance 1999 Certificates of Participation	10/1/10-10/1/23	4.87%	\$77,300-\$144,400	\$2,903,000	\$ 423,100
<i>Refuse Loans Payable to PG&E - Direct Borrowing</i>					
For enhancements made at 605 Dimeo Ln.	7/1/20-4/1/24	0.00%	\$17,825	\$59,418	\$ 23,569
<i>2020 Water California State Water Resources Control Board Loan - Direct Borrowing¹</i>					
For the Newell Creek Inlet - Outlet Replacement Project	3/1/21-10/1/52	1.40%	\$1,568,454-\$2,347,321*	\$57,980,674	\$ 57,980,674
<i>2020 I-Bank Wastewater Loan - Direct Borrowing</i>					
UV Replacement Project	2/1/21 - 8/1/50	2.50%	\$79,721-\$163,143	\$3,500,000	\$ 3,420,278
<i>2021 Water California State Water Resources Control Board Loan²</i>					
For the Graham Hill Water Treatment Plant Concrete Tanks Replacement Project	4/30/21-4/30/54	1.40%	\$271,996-\$407,065	\$10,054,815	\$10,054,815
<i>Parking Loans Payable to PG&E - Direct Borrowing</i>					
For enhancements made at 601 Front	6/1/21-9/1/25	0.00%	\$27,017	\$103,564	\$ 49,230
<i>2021 Water Fund Bank of America Loan - Direct Borrowing</i>					
For water related projects	6/15/21-6/14/24	2.16%**	n/a	n/a	\$ 21,000,000
Total debt of business-type activities					\$ 164,154,465

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

² The 2021 Water California State Water Resources Control Board Loan is drawable up to the amount of \$45,900,000.

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

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

The following table summarizes long-term debt activity for the year ended June 30, 2022:

	Restated			Balance June 30, 2022	Amount	Amount
	Balance July 1, 2021	Additions	Retirements		Due Within One Year	Due in More than One Year
Compensated absences	\$ 1,987,946	\$ 1,325,298	\$ (1,330,470)	\$ 1,982,774	\$ 1,321,850	\$ 660,924
Leases payable	1,146,182	252,400	(270,130)	1,128,452	330,733	797,719
Landfill closure costs	8,611,980	603,775	-	9,215,755	-	9,215,755
Revenue bonds payable	34,768,339	-	(2,103,734)	32,664,605	1,764,605	30,900,000
Bond issuance premiums	5,247,847	-	(212,215)	5,035,632	210,139	4,825,493
Total bonds payable	40,016,186	-	(2,315,949)	37,700,237	1,974,744	35,725,493
Notes payable	75,807,844	40,437,199	(989,344)	115,255,699	997,974	114,257,725
Total Bond and Notes:	115,824,030	40,437,199	(3,305,293)	152,955,936	2,972,718	149,983,218
Total	\$ 126,423,956	\$ 42,366,272	\$ (4,635,763)	\$ 165,282,917	\$ 4,294,568	\$ 159,859,897

As of June 30, 2022, the future debt service requirements to maturity for outstanding debt were:

For Year Ending June 30,	Revenue Bonds		Notes		Total ¹	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 1,764,605	\$ 1,399,877	\$ 997,974	\$ 1,618,434	\$ 2,762,579	\$ 3,018,310
2024	1,475,000	1,350,494	2,441,294	1,731,963	3,916,294	3,082,456
2025	1,525,000	1,294,725	2,600,269	1,684,221	4,125,269	2,978,946
2026	1,570,000	1,244,429	2,628,696	1,635,174	4,198,696	2,879,603
2027	1,625,000	1,190,638	2,678,466	1,585,034	4,303,466	2,775,671
2028-2032	6,610,000	5,055,052	14,178,754	7,132,774	20,788,754	12,187,826
2033-2037	5,890,000	3,749,673	15,602,345	5,698,001	21,492,345	9,447,675
2037-2042	4,235,000	2,577,917	17,196,859	4,090,405	21,431,859	6,668,322
2043-2047	5,410,000	1,387,833	18,986,270	2,285,688	24,396,270	3,673,521
2048-2052	2,560,000	150,833	13,814,009	811,747	16,374,009	962,580
2053-2054	-	-	3,130,763	49,880	3,130,763	49,880
	32,664,605	19,401,471	94,255,699	28,323,320	126,920,304	47,724,791
Unamortized Premiums	5,035,632	-	-	-	5,035,632	-
Totals	\$ 37,700,237	\$ 19,401,471	\$ 94,255,699	\$ 28,323,320	\$ 131,955,936	\$ 47,724,791

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

Pledged Revenues

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

The Trust Indenture for the 2014 Storm Water Refunding Revenue Bonds requires the City to pledge its annual Net Revenues (defined as gross revenues received during the period minus the amount required to pay all operation and maintenance costs payable during the period excluding depreciation) in an amount equal to at least 125% of the annual debt service requirement each fiscal year, through final maturity of the Bonds in October 2029 or early retirement of the Bonds, whichever first occurs. A principal payment of \$330,000 and an interest payment in the amount of \$64,538 were made for a debt service total of \$394,538. The current year Storm Water net revenues were \$57,145, resulting in a revenue source to debt service ratio of 14.5%. (The ratio fell below the 125% threshold due to the change in vegetation management, pension expense, and regular labor). The City was not in compliance with the provisions of the bond covenants.

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 \$440,000 and interest payments of \$263,838 were made in the current year for a debt service total of \$703,838. Net Water revenues for the fiscal year ended June 30, 2022, were \$12,545,993 resulting in a revenue source to debt service ratio of 1,782.5%.

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 \$323,734 and interest payments of \$14,839 were made in the current year for a debt service total of \$338,573 was applied against this indenture for the fiscal year ended June 30, 2022. The current year Wastewater revenues were \$8,081,670, resulting in a revenue source to debt service ratio of 2,386.9%.

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, 2022, consisted of \$265,600 in principal and \$30,345 in interest for a total of \$295,945. Net Refuse revenues for the fiscal year ended June 30, 2022, were \$7,151,687, resulting in a revenue source to debt service ratio of 2,416.6%.

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, 2022, consisted of \$400,000 in principal and \$8,000 in interest for a total of \$408,000. As of fiscal year, ended June 30, 2022, there was no outstanding amounts due.

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 \$350,000 and interest payments of \$1,026,000 were made in the current year for a debt service total of \$1,376,000. Net Water revenues for the fiscal year ended June 30, 2022, were \$8,653,386, resulting in a revenue source to debt service ratio of 628.9%.

The Trust Indenture for the 2020 Water California State Water Resources Control Board Loan requires the City to pledge its annual Net Revenues (defined as gross revenues received during the period minus the amount required to pay all operation and maintenance costs payable during the period excluding depreciation) in an amount equal to at least 120% of the annual debt service requirement each fiscal year, through final maturity of the Bonds in October 2052 or early retirement of the Bonds, whichever first occurs. No principal payments were made and interest of \$203,877 were made in the current year. Net Water revenues for the fiscal year ended June 30, 2022, were \$8,653,386, resulting in a revenue source to debt service ratio of 4,244.4%.

The Trust Indenture for the 2021 Water California State Water Resources Control Board Loan requires the City to pledge its annual Net Revenues (defined as gross revenues received during the period minus the amount required to pay all operation and maintenance costs payable during the period excluding depreciation) in an amount equal to at least 120% of the annual debt service requirement each fiscal year, through final maturity of the Bonds in October 2052 or early retirement of the Bonds, whichever first occurs. No principal payments were made and interest of \$43,664 were made in the current year. Net Water revenues for the fiscal year ended June 30, 2022, were \$8,653,386, resulting in a revenue source to debt service ratio of 19,818.1%.

The Trust Indenture for the 2020 I-Bank Wastewater Loan requires the City to pledge its annual Net Revenues (defined as gross revenues received during the period minus the amount required to pay all operation and maintenance costs payable during the period excluding depreciation) in an amount equal to at least 125% of the annual debt service requirement each fiscal year, through final maturity of the Bonds in August 2050 or early retirement of the Bonds, whichever first occurs. Principal payments of \$79,722 and interest payments of \$86,503 were made in the current year for a debt service total of \$166,225 was applied against this indenture for the fiscal year ended June 30, 2022. The current year Wastewater revenues were \$8,081,670, resulting in a revenue source to debt service ratio of 4,861.9%.

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.

Leases Payable

The City has 33 vehicle leases in the business-type activities. An initial lease liability was recorded in the amount of \$1,146,182 on July 1, 2021. As of June 30, 2022, the value of the lease liability was \$1,128,452. The City made monthly principal and interest payments of \$27,727. The leases have interest rates between 4.75% and 8.75%. The value of the right-to-use leased equipment as of the end of the current fiscal year was \$1,398,583.

Additionally, the City of Santa Cruz, California entered into a 56 month lease as Lessee for the use of Water 123 Jewel Street. An initial lease liability was recorded in the amount of \$179,063. As of June 30, 2022, the value of the lease liability is \$141,029. The City is required to make monthly fixed payments of \$3,240. The lease has an interest rate of 0.5770%. The value of the right-to-use asset as of June 30, 2022, of \$179,063 with accumulated amortization of \$38,371 is included with leased buildings.

The future principal and interest lease payments as of June 30, 2022, were as follows:

Leases Payable - Business-Type Activities

For Year Ending June 30,	Leases Payable	
	Principal	Interest
2023	\$ 278,909	\$ 5,749
2024	278,147	4,062
2025	322,764	2,302
2026	225,889	753
2027	22,743	54
Totals	\$ 1,128,452	\$ 12,920

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, 2022, the total amounts outstanding for all the 2002 Bonds were as follows: \$26,925,000 for Series A and \$18,895,000 for Series B. The remaining bonds mature on August 15, 2035. The bonds and interest are limited obligations of the Agency, payable solely from the “trust estate,” which is specifically assigned and pledged to such purposes to the extent provided in the Official Statements.

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

The bonds were issued under a Master Agency Agreement, dated August 1, 2007 between the Agency and Chase Bank. For the Tannery Artists Lofts, the Agency issued 2007 Series A-1 bonds in the amount of \$4,195,000, which mature March 1, 2045. The balance of the Series A-1 bonds was \$3,424,118 at June 30, 2022. The bonds and interest are limited obligations of the Agency, payable solely from the “trust estate,” which is specifically assigned and pledged to such purposes to the extent provided in the Official Statements.

Note 8 - Risk Management and Self-Insurance

The City has established a Risk Management Fund (an internal service fund) to account for a self-insurance program. For the period ending June 30, 2022, the City was self-insured for workers' compensation up to \$500,000 per occurrence and for general liability up to \$1,000,000 per occurrence. Claims in excess of these amounts are insured. The City is also completely self-insured for unemployment insurance, vision, and dental insurance claims; Unemployment is accounted for in the General Fund and the self-insurance for vision and dental is accounted for in the Risk Internal Service Fund. The City contracts with outside administrators to administer these programs.

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

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

ACCEL has a retrospective rated refund liability plan which represents the amount of equity that is eligible for return to the Members of the pool. The liability is computed as the amount of the premiums paid in the pool, plus investment income earned in excess of the estimated losses and loss expenses calculated separately for each program year and Member. Members are eligible to receive distributions of equity (retro-refunds) five years after the end of the program year. At the June 2021 Board of Directors meeting, a retro calculation resulted in an initial available amount of \$7,773,185. The Board of Directors took action to restrict 100% of the available funds, resulting in a final retro liability of \$0. The amount of retrospectively rated refund that was retained in the name of the City of Santa Cruz was \$0. At June 30, 2022, claims outstanding against the City are \$17,321,198.

As of June 30, 2022, coverage provided by self-insurance and excess coverage (purchased by the City from ACCEL) is generally summarized as follows:

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

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

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

	Beginning of Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2020-2021	\$ 13,551,443	\$ 4,584,366	\$ (4,597,191)	\$ 13,538,618
2021-2022	13,538,618	7,256,079	(3,473,499)	17,321,198

Note 9 - Retirement Plans

CalPERS Miscellaneous and Safety Employees' Pension Plans

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

Miscellaneous Plan

Plan Description

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

Benefits Provided

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

The Plan provisions and benefits in effect at June 30, 2022, are summarized as follows:

	Tier 1	Tier 2	Tier 3
Hire Date	Prior to 5/12/2012	5/12 - 12/31/2012	After 12/31/2012
Benefit formula	2.0% @ 55	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Minimum retirement age	50	50	52
Required employer contribution rates	9.720%	9.720%	9.720%
Required employee contribution rates	7.250%	7.250%	7.250%

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

Contribution Description

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

Employees Covered

At June 30, 2022, the following employees were covered by the benefit terms for Miscellaneous Plan.

Member Type	Miscellaneous Plan
Active Members	697
Transferred Members	335
Terminated Members	343
Retired Members and Beneficiaries	933
Total	2308

Actuarial Assumptions

For the measurement period ended June 30, 2021, (the measurement date), the total pension liability was determined by rolling forward the June 30, 2020, total pension liability. The June 30, 2020, total pension liabilities were based on the following actuarial methods and assumptions.

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Fair Value of Assets
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases ⁽¹⁾	Varies by Entry Age and Service
Investment Rate of Return ⁽²⁾	7.15%
Mortality Rate Table ⁽³⁾	Derived using CALPERS' membership data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until purchasing power protection allowance floor on purchasing power applies, 2.50% thereafter

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

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

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

Discount Rate

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

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

Discount Rate, Continued

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

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

Asset Class ⁽¹⁾	Assumed Asset Allocation	Real Return Years 1 - 10 ⁽²⁾	Real Return Years 11+ ⁽³⁾
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
	100.00%		

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

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

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

Changes in Net Pension Liability

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability / (Asset)
Balance at June 30, 2020	\$ 443,646,773	\$ 341,729,472	\$ 101,917,301
Period:			
Service cost	8,396,388	-	8,396,388
Interest on the total pension liability	31,498,485	-	31,498,485
Changes of benefit terms	-	-	-
Differences between expected and actual experience	3,840,186	-	3,840,186
Changes of assumptions	-	-	-
Plan to plan resource movement	-	-	-
Contributions from the employer	-	12,056,643	(12,056,643)
Contributions from employees	-	3,381,764	(3,381,764)
Net investment income	-	77,048,877	(77,048,877)
Benefit payments, including refunds of employee contributions	(22,293,785)	(22,293,785)	-
Administrative expense	-	(341,367)	341,367
Net Changes	21,441,274	69,852,132	(48,410,858)
Balance at June 30, 2021	\$ 465,088,047	\$ 411,581,604	\$ 53,506,443

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

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

Plan	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Net Pension Liability	\$ 111,882,692	\$ 53,506,443	\$ 4,873,949

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

For the year ended June 30, 2022, the City recognized pension expense of \$410,142 for the Miscellaneous Plan. For the year ended June 30, 2021, the City contributed \$13,501,287. At June 30, 2022 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	\$ 13,501,287	\$ -
Changes of Assumptions	-	-
Differences between expected and actual experiences	2,634,527	(458,124)
Net difference between projected and actual earnings on pension plan investments	-	(38,314,374)
Total	<u>\$ 16,135,814</u>	<u>\$ (38,772,498)</u>

\$13,501,287 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year	Outflows/(Inflows) of Resources
2023	\$ (8,751,788)
2024	(7,601,679)
2025	(9,207,848)
2026	(10,576,656)
Total	<u>\$ (36,137,971)</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, 2022, the City reported no payables outstanding to the pension plan.

Safety Plans

Plan Description

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

Benefits Provided

Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are generally eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law. The Plan provisions and benefits in effect at June 30, 2022, are summarized as follows:

<u><i>Police</i></u>	<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 3</u>
Hire Date	Prior to 9/3/2011	9/3/2011 - 12/31/2012	After 12/31/2012
Benefit formula - Sworn	3.0% @ 50	3.0% @ 55	2.7% @ 57
Benefit formula - Non-Sworn	2.0% @ 55	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Minimum retirement age - Sworn	50	50	50
Minimum retirement age - Non-Sworn	50	50	52
Required employer contribution rates - Sworn	25.59%	22.470%	13.980%
Required employer contribution rates - Non-Sworn	9.72%	9.72%	9.72%
Required employee contribution rates - Sworn	9.00%	9.00%	13.75%
Required employee contribution rates - Non-Sworn	7.25%	7.25%	7.25%

<u><i>Fire</i></u>	<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 3</u>
Hire Date	Prior to 9/3/2011	9/3/2011 - 12/31/2012	After 12/31/2012
Benefit formula	3.0% @ 50	3.0% @ 55	2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Minimum retirement age	50	50	50
Required employer contribution rates	25.59%	22.470%	13.980%
Required employee contribution rates	9.00%	9.00%	13.75%

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

Contribution Description

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

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

As of June 30, 2022, the City reported a liability of \$50,126,040 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, 2022, was \$9,967,212 and recognized a pension expense in the amount of \$8,086,270. The net pension liability of the Plan is measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021, 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, 2021 (measurement date) was as follows:

	Proportions - June 30, 2021	Proportions - June 30, 2020	Change - Increase (Decrease)
Safety	1.42830%	1.22521%	0.20309%

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

At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	9,967,212	-
Changes of Assumptions	-	-
Differences between expected and actual experiences	8,563,991	-
Difference in actual contribution and proportionate share of contribution	-	(5,211,235)
Changes in proportion	3,076,852	
Net difference between projected and actual earnings on pension plan investments	-	(29,834,630)
Adjustment due to differences in proportions	-	-
Total	<u>\$ 21,608,055</u>	<u>\$ (35,045,865)</u>

The contributions of \$9,967,212 were made subsequent to the measurement date and will be recognized in June 30, 2023. 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
2023	\$ (3,927,297)
2024	(4,863,837)
2025	(6,403,814)
2026	(8,210,074)
Total	<u>\$ (23,405,022)</u>

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2021, (the measurement date), the total pension liability was determined by rolling forward the June 30, 2020, total pension liability. The June 30, 2021, total pension liabilities were based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Fair Value of Assets
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases ⁽¹⁾	Varies by Entry Age and Service
Investment Rate of Return ⁽²⁾	7.15%
Mortality Rate Table ⁽³⁾	Derived using CALPERS' membership data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until purchasing power protection allowance floor on purchasing power applies, 2.50% thereafter

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

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

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

Discount Rate

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

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

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

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

Asset Class ⁽¹⁾	Assumed Asset Allocation	Real Return Years 1 - 10 ⁽²⁾	Real Return Years 11+ ⁽³⁾
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
	100.00%		

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

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

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

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

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

Plan	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Net Pension Liability	\$ 91,602,138	\$ 50,126,040	\$ 16,058,550

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, 2022, the City reported no payables outstanding to the pension plan.

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

As of June 30, 2022, the City reported total net pension liability, pension expense, deferred outflows of resources and deferred inflows of resources for both Miscellaneous and Safety Plans as follows:

	Net Pension Liability	Deferred Inflows of Resources	Deferred Outflows of Resources	Pension Expense
Miscellaneous	\$ 53,506,443	\$ (38,772,498)	\$ 16,135,814	\$ 410,142
Safety	50,126,040	(35,045,865)	21,608,055	8,086,270
Total	\$ 103,632,483	\$ (73,818,363)	\$ 37,743,869	\$ 8,496,412

Note 10 - Post-Employment Retirement Benefits

Retiree Medical Plan Description

The City of Santa Cruz Post-Retirement Health Care Plan is an agent-employer defined benefit healthcare plan administered by the California Public Employees’ Retirement System (CalPERS). The Plan provides healthcare insurance benefits to eligible retirees. The City Council and unions have the authority to negotiate and amend benefit provisions to the Retiree Medical Incentive after City Council approval. The City contributes the Public Employees’ Medical and Hospital Care Act (PEMHCA) minimum required employer contribution of \$143 per month for calendar year 2021, and \$149 per month for calendar year 2022 towards the retiree monthly premium for eligible retirees participating in PEMHCA. The City also pays a 0.24%-of-premium administrative fee to PEMCA for each retiree. The Plan does not issue a financial report because no assets were accumulated in a trust fund.

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

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

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

Employees Covered

	Active employees	821
Inactive employees or beneficiaries currently receiving benefits payments	283	283
		1104

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 2022, the City made benefit payments in the amount of \$1,387,130 excluding the implicit subsidy. The Net OPEB liabilities have been paid out through contributions by the fund where the employee worked which mainly was the General Fund in the prior years.

Assumption

The City's total OPEB liability was measured as of June 30, 2021 and was determined by an actuarial valuation dated June 30, 2020 that was based on the following actuarial methods and assumptions:

Discount Rate	2.54%
Inflation	2.75%
Salary Increases	3.00%
Mortality Rate	Pre-retirement and Post-retirement Mortality Rates for Public Agency Miscellaneous from 2017 CalPERS Experience Study.
	Pre-retirement and Post-retirement Mortality Rates for Public Agency Police from 2017 CalPERS Experience Study.
Healthcare Trend Rate	4.50 percent for 2021 decreasing to 4.00 percent for 2023, 5.20 percent for 2024-2069, and 4.00 percent for 2070 and later years; Medicare ages: 4.00 percent for all years.

Changes in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary net Position	Net OPEB Liability
Balance at June 30, 2020	\$ 43,505,091	\$ 3,688,910	\$ 39,816,181
Changes recognized for year:			
Service cost	2,808,910	-	2,808,910
Interest	1,391,582	-	1,391,582
Changes of benefit terms	-	-	-
Difference in expected and actual experience	-	-	-
Changes of assumptions	3,291,972	-	3,291,972
Contributions	-	1,387,130	(1,387,130)
Net investment income	-	814,719	(814,719)
Administrative expenses	-	(3,534)	3,534
Benefit payments	(1,387,130)	(1,387,130)	-
Net changes	6,105,334	811,185	5,294,149
Balance at June 30, 2021	\$ 49,610,425	\$ 4,500,095	\$ 45,110,330

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. The calculated investment rate of return was set equal to the expected ten-year compound (geometric) real return plus inflation (rounded to the nearest 25 basis points, where appropriate). The table below provides the long-term expected real rates of return by asset class (based on published capital market assumptions).

Asset Class	Assumed Asset Allocation	Real Rate of Return
Domestic equities	45.00%	4.40%
Global equities	5.00%	5.50%
Domestic fixed income	50.00%	1.50%
	<u>100.00%</u>	

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

The following presents the net OPEB liability of the City if it were calculated using a discount rate that is one percentage point lower (2.05%) or one percentage point higher (4.05%) than the current rate, for year ended June 30, 2022:

Net OPEB Liability		
Discount Rate -1% (1.54%)	Current Discount Rate (2.54%)	Discount Rate +1% (3.54%)
\$ 52,689,608	\$ 45,110,330	\$ 38,961,611

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

The following presents the net OPEB liability of the City if it were calculated using health care cost trend rates that are one percentage point lower or one percentage higher than the current rate, for year ended June 30, 2022:

Net OPEB Liability		
Trend Rate Decrease of 1%	Current Healthcare Cost Trend Rates	Trend Rate Increase of 1%
\$ 37,576,716	\$ 45,110,330	\$ 54,746,407

Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in Net OPEB liability are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in the future OPEB expense. For the fiscal year ended June 30, 2022, the City recognized OPEB expense of \$2,738,379.

	Deferred Outflows	Deferred Inflows
OPEB contributions subsequent to measurement date	\$ 1,209,418	\$ -
Difference between expected and actual experience	-	3,916,778
Differences between projected and actual return on investment	-	494,713
Changes in assumptions	5,142,738	836,850
	\$ 6,352,156	\$ 5,248,341

As of fiscal year, ended June 30, 2022, the City reported deferred outflows of resources related to OPEB in the amount of \$1,209,418 for its benefit payments subsequent to the measurement date. This amount will be recognized as an OPEB expense in fiscal year 2023. Other amounts will be recognized to OPEB expenses as follows:

	Deferred Outflows	Deferred Inflows
2023	\$ 955,959	\$ 1,177,778
2024	955,959	1,177,778
2025	955,959	1,177,780
2026	955,959	913,418
2027	586,252	534,393
Thereafter	732,650	267,194
	\$ 5,142,738	\$ 5,248,341

Note 11 - Landfill Closure and Postclosure Costs

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

Total estimated closure costs	\$ 4,562,586
Total estimated postclosure costs	14,161,594
Total estimated closure and postclosure costs	\$ 18,724,180

The City has increased the landfill's capacity through excavations and plans to continue excavating in future years to increase capacity. At June 30, 2022, the estimated landfill closure cost liabilities of \$9,215,755 and estimated annual landfill closure cost adjustment of \$603,775 were calculated as follows:

Total estimated closure and postclosure costs	\$ 18,724,180
Percent of used capacity to total capacity	49.22%
Revised estimated total closure and postclosure costs liability	9,215,755
Previous closure costs accrued	(8,611,980)
Expense for closure and postclosure costs	\$ 603,775

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

Based upon the requirements of the Department of Resources, Recycling, and Recovery, the City has set aside invested cash (including pooled cash interest receivable) to equal the respective liabilities in each fund. The net position in each fund is zero with the exception of the allowance for fair value adjustment account. The market value of the invested cash at June 30, 2022 was \$9,215,755, and is available to provide for closure and post closure costs. Total funds accumulated as of June 30, 2022, are comprised as follows:

Closure	\$ 2,245,635
Postclosure	6,970,120
Total	\$ 9,215,755

Note 12 - Commitments and Contingencies

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

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

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

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

General Fund	\$ 1,050,618
RDA Successor Agency - LMIH	39,011
General Capital Improvement	25,060,723
Other governmental funds	4,073,807

The following is a list of major commitments and contracts as of June 30, 2022:

<u>Major Commitments and Contracts:</u>	
Newell Creek Dam Inlet/Outlet Replacement	\$ 13,464,734
MB Sanctuary Scenic Trail	12,891,990
Meter Replacements	3,615,076
Graham Hill Water Treatment Plan CC Tanks	3,415,598
State Route 1/9 Intersection Improvements	3,400,155
SLR Mouth & Lagoon Mgmt Plan Devel.	2,727,282
MB Sanctuary Scenic Trail - Segment 8 & 9	2,698,124
Chestnut Street Storm Drain Replacement	2,028,534
WWTF Infra. and Major Equip Study	1,878,232
Downtown Mixed Use Project	1,759,012
All other remaining commitments	12,943,528
Total Commitments and Contracts:	<u><u>\$ 60,822,265</u></u>

Note 13 - 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, 2022, the City had \$7,141,345 unassigned 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 \$7,829,196 which will be reduced through recognition of future available revenues and future program income.

The following table shows the classifications of the City's fund balances at the end of June 30, 2022:

Fund Balance Category	General Fund	RDA Successor Agency - LMIH	General Capital Improvement	Other Governmental Funds	Total
Nonspendable:					
Interfund advances	\$ 2,509,687	\$ -	\$ -	\$ -	\$ 2,509,687
Noncurrent receivables	2,658,978	-	-	-	2,658,978
Restricted:					
Clean rivers, oceans, and beaches	-	-	-	1,848,756	1,848,756
Debt service	-	-	-	1,835,591	1,835,591
Hardship grants	267,601	-	-	-	267,601
Housing programs	-	12,721,801	-	14,388,493	27,110,294
Parks and Recreation	-	-	-	2,972,111	2,972,111
Police programs	-	-	-	899,678	899,678
Streets and roads	-	-	-	5,944,057	5,944,057
Traffic impact	-	-	-	1,096,483	1,096,483
Retiree benefits	7,520,033	-	-	-	7,520,033
Committed:					
Capital projects	25,640,741	-	-	-	25,640,741
Assigned	5,259,744	-	-	-	5,259,744
Unassigned					
Stablization policy	7,141,345	-	-	-	7,141,345
Unassigned deficit	-	-	(7,780,078)	-	(7,780,078)
Total Fund Balances	\$ 50,998,129	\$ 12,721,801	\$ (7,780,078)	\$ 28,985,169	\$ 84,925,021

Note 14 - Successor Agency Trust

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

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

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

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

Cash and investments

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

	Amount
Cash and investments pooled with the City	\$ 14,054,051
Cash and investments with fiscal agent	1,737,199
	\$ 15,791,250

Loans Receivable

At June 30, 2022, loans receivable consisted of \$293,517 to Artspace Tannery, LLC to repay the Sachs Foundation Loan; assist with financing construction of tenant improvements; and assist with financing the initial subleasing and marketing obligations necessary for the opening of the Digital Media Center. The interest rate on this loan is 3% simple.

Capital Assets

An analysis of capital assets as of June 30, 2022, follows:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
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	(216,737)	(25,687)	-	(242,424)
Buildings	(3,542,348)	(348,213)	-	(3,890,561)
Machinery and equipment	(110,025)	-	-	(110,025)
Lease improvements	(219,642)	(11,767)	-	(231,409)
Intangibles	(10,966)	-	-	(10,966)
Subtotal Accumulated Depreciation	<u>(4,099,718)</u>	<u>(385,667)</u>	<u>-</u>	<u>(4,485,385)</u>
Net Capital Assets	<u>\$ 7,887,719</u>	<u>\$ (385,667)</u>	<u>\$ -</u>	<u>\$ 7,502,052</u>

Long-Term Debt

For the year ended June 30, 2022, 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, 2022
<i>2004 Tax Allocation Bonds</i>					
Refinanced Redevelopment Agency earthquake recovery and reconstruction bonds	10/1/05-10/1/31	2.5%-4.625%	\$120,000-\$320,000	\$5,245,000	\$2,625,000
<i>2011 Taxable Housing Tax Allocation Bonds, Series A</i>					
To fund housing-related projects in the Merged Earthquake Reconstruction Project Area ("Project Area")	10/1/11-10/1/24	6.59%	\$220,000-\$880,000	\$8,250,000	\$2,480,000
					<u>\$5,105,000</u>

	Balance July 1, 2021	Transfers from Governmental Activities	Retirements	Balance June 30, 2022	Amount Due Within One Year	Amount Due in More Than One Year
Tax allocation bonds	\$ 6,035,000	\$ -	\$ (930,000)	\$ 5,105,000	\$ 990,000	\$ 4,115,000
Total tax allocation bonds	<u>6,035,000</u>	<u>-</u>	<u>(930,000)</u>	<u>5,105,000</u>	<u>990,000</u>	<u>4,115,000</u>
Total	<u>\$ 6,035,000</u>	<u>\$ -</u>	<u>\$ (930,000)</u>	<u>\$ 5,105,000</u>	<u>\$ 990,000</u>	<u>\$ 4,115,000</u>

Long-Term Debt, Continued

As of June 30, 2022, future debt service requirements to maturity for outstanding debt were:

For Year Ending June 30,	Tax Allocation Bonds	
	Principal	Interest
2023	\$ 990,000	\$ 252,452
2024	1,045,000	190,297
2025	1,110,000	124,130
2026	245,000	84,446
2027	255,000	73,196
2028-2032	1,460,000	175,023
Totals	\$ 5,105,000	\$ 899,544

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 \$5,105,000 with annual debt service requirements as indicated above. For the current year, the total property tax revenue recognized by the City and Successor Agency for the payment of indebtedness incurred by the dissolved redevelopment agency was \$2,044,873, and the debt service payments on the bonds was \$930,000 of principal payments on the 2011 Taxable Tax Allocation Bond Series B, and 2011 Tax-Exempt Tax Allocation Bond Series C Fiscal Year 2021.

Insurance

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

Note 15 - Restatement

The City adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. Accordingly, a restatement has been made to the governmental activities, business-type activities, and internal service fund net position as of July 1, 2021, to restate beginning net position, and fund balance of the General Fund and RDA Successor Agency - LMIH fund.

	RDA Successor Agency - LMIH	General Fund	Governmental Activities
Beginning of year, as previously reported fund balance/net position	\$ 12,449,485	\$ 36,017,221	\$ 120,252,916
Lease receivables	1,040,362	20,286,380	21,703,501
Deferred inflows of resources related to leases	(1,040,362)	(20,286,380)	(21,703,501)
Right-to-use leased equipment	-	1,899,052	2,056,967
Leases payable	-	(1,899,052)	(2,056,967)
Beginning of year, as restated			
Fund Balance / Net Position	<u>\$ 12,449,485</u>	<u>\$ 36,017,221</u>	<u>\$ 120,252,916</u>

	Water	Wastewater	Refuse
Beginning of year, as previously reported fund balance/net position	\$ 103,422,080	\$ 83,829,969	\$ 19,296,987
Lease receivables	-	-	500,070
Deferred inflows of resources related to leases	-	-	(500,070)
Right-to-use leased assets	370,529	353,578	93,035
Leases payable	(370,529)	(353,578)	(93,035)
Beginning of year, as restated			
Net Position	<u>\$ 103,422,080</u>	<u>\$ 83,829,969</u>	<u>\$ 19,296,987</u>

	Parking	Business-Type Activities
Beginning of year, as previously reported fund balance/net position	\$ 7,931,511	\$ 225,841,115
Lease receivables	154,837	654,908
Deferred inflows of resources related to leases	(154,837)	(654,908)
Right-to-use leased assets	329,041	1,146,182
Leases payable	(329,041)	(1,146,182)
Beginning of year, as restated		
Net Position	<u>\$ 7,931,511</u>	<u>\$ 225,841,115</u>

Note 16 - Subsequent Event

Pension Investments

In July of 2022, CalPERS announced a net investment return of negative 6.1% for the fiscal year ending 2021-22. This, along with the change in the discount rate to 6.8%, will negatively impact the net pension liability in future reporting periods. As the investment pool experienced gains in the fiscal year 2021, resulting in a drastically reduced liability in the fiscal year 2022, the City expects the inverse to be true in the fiscal year 2023 as all gains were lost in the fiscal year 2022.

Severe Weather

The City of Santa Cruz was affected by severe weather in late December 2022 and early January 2023 causing significant damage to its roadways, river levees, Municipal Wharf and main water supply systems. Emergency declarations were proclaimed on the local, State and Federal level. The City of Santa Cruz is in the process of surveying the total damage, but initial damage estimates are above \$10 million. The City will be seeking disaster recovery assistance from California Governor's Office of Emergency Services and Federal Emergency Management Agency.

Note 17 - Reissuance

Subsequent to the issuance of the City's 2022 financial statements, management became aware that the statement of cash flows had an error for amounts reported as "proceeds from debt issuance" and "principal paid on capital debt" within the Water Fund. The effect of the correction of this error to the statement of cash flows resulted in the reclassification of \$8,161,091 to reduce the proceeds from debt issuance, with no change to the total net cash used by capital and related financing activities.

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Required Supplementary Information
June 30, 2022

City of Santa Cruz

City of Santa Cruz

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – General Fund
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
			(Budgetary)	Positive (Negative)
Revenues:				
Taxes	\$ 77,688,413	\$ 77,688,413	\$ 88,124,347	\$ 10,435,934
Licenses and permits	1,608,611	1,613,500	1,370,582	(242,918)
Intergovernmental	7,493,807	2,925,533	1,277,145	(1,648,388)
Charges for services	17,925,952	18,526,244	20,097,878	1,571,634
Fines and forfeitures	2,145,000	2,145,000	1,165,243	(979,757)
Use of money and property	7,061,594	7,142,513	6,171,380	(971,133)
Other revenues	328,636	379,003	508,307	129,304
Total revenues	114,252,013	110,420,206	118,714,882	8,294,676
Expenditures:				
Current:				
City Council	493,942	501,955	1,175,554	(673,599)
City Manager	6,372,845	10,787,355	6,553,895	4,233,460
City Attorney	1,608,654	1,843,664	1,841,674	1,990
Human Resources	1,724,467	1,768,348	1,739,597	28,751
Finance	4,221,849	4,904,275	3,683,529	1,220,746
Information Technology	5,633,257	5,780,905	4,862,839	918,066
Police	28,726,225	29,108,236	26,371,895	2,736,341
Fire	21,085,414	22,112,160	21,999,000	113,160
Parks and Recreation	16,413,740	17,939,583	15,867,966	2,071,617
Library	1,814,751	1,814,751	1,814,751	-
Public Works	9,360,262	10,327,879	8,377,569	1,950,310
Planning and Community Development	6,788,653	8,186,642	6,389,736	1,796,906
Economic Development	3,661,250	5,393,887	3,492,027	1,901,860
Debt service:	5,704,335	5,704,335	5,726,667	(22,332)
Total expenditures	113,609,644	126,173,975	109,896,699	16,277,276
Excess (deficiency) of revenues over (under) expenditures	642,369	(15,753,769)	8,818,183	24,571,952
Other financing sources (uses):				
Proceeds from sale of capital assets	11,500	10,000	36,199	26,199
Proceeds from long-term debt issued	31,721	31,721	-	(31,721)
Transfers in	2,869,613	6,879,591	9,991,761	3,112,170
Transfers out	(7,901,966)	(13,912,472)	(2,032,057)	11,880,415
Total other financing sources (uses)	(4,989,132)	(6,991,160)	7,995,930	14,987,090
Net change in fund balances	(4,346,763)	(22,744,929)	16,814,113	39,559,042
Fund balances, beginning of the year	36,017,221	36,017,221	36,017,221	-
Fund balances, end of year	\$ 31,670,458	\$ 13,272,292	52,831,334	\$ 39,559,042
Reconciliation between actual GAAP amounts and actual budgetary amounts:				
			(1,833,205)	
			\$ 50,998,129	

City of Santa Cruz

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual - Low and
Moderate Income Housing - Successor Agency
Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts (Budgetary)	Variance with Final Budget
	Original	Final		Positive
				(Negative)
Revenues:				
Charges for services	\$ 25,000	\$ 25,000	\$ 43,750	\$ 18,750
Use of money and property	260,680	278,680	378,199	99,519
Other revenues	-	6,597	3,661	(2,936)
Total revenues	285,680	310,277	425,610	115,333
Expenditures:				
Current:				
Community and economic development	78,240	274,607	113,170	161,437
Capital outlay	-	929,805	-	929,805
Total expenditures	78,240	1,204,412	113,170	1,091,242
Excess (deficiency) of revenues over (under) expenditures	207,440	(894,135)	312,440	1,206,575
Other financing sources (uses):				
Transfers in	-	915,000	-	(915,000)
Total other financing sources (uses)	-	915,000	-	(915,000)
Net change in fund balances	207,440	20,865	312,440	291,575
Fund balances, beginning of the year	12,449,485	12,449,485	12,449,485	-
Fund balances, end of year	\$ 12,656,925	\$ 12,470,350	12,761,925	\$ 291,575

Reconciliation between actual GAAP amounts and actual budgetary amounts:

Unrealized gain/loss in investments:	(40,124)
Ending Fund Balance (GAAP)	<u>\$ 12,721,801</u>

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

	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability								
Service Cost	\$ 8,396,388	\$ 7,885,876	\$ 7,900,459	\$ 7,783,394	\$ 7,610,704	\$ 6,591,034	\$ 6,361,790	\$ 6,509,468
Interest on total pension liability	31,498,485	30,039,327	28,954,157	27,583,659	26,530,096	25,672,408	24,481,828	23,328,077
Differences between expected and actual experience	3,840,186	(1,476,176)	2,306,451	93,822	(3,403,096)	(1,235,979)	(1,976,012)	-
Changes in assumptions	-	-	-	(2,696,137)	21,609,175	-	(5,898,908)	-
Benefit payments, including refunds of employee contributions	(22,293,785)	(20,931,911)	(19,455,950)	(17,672,540)	(16,106,784)	(14,925,407)	(13,392,860)	(12,418,981)
Net change in total pension liability	21,441,274	15,517,116	19,705,117	15,092,198	36,240,095	16,102,056	9,575,838	17,418,564
Total pension liability - beginning	443,646,773	428,129,657	408,424,540	393,332,342	357,092,247	340,990,191	331,414,353	313,995,789
Total pension liability - ending	\$ 465,088,047	\$ 443,646,773	\$ 428,129,657	\$ 408,424,540	\$ 393,332,342	\$ 357,092,247	\$ 340,990,191	\$ 331,414,353
Plan fiduciary net position								
Contributions - employer	12,056,643	11,514,417	10,017,877	17,249,540	8,246,952	7,535,401	6,695,193	6,556,875
Contributions - employee	3,381,764	3,647,909	3,376,687	3,338,059	3,303,116	2,970,890	2,877,107	2,954,292
Net investment income	77,048,877	16,613,297	20,786,561	24,652,641	30,093,835	1,468,227	6,037,806	40,388,310
Plan to plan resource movement	-	(24,593)	12,275	(718)	244	1,381	(183,350)	-
Administrative expenses	(341,367)	(467,161)	(226,122)	(452,852)	(391,943)	(163,685)	(302,581)	-
Other miscellaneous income/ (expense)	-	-	718	(859,975)	-	-	-	-
Benefit payments	(22,293,785)	(20,931,911)	(19,455,950)	(17,672,540)	(16,106,784)	(14,925,407)	(13,392,860)	(12,418,981)
Net change in plan fiduciary net position	69,852,132	10,351,958	14,512,046	26,254,155	25,145,420	(3,113,193)	1,731,315	37,480,496
Plan fiduciary net position - beginning	341,729,472	331,377,514	316,865,468	290,611,313	265,465,893	268,579,086	266,847,771	229,367,275
Plan fiduciary net position - ending	\$ 411,581,604	\$ 341,729,472	\$ 331,377,514	\$ 316,865,468	\$ 290,611,313	\$ 265,465,893	\$ 268,579,086	\$ 266,847,771
Net pension liability - ending	\$ 53,506,443	\$ 101,917,301	\$ 96,752,143	\$ 91,559,072	\$ 102,721,029	\$ 91,626,354	\$ 72,411,105	\$ 64,566,582
Measurement dates:	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Plan fiduciary net position as a percentage of the total pension liability	88.50%	77.03%	77.40%	77.58%	73.88%	74.34%	78.76%	80.52%
Covered payroll	\$ 45,398,860	\$ 49,672,458	\$ 46,617,341	\$ 47,249,126	\$ 46,983,509	\$ 42,997,153	\$ 41,057,056	\$ 40,191,826
Net pension liability as percentage of covered payroll	117.86%	205.18%	207.55%	193.78%	218.63%	213.10%	176.37%	160.65%
Significant changes in assumptions								
Discount rate	7.15%	7.15%	7.15%	7.15%	7.15%	7.65%	7.65%	7.50%
Inflation rate	2.50%	2.50%	2.50%	2.50%	2.75%	2.75%	2.75%	2.75%

(1) Fiscal year ended June 30, 2015 was the first year of implementation; therefore, only eight 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⁾

	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 13,501,287	\$ 12,514,417	\$ 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	(13,501,287)	(12,514,417)	(11,511,262)	(10,017,851)	(9,241,056)	(8,246,665)	(7,450,526)	(6,695,193)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 51,109,425	\$ 45,398,860	\$ 49,672,458	\$ 46,617,341	\$ 47,249,126	\$ 46,983,509	\$ 42,997,153	\$ 41,057,056
Contributions as a percentage of covered payroll	26.42%	27.57%	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 eight 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	2022	2021	2020	2019	2018	2017	2016	2015
Measurement dates:	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Proportion of the collective net pension liability	1.4283%	1.2252%	1.2252%	1.1638%	1.1282%	1.1262%	1.0898%	1.0167%
Proportionate share of the collective net pension liability	\$ 50,126,040	\$ 81,628,137	\$ 74,225,347	\$ 68,287,671	\$ 67,411,262	\$ 58,326,239	\$ 44,902,753	\$ 38,137,949
Covered payroll	\$ 15,967,999	\$ 16,204,876	\$ 16,620,902	\$ 18,450,275	\$ 19,321,503	\$ 18,222,345	\$ 17,578,572	\$ 16,480,683
Proportionate Share of the net pension liability as a percentage of covered employee payroll	313.92%	503.73%	446.58%	370.12%	348.89%	320.08%	255.44%	231.41%
Plan fiduciary net position as a percentage of the total pension liability	73.12%	73.12%	73.37%	73.39%	71.74%	77.69%	77.27%	78.83%
Significant changes in assumptions								
Discount rate	7.15%	7.15%	7.15%	7.15%	7.15%	7.65%	7.65%	7.50%
Inflation rate	2.50%	2.50%	2.50%	2.50%	2.75%	2.75%	2.75%	2.75%

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

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

Safety Plan	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 9,967,212	\$ 8,998,387	\$ 8,124,640	\$ 7,266,279	\$ 6,330,925	\$ 6,366,360	\$ 5,913,845	\$ 4,731,093
Contributions in relation to the actuarially determined contribution	(9,967,212)	(8,998,387)	(8,124,640)	(7,266,279)	(6,330,925)	(6,366,360)	(5,913,845)	(4,731,093)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 16,948,857	\$ 15,967,999	\$ 16,204,876	\$ 16,620,902	\$ 18,450,275	\$ 19,321,503	\$ 18,222,345	\$ 17,578,572
Contributions as a percentage of covered payroll	58.81%	56.35%	50.14%	43.72%	34.31%	32.95%	32.45%	26.91%

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

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

	Fiscal Year Ended				
	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	\$ 2,808,910	\$ 2,636,320	\$ 2,357,686	\$ 2,602,431	\$ 1,758,129
Interest	1,391,582	1,427,248	1,448,770	1,214,282	1,156,132
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	-	(4,007,945)	-	(2,094,895)	-
Change of assumptions	3,291,972	1,104,915	2,587,946	(1,793,250)	-
Benefit payments, included refunds of employee contributions	(1,387,130)	(1,226,765)	(964,742)	(1,154,846)	(959,486)
Net change in total OPEB liability	6,105,334	(66,227)	5,429,660	(1,226,278)	1,954,775
Total OPEB liability - beginning of year	43,505,091	43,571,318	38,141,658	39,367,936	37,413,161
Total OPEB liability - end of year	\$ 49,610,425	\$ 43,505,091	\$ 43,571,318	\$ 38,141,658	\$ 39,367,936
Plan Fiduciary Net Position					
Contributions	\$ 1,387,130	\$ 1,226,765	\$ -	\$ -	\$ -
Other income - recognition of OPEB trust	-	3,463,974	-	-	-
Net investment income	814,719	228,367	-	-	-
Administrative expenses	(3,534)	(3,431)	-	-	-
Benefit payments, included refunds of employee contributions	(1,387,130)	(1,226,765)	-	-	-
Net change in plan Fiduciary Net position	811,185	3,688,910	-	-	-
Total OPEB Fiduciary Net position - beginning of year	3,688,910	-	-	-	-
Total OPEB Fiduciary Net position - end of year	4,500,095	3,688,910	-	-	-
Net OPEB Liability	\$ 45,110,330	\$ 39,816,181	\$ 43,571,318	\$ 38,141,658	\$ 39,367,936
Measurement dates:	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Plan fiduciary net position as a percentage of the total OPEB liability	9.07%	8.48%	0.00%	0.00%	0.00%
Covered employee payroll	\$ 65,877,334	\$65,797,300	\$62,330,109	\$65,699,401	\$62,434,938
Total OPEB liability as a percentage of covered-employee payroll	68.48%	60.51%	69.90%	58.05%	63.05%

(1) Fiscal year ended June 30, 2018 was the first year of implementation; therefore, only five years are shown.

Additional information will be displayed as it becomes available.

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

OPEB Plan	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 1,209,418	\$ 1,387,130	\$ 1,226,765	\$ 964,742	\$ 1,154,846
Contributions in relation to the actuarially determined contribution	(1,209,418)	(1,387,130)	(1,226,765)	(964,742)	(1,154,846)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 68,058,282	\$ 65,877,334	\$ 65,797,300	\$62,330,109	\$65,699,401
Contributions as a percentage of covered payroll	1.78%	2.11%	1.86%	1.55%	1.76%
Significant changes in assumptions					
Discount rate	2.54%	3.05%	3.13%	3.62%	3.13%
Inflation rate	2.75%	2.75%	3.00%	3.00%	3.00%

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

City of Santa Cruz

Net Other Postemployment Benefits Liability - Annual money-weighted rate of return
As of June 30, For the Last Ten Fiscal Years ⁽¹⁾

	2022	2021	2020	2019	2018
Annual money-weighted rate of return, net of investment expense	22.10%	N/A	N/A	N/A	N/A

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

Budgetary Information

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

Transfers of appropriations between major expense categories within the same fund and department require the approval of the City Manager. Any new appropriation, appropriation transfer between funds or department, or transfers between Capital Investment Program projects over \$100,000 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, 2021. Budgets are adopted each year for all general, special revenue, debt service, and capital projects funds. These governmental fund budgets are prepared on a budgetary basis and therefore a reconciliation to GAAP is provided.

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Supplementary Information
June 30, 2022
City of Santa Cruz

Non-Major Governmental Funds

Special Revenue Funds

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

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

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

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

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

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

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

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

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

Debt Service Funds

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

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

City of Santa Cruz
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2022

	Special Revenue Funds						Debt Service Funds					
	Police	State Highway	Traffic Impact Fee	Clean River, Oceans, and Beaches	Parks and Recreation	Housing and Community Development	Transportation Development Act	American Rescue Plan Act	COVID Relief Emergency Account	2016 Transportation Measure D	General Obligation Bond	Lease Revenue Bond
Assets:												
Cash and investments	\$ 1,367,294	\$ 2,449,666	\$ 1,047,953	\$ 1,875,873	\$ 2,968,726	\$ 1,464,884	\$ -	\$ 5,244,133	\$ 10,857,123	\$ 3,724,523	\$ 1,352,627	\$ 453,733
Restricted cash and investments	-	880	-	-	-	-	-	-	-	-	-	-
Interest receivable	1,468	2,201	18,743	2,328	16,308	1,681,602	-	6,986	5,779	3,615	1,665	503
Taxes receivable	-	119,329	-	31,406	-	-	-	-	-	-	27,063	-
Accounts receivable - net	575	292,295	44,282	-	-	28,995	-	-	-	292,819	-	-
Intergovernmental receivable	-	4,567,023	-	-	-	195,676	123,623	-	-	-	-	-
Notes receivable - net	-	-	148,697	-	134,340	75,000	-	-	-	-	-	-
Loans receivable - net	-	-	-	-	-	2,875,149	-	-	-	-	-	-
Leases receivable	-	-	-	-	-	306,567	-	-	-	-	-	-
Total assets	\$ 1,369,337	\$ 7,431,394	\$ 1,259,675	\$ 1,909,607	\$ 3,119,374	\$ 6,627,873	\$ 123,623	\$ 5,251,119	\$ 10,862,902	\$ 4,020,957	\$ 1,381,355	\$ 454,236
Liabilities:												
Accounts payable and other current liabilities	\$ -	\$ 964,045	\$ -	\$ 60,851	\$ -	\$ 138,474	\$ 123,623	\$ -	\$ -	\$ -	\$ -	\$ -
Unearned revenue	469,659	-	-	-	-	-	-	5,251,119	-	-	-	-
Deposits payable	-	-	-	-	-	34	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	500,000	-	-	-	-	-	-
Total liabilities	469,659	964,045	-	60,851	-	638,508	123,623	5,251,119	-	-	-	-
Deferred inflows of resources:												
Deferred inflows related to leases	-	-	-	-	-	304,548	-	-	-	-	-	-
Unavailable revenue	-	4,544,249	163,192	-	147,263	2,159,226	-	-	-	-	-	-
Total deferred inflows of resources	-	4,544,249	163,192	-	147,263	2,463,774	-	-	-	-	-	-
Fund Balances:												
Restricted:												
Clean rivers, oceans, and beaches	-	-	-	1,848,756	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-	1,381,355	454,236
Housing programs	-	-	-	-	-	3,525,591	-	-	10,862,902	-	-	-
Parks and recreation	-	-	-	-	2,972,111	-	-	-	-	-	-	-
Police programs	899,678	-	-	-	-	-	-	-	-	-	-	-
Streets and roads	-	1,923,100	-	-	-	-	-	-	-	4,020,957	-	-
Traffic impact	-	-	1,096,483	-	-	-	-	-	-	-	-	-
Total fund balances	899,678	1,923,100	1,096,483	1,848,756	2,972,111	3,525,591	-	-	10,862,902	4,020,957	1,381,355	454,236
Total liabilities, deferred inflows of resources and fund balances	\$ 1,369,337	\$ 7,431,394	\$ 1,259,675	\$ 1,909,607	\$ 3,119,374	\$ 6,627,873	\$ 123,623	\$ 5,251,119	\$ 10,862,902	\$ 4,020,957	\$ 1,381,355	\$ 454,236

City of Santa Cruz
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds
Year Ended June 30, 2022

	Special Revenue Funds										Debt Service	
	Police	State Highway	Traffic Impact Fee	Clean River, Oceans, and Beaches	Parks and Recreation	Housing and Community Development	Transportation Development Act	American Rescue Plan Act	COVID Relief Emergency Account	2016 Transportation Measure D	General Obligation Bond	Lease Revenue Bond
Revenues:												
Taxes	\$ -	\$ -	\$ -	\$ 632,654	\$ 536,050	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 521,445	\$ -
Intergovernmental	221,645	7,787,536	-	-	-	1,493,868	1,063,500	8,919,203	14,000,000	1,696,913	-	-
Charges for services	29,690	-	-	-	-	12,193	-	-	-	-	-	-
Use of money and property	(23,713)	(41,960)	(33,827)	(33,765)	(48,055)	202,228	-	(120,290)	(125,555)	(59,303)	(21,563)	418,883
Other revenues	51,583	803,109	29,876	-	-	192,693	-	-	-	-	-	-
Total revenues	279,205	8,548,685	(3,951)	598,889	487,995	1,900,982	1,063,500	8,798,913	13,874,445	1,637,610	499,882	418,883
Expenditures:												
Current												
Public safety	132,070	-	-	-	-	-	-	-	-	-	-	-
Public works	-	4,900,409	115,706	601,406	-	-	-	-	-	57,215	-	-
Transit	-	-	-	-	-	-	1,063,500	-	-	-	-	-
Community and economic development	-	-	-	-	-	702,604	-	-	-	-	-	-
Capital outlay	-	8,816,585	-	-	-	1,348,082	-	-	-	-	-	-
Debt service:												
Principal	-	24,798	-	-	-	-	-	-	-	-	360,000	190,000
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	172,766	175,029
Total expenditures	132,070	13,741,792	115,706	601,406	-	2,050,686	1,063,500	-	-	57,215	532,766	365,029
Revenues over (under) expenditures	147,135	(5,193,107)	(119,657)	(2,517)	487,995	(149,704)	-	8,798,913	13,874,445	1,580,395	(32,884)	53,854
Other financing sources (uses):												
Transfers in	-	780,911	-	-	-	-	-	-	-	-	-	-
Transfers out	-	(1,185,749)	(760,911)	(688)	(149,780)	(1,331,500)	-	(8,798,989)	(3,011,543)	(180,106)	-	-
Total other financing sources (uses)	-	(404,838)	(760,911)	(688)	(149,780)	(1,331,500)	-	(8,798,989)	(3,011,543)	(180,106)	-	-
Net change in fund balances	147,135	(5,597,945)	(880,568)	(3,205)	338,215	(1,481,204)	-	(76)	10,862,902	1,400,289	(32,884)	53,854
Fund balances:												
Beginning of year	752,543	7,521,045	1,977,055	1,851,961	2,633,896	5,006,793	-	76	-	2,620,668	1,414,239	400,382
End of year	\$ 899,678	\$ 1,923,100	\$ 1,096,487	\$ 1,848,756	\$ 2,972,111	\$ 3,525,589	\$ -	\$ -	\$ 10,862,902	\$ 4,020,957	\$ 1,381,355	\$ 454,236

City of Santa Cruz
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual -
General Capital Improvement Fund
Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts (Budgetary)	Variance with Final Budget
	Original	Final		Positive
				(Negative)
Revenues:				
Taxes	\$ 1,955,611	\$ 1,955,611	\$ 2,351,891	\$ 396,280
Intergovernmental	3,989,000	39,492,644	985,842	(38,506,802)
Use of money and property	130,373	130,373	23,192	(107,181)
Other revenues	694,035	2,595,899	143,822	(2,452,077)
Total revenues	6,769,019	44,174,527	3,504,747	(40,669,780)
Expenditures:				
Current:				
General government	48,865	54,347	432,524	(378,177)
Public works	2,525,000	34,018,820	1,993,394	32,025,426
Capital outlay	14,535,786	54,923,023	11,525,711	43,397,312
Debt service:				
Principal	155,000	155,000	155,000	-
Interest and fiscal charges	123,494	123,494	85,689	37,805
Total expenditures	17,388,145	89,274,684	14,192,318	75,082,366
Excess (deficiency) of revenues over (under) expenditures	(10,619,126)	(45,100,157)	(10,687,571)	34,412,586
Other financing sources (uses):				
Transfers in	15,229,359	35,116,771	7,538,764	(27,578,007)
Total other financing sources (uses)	15,229,359	35,116,771	7,536,264	(27,580,507)
Net change in fund balances	4,610,233	(9,983,386)	(3,151,307)	6,832,079
Fund balances, beginning of the year	(4,685,290)	(4,685,290)	(4,685,290)	-
Fund balances, end of year	\$ (75,057)	\$ (14,668,676)	(7,836,597)	\$ 6,832,079

Reconciliation between actual GAAP amounts and actual budgetary amounts:

Unrealized gain/loss in investments:	56,519
Ending Fund Balance (GAAP)	<u>\$ (7,780,078)</u>

City of Santa Cruz
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual -
Police Fund
Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts (Budgetary)	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Intergovernmental	\$ -	\$ 142,979	\$ 221,645	\$ 78,666
Charges for services	-	-	29,690	29,690
Use of money and property	11,583	11,583	(1,641)	(13,224)
Other revenues	-	-	51,583	51,583
Total revenues	11,583	154,562	301,277	146,715
Expenditures:				
Current:				
Public safety	-	-	132,070	(132,070)
Total expenditures	-	-	132,070	(132,070)
Net change in fund balances	11,583	154,562	169,207	14,645
Fund balances, beginning of the year	752,543	752,543	752,543	-
Fund balances, end of year	\$ 764,126	\$ 907,105	921,750	\$ 14,645

Reconciliation between actual GAAP amounts and actual budgetary amounts:

Unrealized gain/loss in investments:	(22,072)
Ending Fund Balance (GAAP)	<u>\$ 899,678</u>

City of Santa Cruz
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual -
State Highway Fund
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
			(Budgetary)	Positive (Negative)
Revenues:				
Intergovernmental	4,342,023	16,006,421	7,787,536	(8,218,885)
Use of money and property	22,162	22,162	107	(22,055)
Other revenues	-	500,000	803,109	303,109
Total revenues	4,364,185	16,528,583	8,590,752	(7,937,831)
Expenditures:				
Current:				
Public works	680,674	683,990	4,900,409	(4,216,419)
Capital outlay	1,829,700	24,743,452	8,816,585	15,926,867
Debt service:				
Principal	38,428	38,428	24,798	13,630
Total expenditures	2,548,802	25,465,870	13,741,792	11,724,078
Excess (deficiency) of revenues over (under) expenditures	1,815,383	(8,937,287)	(5,151,040)	3,786,247
Other financing sources (uses):				
Transfers in	-	3,251,869	780,911	(2,470,958)
Transfers out	(1,225,161)	(3,683,202)	(1,185,749)	2,497,453
Total other financing sources (uses)	(1,225,161)	(431,333)	(404,838)	26,495
Net change in fund balances	590,222	(9,368,621)	(5,555,878)	3,812,743
Fund balances, beginning of the year	7,521,045	7,521,045	7,521,045	-
Fund balances, end of year	\$ 8,111,267	\$ (1,847,576)	1,965,167	\$ 3,812,743

Reconciliation between actual GAAP amounts and actual budgetary amounts:

Unrealized gain/loss in investments:	(42,067)
Ending Fund Balance (GAAP)	<u>\$ 1,923,100</u>

City of Santa Cruz
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual -
Traffic Impact Fee Fund
Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts (Budgetary)	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Use of money and property	\$ 86,281	\$ 86,281	\$ 36,131	\$ (50,150)
Other revenues	500,000	500,000	29,876	(470,124)
Total revenues	586,281	586,281	66,007	(520,274)
Expenditures:				
Current:				
Public works	149,173	149,173	115,706	33,467
Total expenditures	149,173	149,173	115,706	33,467
Excess (deficiency) of revenues over (under) expenditures	437,108	437,108	(49,699)	(486,807)
Other financing sources (uses):				
Transfers out	-	(2,931,869)	(760,911)	2,170,958
Total other financing sources (uses)	-	(2,931,869)	(760,911)	2,170,958
Net change in fund balances	437,108	(2,494,761)	(810,610)	1,684,151
Fund balances, beginning of the year	1,977,055	1,977,055	1,977,055	-
Fund balances, end of year	\$ 2,414,163	\$ (517,706)	1,166,445	\$ 1,684,151

Reconciliation between actual GAAP amounts and actual budgetary amounts:

Unrealized gain/loss in investments:	(69,958)
Ending Fund Balance (GAAP)	<u>\$ 1,096,487</u>

City of Santa Cruz
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual -
Clean River, Ocean, and Beaches Fund
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
			(Budgetary)	Positive (Negative)
Revenues:				
Taxes	\$ 635,887	\$ 635,887	\$ 632,654	\$ (3,233)
Use of money and property	22,967	22,967	(4,436)	(27,403)
Total revenues	658,854	658,854	628,218	(30,636)
Expenditures:				
Current:				
Public works	918,368	982,854	601,406	381,448
Capital outlay	-	181,949	-	181,949
Total expenditures	918,368	1,164,803	601,406	563,397
Excess (deficiency) of revenues over (under) expenditures	(259,514)	(505,949)	26,812	532,761
Other financing sources (uses):				
Transfers out	(344)	(688)	(688)	-
Total other financing sources (uses)	(344)	(688)	(688)	-
Net change in fund balances	(259,858)	(506,637)	26,124	532,761
Fund balances, beginning of the year	1,851,961	1,851,961	1,851,961	-
Fund balances, end of year	\$ 1,592,103	\$ 1,345,324	1,878,085	\$ 532,761

Reconciliation between actual GAAP amounts and actual budgetary amounts:

Unrealized gain/loss in investments:	(29,329)
Ending Fund Balance (GAAP)	<u>\$ 1,848,756</u>

City of Santa Cruz
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual -
Parks and Recreation Fund
Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts (Budgetary)	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Taxes	\$ -	\$ -	\$ 536,050	\$ 536,050
Use of money and property	30,989	30,989	643	(30,346)
Total revenues	30,989	30,989	536,693	505,704
Other financing sources (uses):				
Transfers out	(560,000)	(1,261,004)	(149,780)	1,111,224
Total other financing sources (uses)	(560,000)	(1,261,004)	(149,780)	1,111,224
Net change in fund balances	(529,011)	(1,230,015)	386,913	1,616,928
Fund balances, beginning of the year	2,633,896	2,633,896	2,633,896	-
Fund balances, end of year	\$ 2,104,885	\$ 1,403,881	3,020,809	\$ 1,616,928

Reconciliation between actual GAAP amounts and actual budgetary amounts:

Unrealized gain/loss in investments:	(48,698)
Ending Fund Balance (GAAP)	<u>\$ 2,972,111</u>

City of Santa Cruz

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual -
Housing and Community Development Fund
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
			(Budgetary)	Positive (Negative)
Revenues:				
Intergovernmental	\$ 6,130,598	\$ 7,516,365	\$ 1,493,868	\$ (6,022,497)
Charges for services	11,000	11,000	12,193	1,193
Use of money and property	114,167	114,167	231,749	117,582
Other revenues	100,000	100,000	192,693	92,693
Total revenues	6,355,765	7,741,532	1,930,503	(5,811,029)
Expenditures:				
Current:				
Community and economic development	686,262	1,991,165	702,604	1,288,561
Capital outlay	-	1,355,000	1,348,082	6,918
Total expenditures	686,262	3,346,165	2,050,686	1,295,479
Excess (deficiency) of revenues over (under) expenditures	5,669,503	4,395,367	(120,183)	(4,515,550)
Other financing sources (uses):				
Transfers in	-	929,805	-	(929,805)
Transfers out	(5,657,272)	(6,806,600)	(1,331,500)	5,475,100
Total other financing sources (uses)	(5,657,272)	(5,876,795)	(1,331,500)	4,545,295
Net change in fund balances	12,231	(1,481,428)	(1,451,683)	29,745
Fund balances, beginning of the year	5,006,793	5,006,793	5,006,793	-
Fund balances, end of year	\$ 5,019,024	\$ 3,525,365	3,555,110	\$ 29,745

Reconciliation between actual GAAP amounts and actual budgetary amounts:

Unrealized gain/loss in investments:	(29,521)
Ending Fund Balance (GAAP)	<u>\$ 3,525,589</u>

City of Santa Cruz
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual -
Transportation Development Act Fund
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
			(Budgetary)	Positive (Negative)
Revenues:				
Intergovernmental	\$ 839,561	\$ 839,561	\$ 1,063,500	\$ 223,939
Total revenues	<u>839,561</u>	<u>839,561</u>	<u>1,063,500</u>	<u>223,939</u>
Expenditures:				
Transit	839,561	839,561	1,063,500	(223,939)
Total expenditures	<u>839,561</u>	<u>839,561</u>	<u>1,063,500</u>	<u>(223,939)</u>
Net change in fund balances	-	-	-	-
Fund balances, beginning of the year	-	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Santa Cruz
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual -
American Rescue Plan Act Fund
Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts (Budgetary)	Variance with Final Budget
	Original	Final		Positive (Negative)
	Revenues:			
Intergovernmental	\$ -	\$ 7,085,160	\$ 8,919,203	\$ 1,834,043
Use of money and property	-	-	23,129	23,129
Total revenues	-	7,085,160	8,942,332	1,857,172
Transfers out	-	(4,260,654)	(8,798,989)	(4,538,335)
Total other financing sources (uses)	-	(4,260,654)	(8,798,989)	(4,538,335)
Net change in fund balances	-	2,824,506	143,343	(2,681,163)
Fund balances, beginning of the year	76	76	76	-
Fund balances, end of year	\$ 76	\$ 2,824,582	\$ 143,419	\$ (2,681,163)

Reconciliation between actual GAAP amounts and actual budgetary amounts:

Unrealized gain/loss in investments:	(143,419)
Ending Fund Balance (GAAP)	<u>\$ -</u>

City of Santa Cruz
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual -
COVID Relief Emergency Account
Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts (Budgetary)	Variance with Final Budget
	Original	Final		Positive
				(Negative)
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 14,000,000	\$ 14,000,000
Use of money and property	-	-	17,864	17,864
Total revenues	-	-	14,017,864	14,017,864
Transfers out	-	(3,161,543)	(3,011,543)	150,000
Total other financing sources (uses)	-	(3,161,543)	(3,011,543)	150,000
Net change in fund balances	-	(3,161,543)	11,006,321	14,167,864
Fund balances, beginning of the year	-	-	-	-
Fund balances, end of year	\$ -	\$ (3,161,543)	\$ 11,006,321	\$ 14,167,864

Reconciliation between actual GAAP amounts and actual budgetary amounts:

Unrealized gain/loss in investments:	(143,419)
Ending Fund Balance (GAAP)	<u>\$ 10,862,902</u>

City of Santa Cruz
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual -
Measure D Fund
Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts (Budgetary)	Variance with Final Budget
	Original	Final		Positive (Negative)
	Revenues:			
Intergovernmental	\$ 1,375,520	\$ 1,375,520	\$ 1,696,913	\$ 321,393
Use of money and property	-	-	1,055	1,055
Total revenues	1,375,520	1,375,520	1,697,968	322,448
Expenditures:				
Current:				
Public works	82,136	82,136	57,215	24,921
Total expenditures	82,136	82,136	57,215	24,921
Excess (deficiency) of revenues over (under) expenditures	1,293,384	1,293,384	1,640,753	347,369
Other financing sources (uses):				
Transfers out	(1,281,000)	(3,808,443)	(180,106)	3,628,337
Total other financing sources (uses)	(1,281,000)	(3,808,443)	(180,106)	3,628,337
Net change in fund balances	12,384	(2,515,059)	1,460,647	3,975,706
Fund balances, beginning of the year	2,620,668	2,620,668	2,620,668	-
Fund balances, end of year	\$ 2,633,052	\$ 105,609	\$ 4,081,315	\$ 3,975,706

Reconciliation between actual GAAP amounts and actual budgetary amounts:

Unrealized gain/loss in investments:	(60,358)
Ending Fund Balance (GAAP)	<u>\$ 4,020,957</u>

City of Santa Cruz
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual -
General Obligation Bond Fund
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
			(Budgetary)	Positive (Negative)
Revenues:				
Taxes	\$ 532,000	\$ 532,000	\$ 521,445	\$ (10,555)
Use of money and property	18,005	18,005	(4,127)	(22,132)
Total revenues	550,005	550,005	517,318	(32,687)
Expenditures:				
Debt service:				
Principal	360,000	360,000	360,000	-
Interest and fiscal charges	175,101	175,101	172,766	2,335
Total expenditures	535,101	535,101	532,766	2,335
Net change in fund balances	14,904	14,904	(15,448)	(30,352)
Fund balances, beginning of the year	1,414,239	1,414,239	1,414,239	-
Fund balances, end of year	\$ 1,429,143	\$ 1,429,143	1,398,791	\$ (30,352)

Reconciliation between actual GAAP amounts and actual budgetary amounts:

Unrealized gain/loss in investments:	(17,436)
Ending Fund Balance (GAAP)	<u>\$ 1,381,355</u>

City of Santa Cruz
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual -
Lease Revenue Bond Fund
Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts (Budgetary)	Variance with Final Budget
	Original	Final		Positive
				(Negative)
Revenues:				
Use of money and property	\$ 432,167	\$ 432,167	\$ 425,080	\$ (7,087)
Total revenues	432,167	432,167	425,080	(7,087)
Expenditures:				
Debt service:				
Principal	190,000	190,000	190,000	-
Interest and fiscal charges	173,894	173,894	175,029	(1,135)
Total expenditures	363,894	363,894	365,029	(1,135)
Net change in fund balances	68,273	68,273	60,051	(8,222)
Fund balances, beginning of the year	400,382	400,382	400,382	-
Fund balances, end of year	\$ 468,655	\$ 468,655	460,433	\$ (8,222)

Reconciliation between actual GAAP amounts and actual budgetary amounts:

Unrealized gain/loss in investments:	(6,197)
Ending Fund Balance (GAAP)	<u>\$ 454,236</u>

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

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

- Workers' Compensation Insurance
- Liability Insurance
- Unemployment

City of Santa Cruz
Combining Statement of Net Position – All Internal Service Funds
June 30, 2022

	Equipment Operations	Risk Management	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ (1,960,145)	\$ 15,828,340	\$ 13,868,195
Interest receivable	-	20,097	20,097
Accounts receivable	19,085	2,436	21,521
Inventories	74,092	-	74,092
Deposits	-	4,484,282	4,484,282
Total current assets	<u>(1,866,968)</u>	<u>20,335,155</u>	<u>18,468,187</u>
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
Right-to-use intangible leased equipment	157,915	-	157,915
Less accumulated depreciation	(2,336,575)	(8,160)	(2,344,735)
Total capital assets (net of accumulated depreciation)	<u>1,513,300</u>	<u>-</u>	<u>1,513,300</u>
Total noncurrent assets	<u>1,513,300</u>	<u>7,844,531</u>	<u>9,357,831</u>
Total assets	<u>(353,668)</u>	<u>28,179,686</u>	<u>27,826,018</u>
Deferred outflows of resources:			
Deferred outflows related to OPEB	63,165	50,224	113,389
Deferred outflows related to pension	229,129	217,834	446,963
Total deferred outflows of resources	<u>292,294</u>	<u>268,058</u>	<u>560,352</u>
Liabilities:			
Current liabilities:			
Accounts payable and other current liabilities	162,458	1,311,740	1,474,198
Leases payable	51,824	-	51,824
Claims and judgments payable	-	4,959,169	4,959,169
Compensated absences payable	13,292	-	13,292
Total current liabilities	<u>227,574</u>	<u>6,270,909</u>	<u>6,498,483</u>
Noncurrent liabilities:			
Leases payable	67,515	-	67,515
Claims and judgments payable	-	12,362,029	12,362,029
Other postemployment benefits	448,568	356,669	805,237
Net pension liability	759,791	722,337	1,482,128
Compensated absences payable	6,646	-	6,646
Total noncurrent liabilities	<u>1,282,520</u>	<u>13,441,035</u>	<u>14,723,555</u>
Total liabilities	<u>1,510,094</u>	<u>19,711,944</u>	<u>21,222,038</u>
Deferred inflows of resources:			
Deferred inflows related to OPEB	52,188	41,496	93,684
Deferred inflows related to pension activities	550,569	523,428	1,073,997
Total deferred inflows of resources	<u>602,757</u>	<u>564,924</u>	<u>1,167,681</u>
Net position:			
Net investment in capital assets	1,393,961	-	1,393,961
Unrestricted	(3,568,186)	8,170,876	4,602,690
Total net position (deficit)	<u>\$ (2,174,225)</u>	<u>\$ 8,170,876</u>	<u>\$ 5,996,651</u>

City of Santa Cruz

Combining Statement of Revenues, Expenses and Changes in Net Position – All Internal Service Funds
Year Ended June 30, 2022

	Equipment Operations	Risk Management	Total
Operating revenues:			
Charges for services	\$ 3,697,753	\$ 25,899,412	\$ 29,597,165
Other revenues	37,271	-	37,271
Total operating revenues	<u>3,735,024</u>	<u>25,899,412</u>	<u>29,634,436</u>
Operating expenses:			
Personnel services	322,677	1,607,938	1,930,615
Services, supplies, and other charges	2,826,340	30,155,993	32,982,333
Depreciation and amortization	405,754	-	405,754
Total operating expenses	<u>3,554,771</u>	<u>31,763,931</u>	<u>35,318,702</u>
Operating income	<u>180,253</u>	<u>(5,864,519)</u>	<u>(5,684,266)</u>
Nonoperating revenues (expenses):			
Investment earnings (loss)	-	12,556	12,556
Total nonoperating revenues (expenses)	<u>-</u>	<u>12,556</u>	<u>12,556</u>
Income (loss) before contributions and transfers			
Transfers out	(3,257)	(331,718)	(334,975)
Total transfers	<u>(3,257)</u>	<u>(331,718)</u>	<u>(334,975)</u>
Change in net position	<u>176,996</u>	<u>(6,183,681)</u>	<u>(6,006,685)</u>
Net Position, beginning of year	<u>(2,351,221)</u>	<u>14,354,557</u>	<u>12,003,336</u>
Net Position (deficit), end of year	<u>\$ (2,174,225)</u>	<u>\$ 8,170,876</u>	<u>\$ 5,996,651</u>

City of Santa Cruz
Combining Statement of Cash Flows – All Internal Service Funds
Year Ended June 30, 2022

	Equipment Operations	Risk Management	Total Internal Service Funds
Cash flows from operating activities:			
Cash received from customers and users	\$ -	\$ -	\$ -
Cash received from interfund services provided	3,702,373	25,902,267	29,604,640
Cash payments to suppliers for goods and services	(2,852,958)	(26,550,249)	(29,403,207)
Cash payments for employee services and pensions	(1,005,867)	(1,201,357)	(2,207,224)
Cash received from others	37,271	-	37,271
Net cash provided (used) by operating activities	<u>(119,181)</u>	<u>(1,849,339)</u>	<u>(1,968,520)</u>
Cash flows from noncapital financing activities:			
Transfers to other funds	(3,257)	(331,718)	(334,975)
Net cash provided (used) by noncapital financing activities	<u>(3,257)</u>	<u>(331,718)</u>	<u>(334,975)</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(38,576)	-	(38,576)
Net cash provided (used) by capital and related financing activities	<u>(38,576)</u>	<u>-</u>	<u>(38,576)</u>
Cash flows from investing activities:			
Interest income received	-	6,463	6,463
Net cash provided (used) by investing activities	<u>-</u>	<u>6,463</u>	<u>6,463</u>
Net increase (decrease) in cash and cash equivalents	(161,014)	(2,174,594)	(2,335,608)
Cash and cash equivalents, beginning of year	(1,799,131)	18,002,934	16,203,803
Cash and cash equivalents, end of year	<u>\$ (1,960,145)</u>	<u>\$ 15,828,340</u>	<u>\$ 13,868,195</u>
Reconciliation of operating income/(loss) to net cash provided by operating activities:			
Operating income	\$ 180,253	\$ (5,864,519)	\$ (5,684,266)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Changes in current assets and liabilities:			
Accounts receivable	4,620	2,855	7,475
Prepaid items	-	783,588	783,588
Inventories	10,167	-	10,167
Deposits	-	(614,248)	(614,248)
Accounts payable and other current liabilities	(36,785)	(346,176)	(382,961)
Claims and judgments payable	-	3,782,580	3,782,580
Other postemployment benefits liability and related deferrals	2,648	180,985	183,633
Net pension liability and related deferrals	(673,714)	225,596	(448,118)
Compensated absences payable	(12,124)	-	(12,124)
Total adjustments	<u>(299,434)</u>	<u>4,015,180</u>	<u>3,715,746</u>
Net cash provided (used) by operating activities	<u>\$ (119,181)</u>	<u>\$ (1,849,339)</u>	<u>\$ (1,968,520)</u>
Noncash investing, capital and financing activities:			
Increase/(decrease) in fair value of investments	-	199,890	199,890

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

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

City of Santa Cruz
Combining Statement of Fiduciary Net Position – Private-Purpose Trust Funds
June 30, 2022

	Library Trust Fund	Redevelopment Successor Agency Trust	Total Private-Purpose Trust Funds
Assets:			
Cash and cash investments	\$ 577,524	\$ 14,054,051	\$ 14,631,575
Restricted cash and equivalent	-	1,737,199	1,737,199
Receivables:			
Accounts receivable	-	10,093	10,093
Interest receivable	850	14,333	15,183
Notes receivable	-	293,517	293,517
Nondepreciable capital assets	-	902,621	902,621
Depreciable capital assets	-	6,599,431	6,599,431
Total assets	<u>578,374</u>	<u>23,611,245</u>	<u>24,189,619</u>
Liabilities:			
Interest payable	-	70,653	70,653
Bonds, notes, loans and leases payable - due in one year	-	990,000	990,000
Bonds, notes, loans and leases payable - due in more than one year	-	4,115,000	4,115,000
Total liabilities	<u>-</u>	<u>5,175,653</u>	<u>5,175,653</u>
Net Position:			
Restricted for Library programs	578,374	-	578,374
Restricted for RDA Successor Agency	-	18,435,592	18,435,592
Total held in trust	<u>\$ 578,374</u>	<u>\$ 18,435,592</u>	<u>\$ 19,013,966</u>

City of Santa Cruz

Combining Statement of Changes in Fiduciary Net Position – Private-Purpose Trust Funds
Year Ended June 30, 2022

	<u>Library Trust Fund</u>	<u>Redevelopment Successor Agency Trust</u>	<u>Total Private-Purpose Trust Funds</u>
Additions:			
Taxes	\$ -	\$ 2,044,873	\$ 2,044,873
Use of money and property	(11,163)	(223,050)	(234,213)
Total additions	<u>(11,163)</u>	<u>1,821,823</u>	<u>1,810,660</u>
Deductions:			
Library programs			
Administrative expenses	-	135	135
Interest expense	-	301,434	301,434
Depreciation Expense	-	385,670	385,670
Contractual services	10,533	1,094,968	1,105,501
Total deductions	<u>10,533</u>	<u>1,782,207</u>	<u>1,792,740</u>
Change in net position	(21,696)	39,616	17,920
Net Position:			
Beginning of year	600,070	18,395,976	18,996,046
End of year	<u>\$ 578,374</u>	<u>\$ 18,435,592</u>	<u>\$ 19,013,966</u>

Statistical Section (Unaudited)

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

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

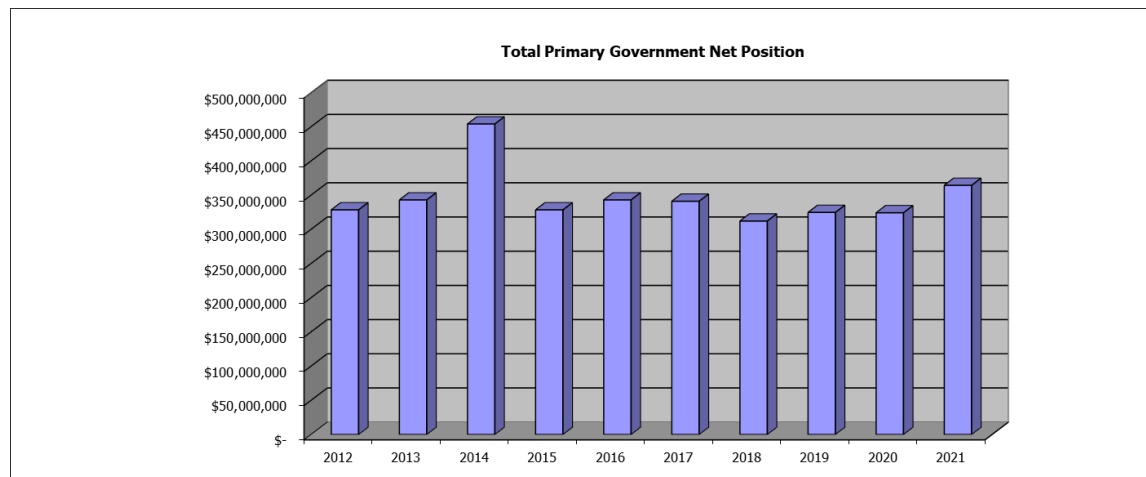
Operating Information

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

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

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

	Fiscal Year Ended June 30									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Governmental activities:										
Net investment in capital assets	\$ 168,679,595	\$ 168,718,849	\$ 174,861,173	\$ 170,874,890	\$ 170,120,986	\$ 174,499,307	\$ 175,095,083	\$ 179,686,573	\$ 184,585,738	\$ 199,711,083
Restricted	26,560,061	27,924,402	32,780,047	36,509,334	32,106,963	37,100,853	32,044,904	33,807,828	40,776,314	48,870,533
Unrestricted	9,174,380	8,836,070	(85,451,031)	(78,202,386)	(79,330,554)	(108,356,521)	(98,607,199)	(107,641,856)	(105,109,136)	(82,387,391)
Total governmental activities net position	\$ 204,414,036	\$ 205,479,321	\$ 122,190,189	\$ 129,181,838	\$ 122,897,395	\$ 103,243,639	\$ 108,532,788	\$ 105,852,545	\$ 120,252,916	\$ 166,194,225
Business-type activities:										
Net investment in capital assets	\$ 184,194,513	\$ 191,011,006	\$ 202,323,678	\$ 207,622,283	\$ 190,911,518	\$ 185,244,609	\$ 191,291,517	\$ 205,455,757	\$ 215,604,468	\$ 215,993,915
Unrestricted	65,222,752	57,607,654	4,087,360	6,281,769	27,360,407	23,709,249	24,962,438	13,005,526	10,236,647	18,321,820
Total business-type activities net position	\$ 249,417,265	\$ 248,618,660	\$ 206,411,038	\$ 213,904,052	\$ 218,271,925	\$ 208,953,858	\$ 216,253,955	\$ 218,461,283	\$ 225,841,115	\$ 234,315,735
Primary government:										
Net investment in capital assets	\$ 377,184,851	\$ 378,497,173	\$ 359,729,855	\$ 377,184,851	\$ 378,497,173	\$ 361,032,504	\$ 359,743,916	\$ 366,386,600	\$ 400,190,206	\$ 415,704,998
Restricted	32,780,047	36,509,334	27,924,402	32,780,047	36,509,334	32,106,963	37,100,853	32,044,904	40,776,314	48,870,533
Unrestricted	(81,363,671)	(71,920,617)	66,443,724	(81,363,671)	(71,920,617)	(51,970,147)	(84,647,272)	(73,644,761)	(94,872,489)	(64,065,571)
Total primary government net position	\$ 328,601,227	\$ 343,085,890	\$ 454,097,981	\$ 328,601,227	\$ 343,085,890	\$ 341,169,320	\$ 312,197,497	\$ 324,786,743	\$ 346,094,031	\$ 400,509,960



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

	Fiscal Year Ended June 30									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Expenses										
Governmental activities:										
General government	\$ 16,521,801	\$ 16,103,854	\$ 17,104,364	\$ 12,974,400	\$ 18,898,202	\$ 19,350,479	\$ 20,614,327	\$ 20,322,085	\$ 23,476,418	\$ 21,935,750
Public safety	34,924,999	37,597,008	40,273,833	42,167,371	47,939,341	51,394,586	56,513,231	57,811,196	54,785,622	53,197,958
Parks and recreation	11,477,040	13,981,398	12,854,772	13,509,643	16,516,857	17,650,040	17,529,459	17,067,868	15,098,626	17,025,262
Library	1,550,322	1,354,687	1,347,161	1,207,356	1,552,010	1,559,242	1,553,115	1,474,896	1,888,881	213,503
Public works	12,041,338	12,182,288	16,430,725	13,408,682	18,578,171	15,609,565	16,471,190	17,352,820	14,170,843	19,034,665
Transit	605,772	686,510	707,736	701,935	748,134	745,940	798,782	1,013,564	797,240	1,063,500
Community and economic development	2,081,563	3,240,446	3,431,560	6,108,539	4,627,227	10,516,746	4,185,767	6,268,475	4,199,540	4,112,247
Social services	1,438,278	1,485,470	1,378,574	1,371,129	1,436,421	2,159,544	2,027,873	2,005,337	2,191,401	2,601,450
Interest and fiscal charges on long-term debt	1,748,528	2,042,943	1,975,129	2,354,508	1,950,851	1,581,810	1,456,449	1,152,581	972,836	791,598
Total governmental activities expenses	82,389,641	88,674,604	95,503,854	93,803,563	112,247,214	120,567,952	121,150,193	124,468,822	117,581,407	119,975,933
Business-type activities:										
Water	23,097,992	27,020,304	25,219,745	25,319,800	28,375,996	33,284,532	36,562,160	37,405,164	38,078,715	36,703,987
Wastewater	18,734,344	18,349,702	19,164,660	18,426,042	20,760,433	21,785,697	20,933,694	24,170,115	23,392,966	21,004,203
Refuse	16,554,729	15,715,226	15,991,886	15,360,501	17,099,090	18,451,537	19,253,241	21,556,523	19,809,687	18,538,166
Parking	3,693,854	4,232,851	4,344,177	4,231,893	4,853,232	5,226,564	5,530,210	6,199,876	5,527,325	6,261,166
Storm Water	1,446,463	1,512,850	1,782,683	1,990,558	1,761,243	1,673,093	1,368,656	1,565,293	1,664,018	2,551,066
Golf course	1,989,726	2,096,483	2,259,995	1,983,470	-	-	-	-	-	-
Total business-type activities expenses	65,517,108	68,927,416	68,763,146	67,312,264	72,849,994	80,421,423	83,647,961	90,896,971	88,472,711	85,058,588
Total primary government expenses	147,906,749	157,602,020	164,267,000	161,115,827	185,097,208	200,989,375	204,798,154	215,365,793	206,054,118	205,034,521
Program Revenues										
Governmental activities:										
Charges for services:										
General government	10,761,301	8,755,621	10,347,805	9,110,127	10,188,422	10,985,577	11,626,464	11,076,557	11,333,060	11,641,708
Public safety	2,315,985	2,241,926	3,711,308	5,785,089	5,492,880	6,583,350	7,580,577	6,016,418	7,647,791	7,305,973
Parks and recreation	3,463,516	3,601,559	3,538,225	3,376,136	5,384,041	5,294,923	5,018,462	3,760,139	4,140,970	5,683,150
Library	551,651	631,305	623,334	518,681	440,100	462,438	462,438	462,444	485,560	509,838
Public works	4,908,499	5,088,698	5,291,833	6,699,865	5,126,400	6,023,639	5,745,566	4,819,236	4,345,088	4,998,217
Community and economic development	142,129	455,537	377,862	514,499	336,016	980,009	2,970,700	654,022	454,492	622,922
Operating grants and contributions	2,752,597	4,317,013	4,112,975	3,495,313	6,029,003	4,239,889	5,702,440	9,264,260	7,780,766	5,748,324
Capital grants and contributions	3,523,019	6,663,071	6,157,091	3,109,623	2,099,106	8,697,888	5,032,786	6,041,232	13,972,656	37,975,187
Total governmental activities program revenues	28,418,697	31,754,730	34,160,433	32,609,333	35,095,968	43,267,713	44,139,433	42,094,308	50,160,383	74,485,319
Business-type activities:										
Charges for services:										
Water	25,490,105	25,327,920	24,560,507	27,798,717	30,920,646	41,061,955	40,503,745	41,982,726	41,992,539	41,608,957
Wastewater	16,368,427	17,676,130	17,244,371	18,558,775	20,100,738	21,018,559	19,750,169	21,296,244	21,647,635	22,847,859
Refuse	15,800,954	15,816,452	16,944,604	18,642,441	19,750,388	20,664,437	21,166,912	20,769,432	21,324,222	22,561,510
Parking	3,399,187	3,990,041	4,444,322	4,950,879	5,102,475	5,456,159	6,215,875	5,378,070	3,910,682	4,371,755
Storm Water	883,384	857,649	899,925	896,171	897,693	895,130	891,611	1,036,569	2,869,033	894,520
Golf course	1,597,442	1,562,952	1,570,590	1,486,366	-	-	-	-	-	-
Operating grants and contributions	963,585	1,218,151	1,314,782	1,211,419	613,711	1,543,354	929,175	1,459,564	2,136,000	3,169,427
Capital grants and contributions	332,823	440,849	-	-	-	-	-	-	-	-
Total business-type activities program revenues	64,835,907	66,890,144	66,979,101	73,544,768	77,385,651	90,639,594	89,457,487	91,922,605	93,880,111	95,454,028
Total primary government program revenues	93,254,604	98,644,874	101,139,534	106,154,101	112,481,619	133,907,307	133,596,920	134,016,913	144,040,494	169,939,347
Net (expense)/revenue:										
Governmental activities	(53,970,944)	(56,919,874)	(61,343,421)	(61,194,230)	(77,151,246)	(77,300,239)	(77,010,760)	(82,374,514)	(67,421,024)	(45,490,614)
Business-type activities	(681,201)	(2,037,272)	(1,784,045)	6,232,504	4,535,657	10,218,171	5,809,526	1,025,634	5,407,400	10,395,440
Total primary government net (expense)/revenue	\$ (54,652,145)	\$ (58,957,146)	\$ (63,127,466)	\$ (54,961,726)	\$ (72,615,589)	\$ (67,082,068)	\$ (71,201,234)	\$ (81,348,880)	\$ (62,013,624)	\$ (35,095,174)

(Continued on next page)

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

	Fiscal Year Ended June 30									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes	\$ 20,872,175	\$ 16,698,020	\$ 16,376,027	\$ 17,364,174	\$ 18,720,421	\$ 19,890,236	\$ 20,681,464	\$ 23,135,942	\$ 23,836,366	\$ 25,804,829
Sales and use taxes	13,838,216	14,925,305	15,679,768	16,572,267	17,934,333	17,361,753	17,400,320	21,860,332	21,376,655	27,223,493
Franchise taxes	3,017,332	2,949,193	2,875,933	3,148,619	3,369,016	3,538,252	3,678,560	4,025,643	4,014,250	4,089,489
Transient occupancy taxes	4,739,362	5,558,666	7,096,947	8,255,379	9,027,506	9,282,551	10,185,738	10,985,786	8,035,134	12,066,476
Utility users taxes	10,731,997	10,729,366	10,465,335	10,671,804	11,028,860	11,314,374	11,568,654	11,517,468	11,459,173	12,264,890
Admission taxes	2,126,484	2,298,767	2,274,117	2,394,716	2,523,654	2,483,608	2,679,859	2,646,472	1,721,753	8,586,123
Other taxes	2,600,429	2,767,513	2,782,903	3,263,780	3,718,803	4,958,113	6,930,592	6,219,024	6,911,076	2,131,088
Unrestricted Investment earnings	1,002,709	458,917	603,037	815,789	686,914	419,090	279,220	1,383,144	1,836,583	(1,275,802)
Gain (loss) on sale of assets	13,486	235,695	171,972	16,446	1,551,578	33,487	584,367	-	7,479	36,199
Extraordinary items	(18,017,623)	-	-	-	-	-	-	-	-	-
Transfers	(259,328)	(362,872)	(340,880)	(487,857)	(375,206)	404,783	990,940	526,098	495,802	505,138
Total governmental activities	40,665,239	56,258,570	57,985,159	62,015,117	68,185,879	69,686,247	74,979,714	82,299,909	79,694,271	91,431,923
Business-type activities:										
Taxes										
Property taxes	32,143	142,105	105,316	68,070	68,070	112,754	128,614	68,080	-	274,750
Unrestricted Investment earnings	1,141,421	497,416	710,529	678,166	557,824	254,678	730,023	1,916,038	1,677,496	(1,711,880)
Gain (loss) on sale of assets	53,644	92,565	81,942	338,049	259,410	6,840	47,906	32,551	-	21,448
Transfers	259,328	362,872	340,880	487,857	375,206	(404,783)	(990,940)	(526,098)	(495,802)	(505,138)
Special Item	-	-	-	-	-	-	(13,667,218)	-	-	-
Total business-type activities	1,486,536	1,094,958	1,238,667	1,572,142	1,260,510	(30,511)	(13,751,615)	1,490,571	1,181,694	(1,920,820)
Total primary government	42,151,775	57,353,528	59,223,826	63,587,259	69,446,389	69,655,736	61,228,099	83,790,480	80,875,965	89,511,103
Change in Net Position										
Governmental activities	(13,305,705)	(661,304)	(3,358,262)	820,887	(8,965,367)	(7,613,992)	(2,031,046)	(74,605)	12,273,247	45,941,309
Business-type activities	805,335	(942,314)	(545,378)	7,804,646	5,796,167	10,187,660	(7,942,089)	2,516,205	6,589,094	8,474,620
Total primary government	\$ (12,500,370)	\$ (1,603,618)	\$ (3,903,640)	\$ 8,625,533	\$ (3,169,200)	\$ 2,573,668	\$ (9,973,135)	\$ 2,441,600	\$ 18,862,341	\$ 54,415,929

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

	Fiscal Year Ended June 30									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Fund										
Non-spendable	\$ 6,827,901	\$ 7,581,024	\$ 7,456,064	\$ 6,905,534	\$ 8,432,086	\$ 11,993,475	\$ 5,788,162	\$ 5,066,943	\$ 5,498,946	\$ 5,168,665
Restricted	269,242	270,196	257,893	256,229	256,329	10,508,749	11,215,594	11,928,524	10,001,975	7,787,634
Committed	1,663,978	2,342,099	14,450,622	17,153,279	17,985,712	5,706,670	4,082,699	3,709,804	9,895,162	25,640,741
Assigned	3,978,567	18,579,309	5,831,522	5,991,161	-	-	3,603,735	3,668,540	4,356,223	5,259,744
Unassigned	21,989,130	656,776	(1,361,952)	654,129	-	-	7,199,928	4,116,415	6,264,915	7,141,345
Total General Fund	\$ 34,728,818	\$ 29,429,404	\$ 26,634,149	\$ 30,960,332	\$ 26,674,127	\$ 28,208,894	\$ 31,890,118	\$ 28,490,226	\$ 36,017,221	\$ 50,998,129
All other governmental funds										
Non-spendable										
Redevelopment Agency fund	-	-	10,952,599	11,533,360	-	-	-	-	-	-
General Capital Improvement fund	-	-	-	-	-	1,949	-	-	-	-
Special revenue funds	10,373,014	-	2,900,207	2,889,311	-	22,039	940	-	-	-
Restricted										
Redevelopment Agency fund	-	-	15,253	-	11,123,868	11,471,281	12,025,370	12,249,579	12,449,485	12,721,801
Special revenue funds	14,195,882	25,668,781	8,948,513	9,395,720	10,856,240	13,716,604	17,556,668	17,787,809	22,364,037	27,149,578
Capital projects funds	270,454	269,833	10,888,867	9,663,216	5,337,686	-	-	(6,183,533)	-	-
Debt service funds	1,720,249	1,715,592	1,716,922	1,728,900	1,571,705	1,682,256	1,729,413	1,748,363	1,814,621	1,835,591
Unassigned										
Special revenue funds	-	-	-	(472,996)	-	-	-	-	(4,685,290)	(7,780,078)
Capital projects funds	(5,867,781)	(1,362,541)	-	-	-	(301,062)	(2,564,118)	-	-	-
Total all other governmental funds	\$ 20,691,818	\$ 26,291,665	\$ 35,422,361	\$ 34,737,511	\$ 28,889,499	\$ 26,593,067	\$ 28,748,273	\$ 25,602,218	\$ 31,942,853	\$ 33,926,892

Source: City of Santa Cruz Finance Department

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

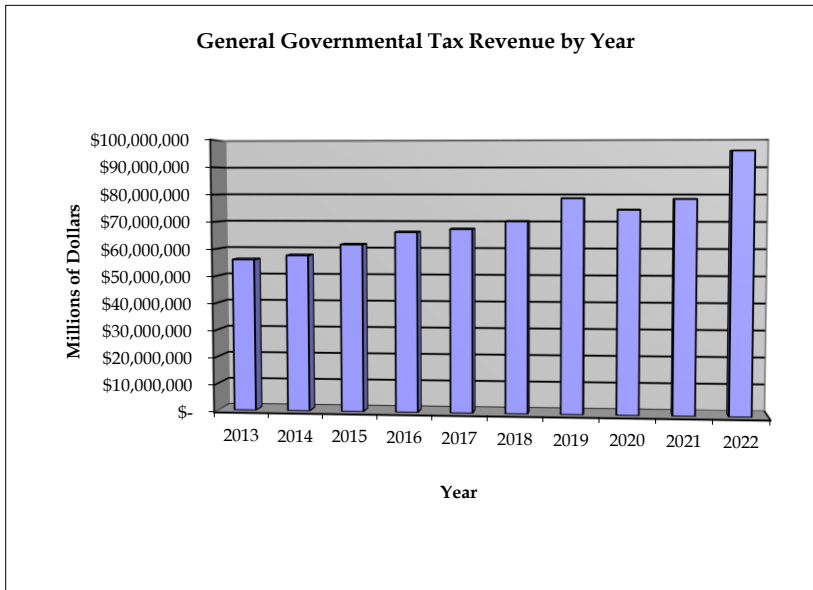
	Fiscal Year Ended June 30									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenues										
Taxes	\$ 55,926,830	\$ 57,551,029	\$ 61,670,739	\$ 66,322,593	\$ 68,828,889	\$ 73,781,043	\$ 80,390,667	\$ 77,354,407	\$ 80,873,029	\$ 92,166,387
Licenses and permits	886,624	846,682	956,587	1,237,340	1,059,040	1,449,842	1,617,733	1,492,276	1,497,268	1,370,582
Intergovernmental	6,080,208	9,766,514	6,415,667	6,464,559	6,086,088	8,344,392	8,785,444	10,181,715	19,173,004	37,445,652
Charges for services	13,890,562	12,279,247	13,873,068	15,759,647	16,765,767	18,415,749	19,221,412	16,376,880	18,597,007	20,183,511
Fines and forfeitures	1,818,773	1,985,697	1,947,157	1,943,034	1,821,418	1,723,744	1,753,002	1,535,295	1,105,221	1,165,243
Use of money and property	5,086,850	5,473,973	5,774,210	6,063,555	5,768,075	6,889,627	8,863,017	8,151,370	8,840,372	4,869,041
Other revenues	782,281	2,008,232	4,914,494	3,177,854	1,829,894	7,678,476	3,455,888	1,557,853	1,575,984	1,733,051
Total revenues	84,472,128	89,911,374	95,551,922	100,968,582	102,159,171	118,282,873	124,087,163	116,649,796	131,661,885	158,933,467
Expenditures										
General government	15,453,481	15,486,989	16,772,766	16,422,406	18,118,532	18,706,083	20,548,575	19,465,392	22,560,800	21,139,517
Public safety	33,998,273	36,713,253	40,423,564	43,100,322	45,715,309	46,445,392	50,084,320	49,920,365	48,712,588	52,163,701
Parks and recreation	9,575,209	10,874,354	11,371,378	12,009,683	14,270,030	15,045,740	15,969,852	14,417,269	13,513,957	17,174,643
Library	1,394,751	1,394,751	1,394,751	1,394,751	1,464,751	1,534,781	1,604,751	1,674,751	1,744,751	-
Public works	5,953,127	6,939,421	8,255,477	8,677,836	7,858,508	8,383,175	14,685,689	8,678,317	10,391,455	16,156,788
Transit	605,772	686,510	707,736	701,935	748,134	745,940	798,782	1,013,564	797,240	1,063,500
Community and economic development	1,915,903	2,379,854	4,389,168	5,071,783	3,417,657	4,670,681	2,787,499	4,480,675	3,396,495	3,935,690
Social services	1,438,278	1,485,470	1,378,574	1,371,129	1,436,421	2,159,544	2,027,873	2,005,337	2,191,401	2,601,450
Capital outlay	6,784,481	10,637,976	14,394,876	4,253,195	12,332,342	18,603,906	5,557,262	15,610,522	10,968,458	21,737,119
Debt service:										
Principal	1,985,754	2,135,072	2,299,080	3,779,157	4,042,493	4,158,166	4,610,644	4,992,514	5,298,916	6,075,609
Interest and fiscal charges	1,748,987	1,693,341	1,647,830	1,935,405	1,695,100	1,594,081	1,427,030	1,257,449	1,002,144	814,340
Bond issuance costs	-	-	-	-	135,322	-	-	-	-	-
Total expenditures	80,854,016	90,426,991	103,035,200	98,717,602	111,234,599	122,047,489	120,102,277	123,516,155	120,578,205	142,862,357
Excess of revenues over (under) expenditures	3,618,112	(515,617)	(7,483,278)	2,250,980	(9,075,428)	(3,764,616)	3,984,886	(6,866,359)	11,083,680	16,071,110
Other financing sources (uses)										
Proceeds from asset dispositions	235,695	831,539	16,446	1,762,040	33,487	584,367	629,237	20,528	-	36,199
Proceeds from long-term debt issued	249,526	-	14,130,000	-	7,685,000	483,697	854,614	-	222,500	-
Payment to refunded bond escrow agent	-	-	-	-	(8,665,624)	-	-	-	-	-
Premiums on bonds sold	-	-	-	-	384,292	-	-	-	-	-
Transfers in	3,298,296	9,448,854	6,321,861	1,715,874	4,484,501	4,954,350	4,393,946	5,751,315	5,261,804	18,311,436
Transfers out	(3,136,833)	(9,464,343)	(6,649,588)	(2,087,561)	(4,980,445)	(3,019,463)	(4,026,253)	(5,421,431)	(2,700,389)	(17,471,323)
Total other financing sources (uses)	646,684	816,050	13,818,719	1,390,353	(1,058,789)	3,002,951	1,851,544	350,412	2,783,915	876,312
Extraordinary (loss) on dissolution of Redevelopment Agency	(48,008,934)	-	-	-	-	-	-	-	-	-
Net change in fund balances	\$ 4,264,796	\$ 300,433	\$ 6,335,441	\$ 3,641,333	\$ (10,134,217)	\$ (761,665)	\$ 5,836,430	\$ (6,515,947)	\$ 13,867,595	\$ 16,947,422
Total Expenditures	\$ 80,854,016	\$ 90,426,991	\$ 103,035,200	\$ 98,717,602	\$ 111,234,599	\$ 122,047,489	\$ 120,102,277	\$ 123,516,155	\$ 120,578,205	\$ 142,862,357
Capitalized Portion of Capital Outlay	4,614,839	6,756,244	12,362,613	1,560,817	4,039,289	9,630,958	5,557,262	10,604,396	10,968,458	21,737,119
Total Non-Capitalized Expenditures	\$ 76,239,177	\$ 83,670,747	\$ 90,672,587	\$ 97,156,785	\$ 107,195,310	\$ 112,416,531	\$ 114,545,015	\$ 112,911,759	\$ 109,609,747	\$ 121,125,238
Debt Service: Principal & Interest	\$ 3,734,741	\$ 3,828,413	\$ 3,946,910	\$ 5,714,562	\$ 5,737,593	\$ 5,752,247	\$ 6,037,674	\$ 6,249,963	\$ 6,301,060	\$ 6,889,949
Debt service as a percentage of noncapital expenditures	4.9%	4.6%	4.4%	5.9%	5.4%	5.1%	5.3%	5.5%	5.7%	5.7%

Source: City of Santa Cruz Finance Department

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

1

Fiscal Year Ended	Property	Sales and Use	Franchise	Transient Occupancy	Utility Users	Admission	Clean River, Beaches & Ocean	Parking	Business Improvement ²	Property Transfer	Business License	Parks and Recreation Facilities	Tourism Marketing District Assessment (Less payout)	Cannabis	Total
2013	\$ 16,840,125	\$ 14,925,305	\$ 2,949,193	\$ 5,558,666	\$ 10,729,366	\$ 2,298,767	\$ 621,051	\$ 450,191	\$ 379,537	269,340	\$ 871,329	\$ 163,690	\$ 12,375	\$ -	\$ 56,068,935
2014	16,481,343	15,679,768	2,875,933	7,096,947	10,465,335	2,274,117	625,544	489,792	390,025	261,343	885,892	285,743	(155,436)	-	57,656,346
2015	17,432,244	16,572,267	3,148,619	8,255,379	10,671,804	2,394,716	627,144	563,399	458,073	272,855	871,672	259,307	56,144	155,186 ³	61,738,809
2016	18,720,421	17,934,333	3,369,016	9,027,506	11,028,860	2,523,654	628,787	633,183	456,562	279,942	856,783	493,034	60,918	309,596	66,322,595
2017	19,890,236	17,361,753	3,538,252	9,282,551	11,314,374	2,483,608	629,206	615,555	464,879	327,391	885,021	291,940	57,801	354,205	67,496,772
2018	20,681,464	17,400,320	3,678,560	10,185,738	11,568,654	2,679,859	629,045	685,552	459,033	362,690	848,580	540,356	(33,504)	669,080	70,355,427
2019	23,135,942	21,860,332	4,025,643	10,985,786	11,517,468	2,646,472	629,191	699,715	464,868	306,256	902,226	457,973	163,345	943,832	78,739,049
2020	23,836,366	21,376,655	4,014,250	8,035,134	11,459,173	1,721,753	629,680	509,965	486,099	319,874	867,252	233,342	(304,202)	1,410,175	74,595,516
2021	24,152,410	23,578,620	3,953,531	9,121,782	11,600,692	663,919	659,854	484,660	459,837	490,874	810,313	837,416	-	1,689,100	78,503,008
2022	25,804,829	27,223,493	4,089,489	12,066,476	12,264,890	8,586,123	632,654	898,560	218,222	553,703	744,162	536,050	-	2,133,575	95,752,226



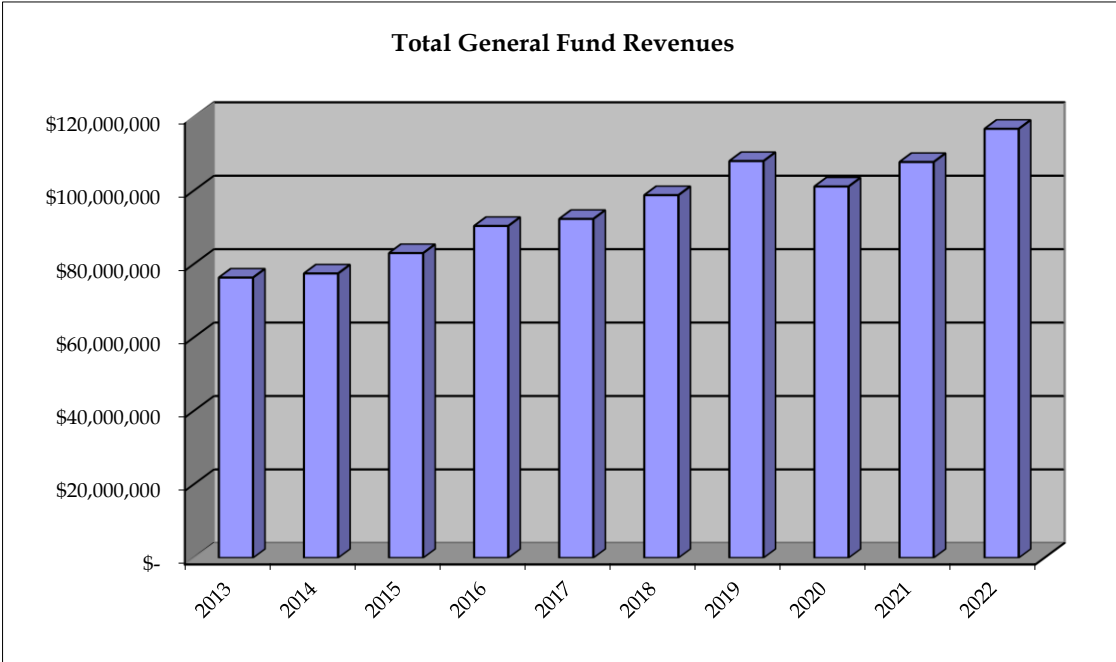
Notes:

- 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.

Source: City of Santa Cruz Finance Department

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

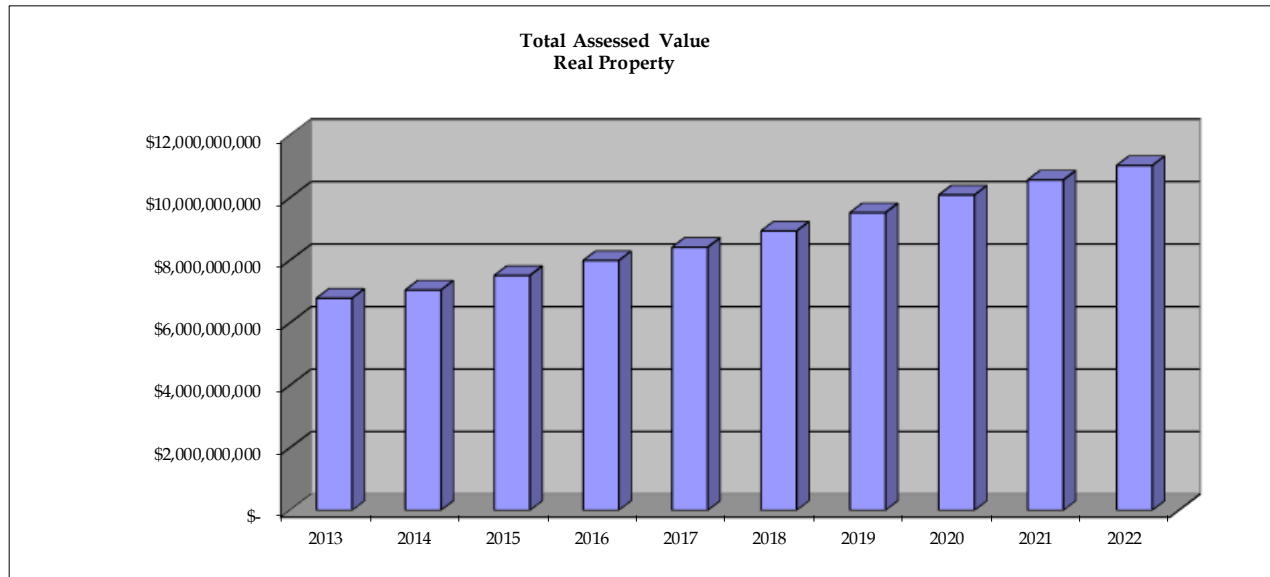
Fiscal Year Ended June 30	Taxes	Licenses and Permits	Inter-Governmental	Charges for Services	Fines and Forfeitures	Use of Money and Property	Other Revenues	Total
2013	\$ 54,713,203	\$ 886,624	\$ 493,617	\$ 13,569,748	\$ 1,818,773	\$ 4,541,253	\$ 340,839	\$ 76,364,057
2014	56,196,870	846,682	989,769	12,214,540	1,985,697	4,810,654	441,432	77,485,644
2015	60,325,657	956,587	346,773	13,818,324	1,947,157	5,106,451	535,425	83,036,374
2016	64,729,972	1,237,340	588,460	15,705,991	1,943,034	5,216,813	1,002,839	90,424,449
2017	66,079,290	1,059,040	354,279	16,673,446	1,820,941	5,090,589	1,264,153	92,341,738
2018	69,841,882	1,449,842	492,888	18,351,158	1,689,605	5,943,664	1,046,712	98,815,751
2019	77,141,459	1,617,733	489,336	19,152,126	1,750,058	7,270,160	680,469	108,101,341
2020	73,226,236	1,492,276	1,261,048	16,315,020	1,535,295	6,810,672	529,933	101,170,480
2021	76,602,978	1,497,268	1,953,282	18,546,386	1,105,221	7,706,662	428,934	107,840,731
2022	88,124,347	1,370,582	1,277,145	20,097,878	1,165,243	4,338,175	508,307	116,881,677



Source: City of Santa Cruz Finance Department

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

Fiscal Year Ended June 30	Real Property				Personal Property	Total Assessed Value	Total Direct Tax Rate
	Residential	Commercial	Other	Total			
2013	\$ 5,601,358,465	\$ 1,114,615,266	\$ 71,691,147	\$ 6,787,664,878	\$ 192,825,384	\$ 6,980,490,262	0.009%
2014	5,807,549,689	886,173,344	356,652,877	7,050,375,910	193,487,470	7,243,863,380	0.006%
2015	6,263,167,155	895,240,618	355,088,792	7,513,496,565	212,839,210	7,726,335,775	0.006%
2016	6,679,113,621	949,045,750	364,381,608	7,992,540,979	260,412,664	8,252,953,643	0.006%
2017	7,008,164,159	1,017,940,619	391,194,339	8,417,299,117	253,665,905	8,670,965,022	0.006%
2018	7,449,222,934	1,104,556,139	383,212,771	8,936,991,844	263,601,080	9,200,592,924	0.006%
2019	7,927,418,102	1,196,069,243	400,653,617	9,524,140,962	275,180,236	9,799,321,198	0.006%
2020	8,408,918,190	1,244,844,880	436,735,058	10,090,498,128	301,488,477	10,391,986,605	0.006%
2021	8,796,161,890	1,311,326,779	462,768,918	10,570,257,587	303,544,487	10,873,802,074	0.005%
2022	9,207,357,265	1,363,763,533	462,822,119	11,033,942,917	288,069,303	11,322,012,220	0.004%



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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Direct Rates:										
General Obligation Bonds	0.006	0.006	0.006	0.006	0.005	0.005	0.005	0.005	0.005	0.004
Total Direct Rate	0.006	0.006	0.006	0.006	0.005	0.005	0.005	0.005	0.005	0.004
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	0.040	0.040	0.037	0.037	0.033	0.024	0.021	0.021	0.021	0.024
Santa Cruz Schools	0.053	0.047	0.042	0.040	0.038	0.090	0.086	0.078	0.076	0.074
Bonny Doon Schools	0.026	0.025	-	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Live Oak Schools	0.055	0.054	0.053	0.046	0.036	0.020	0.021	0.021	0.021	0.021
Scotts Valley Schools	0.048	0.046	0.041	0.075	0.051	0.084	0.069	0.086	0.078	0.076
Total Overlapping Rate	1.223	1.212	1.172	1.198	1.157	1.218	1.197	1.206	1.196	1.195
Total Direct and Overlapping Rate ¹	1.229	1.218	1.178	1.203	1.162	1.223	1.202	1.211	1.201	1.199

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	2022 ²			2013 ³		
	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Santa Cruz Seaside Company	\$ 121,163,931	1	1.07%	\$ 62,819,087	1	0.93%
363 Western Drive Owner LLC	58,129,966	2	0.51%			
Cypress Point Re Investors LLC	50,201,801	3	0.44%	43,207,693	3	0.64%
Selby Development Group LLC	43,674,083	4	0.39%			
Santa Cruz Shaffer Road Investors	40,525,984	5	0.36%	34,576,384	4	0.51%
BRFII Santa Cruz LLC	35,000,000	6	0.31%			
S C Beach Holdco LLC	30,812,013	7	0.27%	44,143,363	2	0.65%
ROARING PARK PACIFIC LLC	30,664,888	8	0.27%			
555 Pacific LLC	28,466,213	9	0.25%			
1010 Pacific Investors	27,817,126	10	0.25%	23,587,430	9	0.35%
Regents of the University of California ¹				32,954,529	5	0.49%
Frederick Electronics Corporation ¹				30,959,528	6	0.46%
Costco Wholesale Corporation ¹				24,456,685	7	0.36%
Safeway Inc. ¹				25,453,282	8	0.37%
BPR Properties UCSC LLC ¹				22,842,538	10	0.34%
Totals	\$ 466,456,005		4.12%	\$ 345,000,519		5.08%
Total assessed value	\$ 11,322,012,220			\$ 6,788,361,196		

Notes:

¹ The listed tax owners were not ranked in the top 10 during 2022.

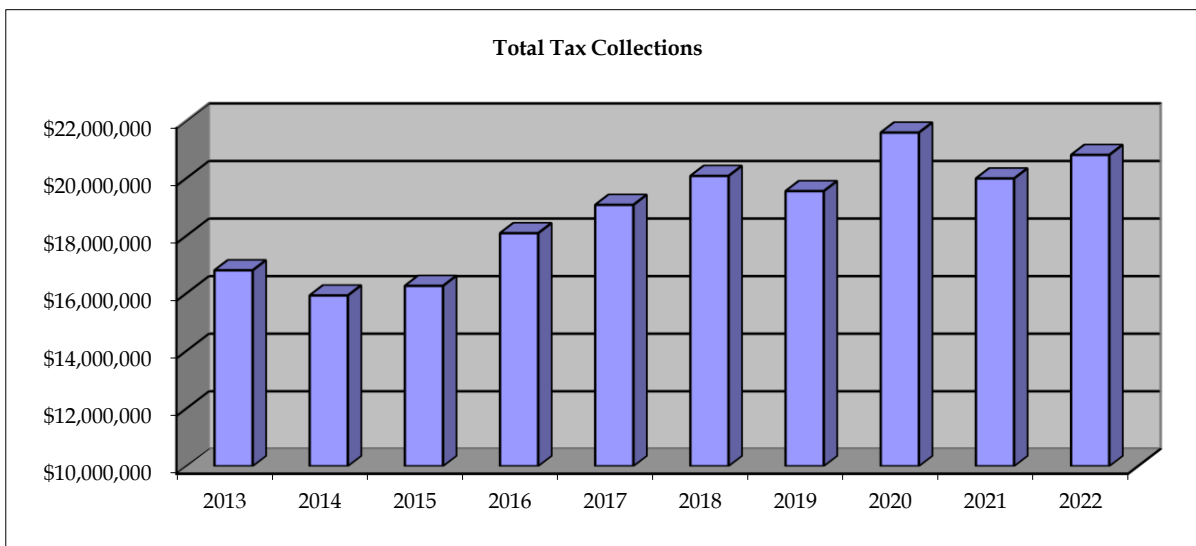
Sources:

² County of Santa Cruz

³ HDL Coren & Cone

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

1 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
2013	\$ 16,806,695	\$ 16,806,695	100.0%	\$ -	\$ 16,806,695	100.0%	\$ -	\$ -
2014	15,933,154	15,933,154	100.0%	-	15,933,154	100.0%	-	-
2015	16,266,137	16,266,137	100.0%	-	16,266,137	100.0%	-	-
2016	18,095,927	18,095,927	100.0%	-	18,095,927	100.0%	-	-
2017	19,080,127	19,080,127	100.0%	-	19,080,127	100.0%	-	-
2018	20,085,027	20,085,027	100.0%	-	20,085,027	100.0%	-	-
2019	19,557,083	19,557,083	100.0%	-	19,557,083	100.0%	-	-
2020	21,590,859	21,590,859	100.0%	-	21,590,859	100.0%	-	-
2021	19,997,427	19,997,427	100.0%	-	19,997,427	100.0%	-	-
2022	20,814,730	20,814,730	100.0%	-	20,814,730	100.0%	-	-



Notes:

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

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

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

	Fiscal Year Ended June 30									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Governmental Activities:										
General obligation bonds	\$ 6,390,000	\$ 6,185,000	\$ 5,965,000	\$ 5,730,000	\$ 5,475,000	\$ 5,205,000	\$ 4,915,000	\$ 4,600,000	\$ 4,265,000	\$ 3,905,000
Pension obligation bonds	20,425,000	18,860,000	17,160,000	15,310,000	13,295,000	11,100,000	8,685,000	6,040,000	3,150,000	-
Lease revenue bonds payable	9,600,000	9,300,000	8,995,000	8,680,000	7,685,000	7,560,000	7,255,000	6,940,000	6,615,000	6,270,000
Certificates of participation	-	-	-	-	-	-	-	-	-	-
Leases	390,784	344,427	297,379	249,630	201,170	152,536	102,813	42,813	-	1,706,680
Notes	234,449	215,735	14,318,705	12,987,297	13,920,402	12,871,003	12,162,137	10,504,623	9,021,020	7,252,736
Other	-	-	-	-	-	-	-	-	-	-
Premiums	30,201	28,832	26,565	24,747	399,607	376,258	352,907	329,558	306,208	282,858
Total Governmental Activities	37,040,233	34,933,993	46,762,649	42,981,674	40,976,180	37,264,797	33,472,857	28,456,994	23,357,228	19,417,274
Business-type Activities:										
Wastewater revenue bonds	11,925,013	8,433,487	15,359,178	11,925,013	8,433,487	4,888,944	1,272,570	967,858	653,339	329,605
Storm water revenue bonds	4,245,000	3,945,000	4,520,000	4,245,000	3,945,000	3,640,000	3,330,000	3,015,000	2,690,000	2,360,000
Water revenue bonds	10,235,000	9,835,000	10,670,000	10,235,000	9,835,000	9,425,000	9,015,000	29,450,000	8,165,000	7,725,000
Refuse revenue bonds	2,215,000	1,875,000	2,545,000	2,215,000	1,875,000	1,525,000	1,160,000	785,000	400,000	-
Parking revenue bonds	3,930,000	3,350,000	4,190,000	3,930,000	3,350,000	3,065,000	2,830,000	2,590,000	22,860,000	22,250,000
Notes	4,277,317	26,632,000	4,653,748	4,277,317	26,632,000	29,407,533	35,655,891	24,376,046	75,807,844	115,255,699
Premiums	87,363	359,289	99,035	87,363	359,289	322,811	286,332	5,466,295	5,247,847	5,035,632
Total Business-type Activities	36,914,693	54,070,487	42,036,961	36,914,693	54,429,776	52,274,288	53,549,793	66,650,199	115,824,030	152,955,936
Total Primary Government	\$ 73,954,926	\$ 89,004,480	\$ 88,799,610	\$ 79,896,367	\$ 95,405,956	\$ 89,539,085	\$ 87,022,650	\$ 95,107,193	\$ 139,181,258	\$172,373,210
Personal income ¹	\$ 3,048,930,476	\$ 3,326,920,480	\$ 3,334,888,920	\$ 3,700,634,424	\$ 3,934,137,350	\$ 4,254,916,712	\$ 4,564,044,485	\$ 4,612,243,008	\$ 4,265,441,292	\$ 5,481,872,550
Debt as percentage of personal income	2.43%	2.68%	2.66%	2.16%	2.43%	2.10%	1.91%	2.06%	3.26%	3.14%
Population ²	62,372	63,440	63,789	64,632	61,955	66,454	63,440	63,789	56,156	64,075
Debt per capita	1,186	1,403	1,392	1,236	1,540	1,347	1,372	1,491	2,478	2,690
Assessed value ³	\$ 6,980,490,262	\$ 7,243,863,380	\$ 7,726,335,775	\$ 8,252,953,643	\$ 6,991,920,559	\$ 9,200,592,924	\$ 7,243,863,380	\$ 7,726,335,775	\$ 10,873,802,074	\$ 11,322,012,220
Debt as percentage of assessed value	1.06%	1.23%	1.15%	0.97%	1.36%	0.97%	1.20%	1.23%	1.28%	1.52%

Notes:

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

Source:

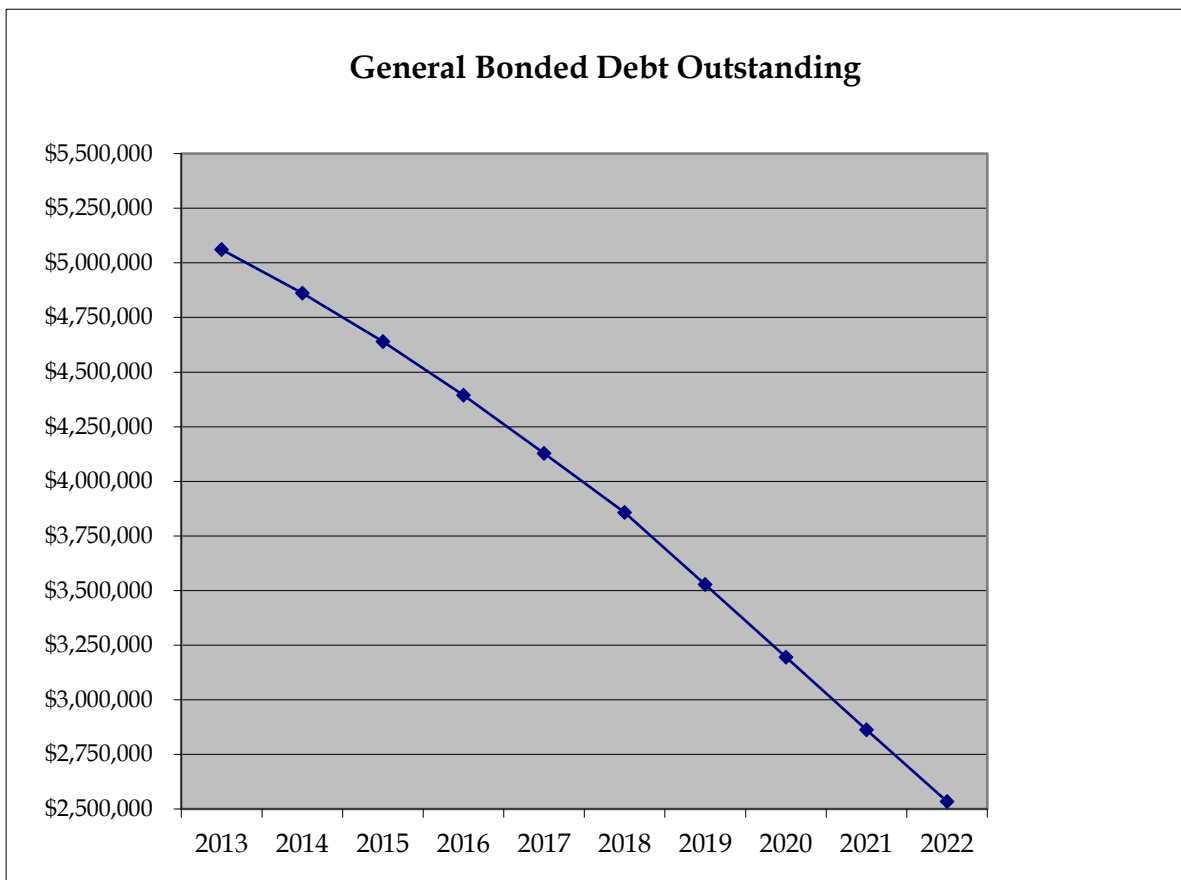
² California Department of Finance

³ California Municipal Statistics, Inc.

City of Santa Cruz Finance Department

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

Fiscal Year Ended June 30	General Obligation Bonds	Less: Amount Available in Debt Service Fund	Total	Percentage of Assessed Value	Debt Per Capita	Assessed Value ¹	Population ²
2013	\$ 6,390,000	\$ 1,328,974	\$ 5,061,026	0.07%	\$ 81	\$ 7,243,863,380	62,372
2014	6,185,000	1,322,942	4,862,058	0.07%	77	7,243,863,380	63,440
2015	5,965,000	1,324,435	4,640,565	0.06%	73	7,726,335,775	63,789
2016	5,730,000	1,336,146	4,393,854	0.05%	68	8,252,953,643	64,632
2017	5,475,000	1,346,719	4,128,281	0.05%	63	8,670,965,022	65,070
2018	5,222,390	1,364,141	3,858,249	0.04%	58	9,200,592,924	66,454
2019	4,930,833	1,402,848	3,527,985	0.04%	54	9,799,321,198	65,807
2020	4,614,275	1,418,805	3,195,470	0.03%	50	10,391,986,605	64,424
2021	4,277,718	1,414,239	2,863,479	0.03%	51	10,873,802,074	56,156
2022	3,916,160	1,381,355	2,534,805	0.02%	40	11,322,012,220	64,075



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, 2022

2021-2022 Assessed Valuation \$ 11,322,012,220

	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	\$104,214,571	21.509%	\$ 22,415,512
Santa Cruz High School District	145,243,365	46.380%	67,363,873
Santa Cruz Elementary School District	71,091,276	95.241%	67,708,042
Live Oak School District	9,151,000	0.698%	63,874
City of Santa Cruz	3,916,160	100.000%	3,916,160
Santa Cruz Libraries FA Community Facilities District No. 2016-1	37,725,000	23.952%	9,035,892
Total Direct and Overlapping Tax and Assessment Debt	<u>\$ 371,341,372</u>		<u>\$ 170,503,353</u>
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Santa Cruz County General Fund Obligations	\$ 87,894,145	21.688%	\$ 19,062,482
Santa Cruz County Office of Education Certificates of Participation	7,409,779	21.688%	1,607,033
Santa Cruz City Schools Certificates of Participation	720,000	46.380%	333,936
Live Oak School District Certificates of Participation	11,783,973	0.698%	82,252
Santa Cruz High School District Certificates of Participation	1,401,383	46.380%	649,961
City of Santa Cruz General Fund Obligations	14,914,755	100.000%	14,914,755
City of Santa Cruz Share of County Emergency Center	586,359	100.000%	586,359
Total Direct and Overlapping General Fund Debt	124,710,394		37,236,778
<u>OVERLAPPING TAX INCREMENT DEBT</u>	5,105,000	100.000%	5,105,000
TOTAL DIRECT DEBT ²			19,417,274
TOTAL OVERLAPPING DEBT			193,427,857
Combined Total Debt	<u>\$ 501,156,766</u>		<u>\$ 212,845,131</u>

Notes:

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

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

Ratios to 2020-21 Assessed Valuation:

Direct Debt (\$4,277,718)	0.03%
Total Direct and Overlapping Tax and Assessment Debt	1.51%
Total Direct Debt (\$19,079,5510)	0.17%
Combined Total Debt	1.88%

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

Total Overlapping Tax Increment Debt	0.23%
--------------------------------------	-------

Source: California Municipal Statistics, Inc.

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

	Fiscal Year Ended June 30									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Debt limit	\$ 1,047,073,539	\$ 1,086,579,507	\$ 1,158,950,366	\$ 1,237,943,046	\$ 1,300,644,753	\$ 1,380,088,939	\$ 1,469,898,180	\$ 1,558,797,991	\$ 1,631,070,311	\$ 1,698,301,833
Total net debt applicable to limit	5,061,026	4,862,058	4,640,565	4,393,854	4,128,281	4,128,281	3,512,152	3,181,195	2,850,761	2,523,645
Legal debt margin	<u>\$ 1,042,012,513</u>	<u>\$ 1,081,717,449</u>	<u>\$ 1,154,309,801</u>	<u>\$ 1,233,549,192</u>	<u>\$ 1,296,516,473</u>	<u>\$ 1,375,960,658</u>	<u>\$ 1,466,386,028</u>	<u>\$ 1,555,616,796</u>	<u>\$ 1,628,219,550</u>	<u>\$ 1,695,778,188</u>
Total net debt applicable to the limit as a percentage of debt limit	0.48%	0.45%	0.40%	0.35%	0.32%	0.30%	0.24%	0.20%	0.17%	0.15%

Legal Debt Margin Calculation For Fiscal Year 2020-21:

Total assessed value	\$ 11,322,012,220
Debt limit (15% of total assessed value)	1,698,301,833
Debt applicable to limit:	
General obligation bonds (reported at accreted value)	3,905,000
Less: Amount available in debt service fund for repayment of bonds	<u>1,381,355</u>
Total net debt applicable to limit	<u>2,523,645</u>
Legal debt margin	<u>\$ 1,695,778,188</u>

Notes:

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

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

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

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

	Fiscal Year Ended June 30									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Wastewater Revenue Bonds:										
Wastewater charges and other	\$ 16,665,280	\$ 17,351,944	\$ 17,702,332	\$ 18,638,430	\$ 20,294,352	\$ 21,239,594	\$ 20,020,688	\$ 21,534,439	\$ 24,218,993	\$ 24,535,867
Less: operating expenses	13,993,246	13,770,395	13,317,173	13,543,016	14,269,230	15,535,701	15,666,972	17,807,641	16,827,091	16,454,197
Net available revenue	2,672,034	3,581,549	4,385,160	5,095,414	6,025,121	5,703,893	4,353,716	3,726,798	7,391,902	8,081,670
Debt service:										
Principal	230,000	240,000	1,709,898	3,434,164	3,491,526	3,544,544	3,616,374	304,712	314,519	323,734
Interest	136,157	44,491	48,609	234,324	176,024	116,764	43,118	35,177	23,044	14,839
Total	366,157	284,491	1,758,507	3,668,488	3,667,550	3,661,308	3,659,492	339,889	337,563	338,573
Coverage	7.30	12.59	2.49	1.39	1.64	1.56	1.19	10.96	21.90	23.87
Water Revenue Bonds:										
Water charges and other	\$ 25,809,906	\$ 24,635,604	\$ 24,654,059	\$ 26,676,455	\$ 31,120,650	\$ 41,515,458	\$ 41,036,708	\$ 42,647,198	\$ 41,820,438	\$ 41,782,686
Less: operating expenses	20,264,057	23,821,485	21,279,237	21,949,166	22,464,366	27,393,908	26,631,004	28,641,586	27,750,088	29,236,693
Net available revenue	5,545,849	814,119	3,374,822	4,727,289	8,656,284	14,121,550	14,405,704	14,005,612	14,070,349	12,545,993
Debt service:										
Principal	270,000	311,368	-	348,000	320,000	328,000	328,000	406,000	765,000	790,000
Interest	487,823	386,783	72,733	279,705	242,057	235,603	229,043	799,607	1,315,188	1,289,838
Total	757,823	698,151	72,733	627,705	562,057	563,603	557,043	1,205,607	2,080,188	2,079,838
Coverage	7.32	1.17	46.40	7.53	15.40	25.06	25.86	11.62	6.76	6.03
Storm Water Revenue Bonds:										
Storm Water charges and other	\$ 893,217	\$ 856,893	\$ 889,617	\$ 1,025,705	\$ 915,299	\$ 920,052	\$ 911,553	\$ 912,701	\$ 899,419	\$ 905,203
Less: operating expenses	465,600	505,896	312,574	576,609	726,257	709,824	229,031	626,822	583,215	848,058
Net available revenue	427,617	350,997	577,043	449,096	189,042	210,228	682,522	285,879	316,204	57,145
Debt service:										
Principal	200,000	197,815	275,000	275,000	300,000	305,000	310,000	315,000	325,000	330,000
Interest	196,535	100,175	26,109	100,313	94,438	88,363	82,188	75,912	71,088	64,538
Total	396,535	297,990	301,109	375,313	394,438	393,363	392,188	390,912	396,088	394,538
Coverage	1.08	1.18	1.92	1.20	0.48	0.53	1.74	0.73	0.80	0.14

Notes:

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

Source: City of Santa Cruz Finance Department

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

	Fiscal Year Ended June 30									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Refuse Loan Agreement:										
Refuse charges and other	\$ 15,878,882	\$ 15,160,656	\$ 16,771,121	\$ 18,011,931	\$ 19,965,814	\$ 21,031,042	\$ 21,539,115	\$ 21,161,698	\$ 21,340,183	\$ 22,659,568
Less: operating expenses	14,281,118	13,705,783	14,006,805	13,960,753	15,011,430	16,485,296	17,406,827	19,399,515	17,987,201	15,507,881
Net available revenue	1,597,764	1,454,873	2,764,316	4,051,178	4,954,384	4,545,746	4,132,288	1,762,183	3,352,982	7,151,687
Debt service:										
Principal	172,200	214,033	98,300	232,333	208,700	219,100	229,900	241,200	253,100	265,600
Interest	121,589	112,997	24,833	94,517	84,591	74,176	63,243	51,775	42,822	30,345
Total	293,789	327,031	123,133	326,850	293,291	293,276	293,143	292,975	295,922	295,945
Coverage	5	4.45	22.45	12.39	16.89	15.50	14.10	6.01	11.33	24.17
Refuse Revenue Bonds:										
Refuse charges and other	\$ 18,011,931	\$ 15,160,656	\$ 16,771,121	\$ 18,011,931	\$ 19,969,359	\$ 21,031,042	\$ 21,539,115	\$ 21,161,698	\$ 21,340,183	\$ 22,659,568
Less: operating expenses	13,960,753	13,705,783	14,006,805	13,960,753	15,011,430	16,485,296	17,406,827	19,399,515	17,987,201	22,659,568
Net available revenue	4,051,178	1,454,873	2,764,316	4,051,178	4,957,929	4,545,746	4,132,288	1,762,183	3,352,982	-
Debt service:										
Principal	305,000	315,000	330,000	330,000	340,000	350,000	365,000	375,000	385,000	400,000
Interest	107,538	98,163	21,513	78,625	68,500	58,075	46,553	34,447	23,700	8,000
Total	412,538	413,163	351,513	408,625	408,500	408,075	411,553	409,447	408,700	408,000
Coverage	10	3.52	7.86	9.91	12.14	11.14	10.04	4.30	8.20	-
Parking Lease Revenue Bonds:										
Parking charges and other	\$ 3,569,946	\$ 4,046,835	\$ 4,542,711	\$ 5,049,171	\$ 5,250,820	\$ 5,645,434	\$ 6,354,197	\$ 5,489,968	\$ 4,177,266	\$ 4,604,672
Less: operating expenses	2,974,546	3,407,113	3,568,439	3,740,393	4,073,705	4,557,291	4,724,064	5,463,240	4,748,504	5,396,157
Net available revenue	595,400	639,721	974,272	1,308,778	1,177,116	1,088,143	1,630,133	26,728	(571,238)	(791,485)
Debt service:										
Principal	245,000	250,000	-	260,000	-	285,000	235,000	240,000	250,000	260,000
Interest	178,250	2,300	54,055	160,866	97,038	101,134	112,750	104,000	100,800	90,800
Total	423,250	252,300	54,055	420,866	97,038	386,134	347,750	344,000	350,800	350,800
Coverage	1	2.54	18.02	3.11	12.13	2.82	4.69	0.08	(1.63)	(2.26)

Notes:

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

Source: City of Santa Cruz Finance Department

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

	Fiscal Year Ended June 30									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Water Loan Agreement:										
Water charges and other	\$ 25,809,906	\$ 24,635,604	\$ 24,654,059	\$ 26,676,455	\$ 31,120,650	\$ 41,515,458	\$ 41,036,708	\$ 42,647,198	\$ 37,502,187	\$ 37,654,311
Less: operating expenses	20,264,057	23,821,485	21,279,237	21,949,166	22,464,366	27,393,908	26,631,004	28,641,586	27,544,218	29,000,925
Net available revenue	<u>5,545,849</u>	<u>814,119</u>	<u>3,374,822</u>	<u>4,727,289</u>	<u>8,656,284</u>	<u>14,121,550</u>	<u>14,405,704</u>	<u>14,005,612</u>	<u>9,957,969</u>	<u>8,653,386</u>
Debt service:										
Principal	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	105,431	247,541
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>105,431</u>	<u>247,541</u>
Coverage	-	-	-	-	-	-	-	-	94.45	34.96
Wastewater Loan Agreement:										
Wastewater charges and other	\$ 16,665,280	\$ 17,351,944	\$ 17,702,332	\$ 18,638,430	\$ 20,294,352	\$ 21,239,594	\$ 20,020,688	\$ 21,534,439	\$ 24,218,993	\$ 24,535,867
Less: operating expenses	13,993,246	13,770,395	13,317,173	13,543,016	14,269,230	15,535,701	15,666,972	17,807,641	16,827,091	16,454,197
Net available revenue	<u>2,672,034</u>	<u>3,581,549</u>	<u>4,385,160</u>	<u>5,095,414</u>	<u>6,025,121</u>	<u>5,703,893</u>	<u>4,353,716</u>	<u>3,726,798</u>	<u>7,391,902</u>	<u>8,081,670</u>
Debt service:										
Principal	-	-	-	-	-	-	-	-	-	79,722
Interest	-	-	-	-	-	-	-	-	17,257	86,503
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,257</u>	<u>166,225</u>
Coverage	-	-	-	-	-	-	-	-	428.34	48.62

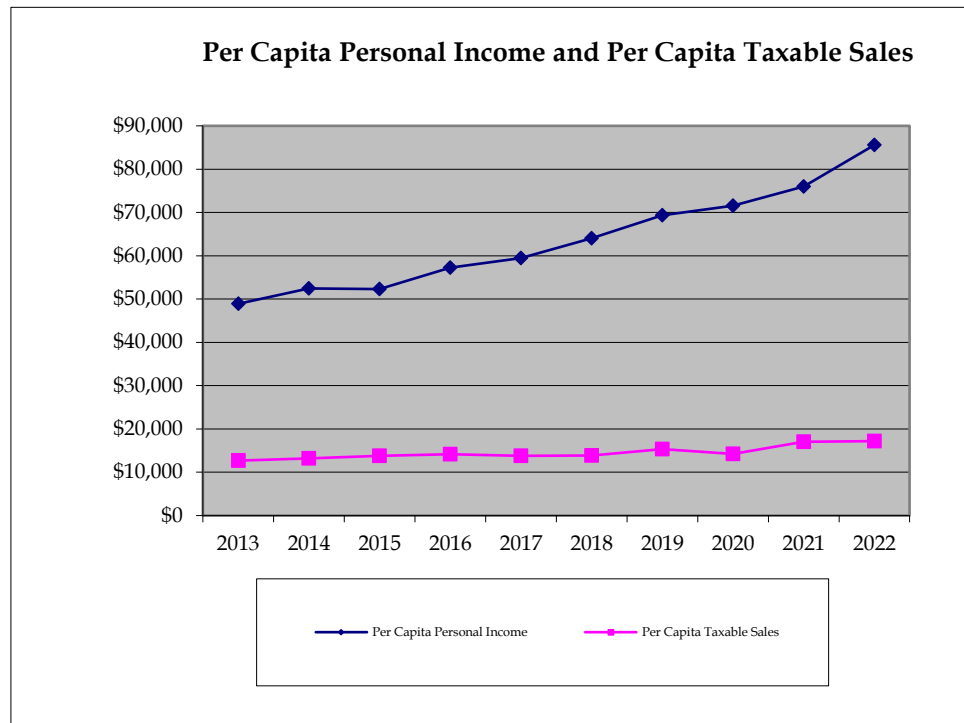
Notes:

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

Source: City of Santa Cruz Finance Department

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

Fiscal Year Ended June 30	Population ¹	Unemployment Rate ²	Total Personal Income	Per Capita ³ Personal Income	Taxable Sales ⁴	Per Capita Taxable Sales
2013	62,372	6.8%	\$ 3,048,930	\$ 48,883	\$ 791,102	\$ 12,684
2014	63,440	5.3%	3,326,920	52,442	840,086	13,242
2015	63,789	5.1%	3,334,889	52,280	882,542	13,835
2016	64,632	4.8%	3,700,634	57,257	916,490	14,180
2017	66,170	4.5%	3,934,137	59,455	913,691	13,808
2018	66,454	3.4%	4,254,917	64,028	922,226	13,878
2019	65,807	4.2%	4,564,044	69,355	1,009,300	15,337
2020	64,424	11.2%	4,612,243	71,592	915,857	14,216
2021	56,156	6.0%	4,265,441	75,957	958,980	17,077
2022	64,075	3.0%	5,481,873	85,554	1,103,754	17,226



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

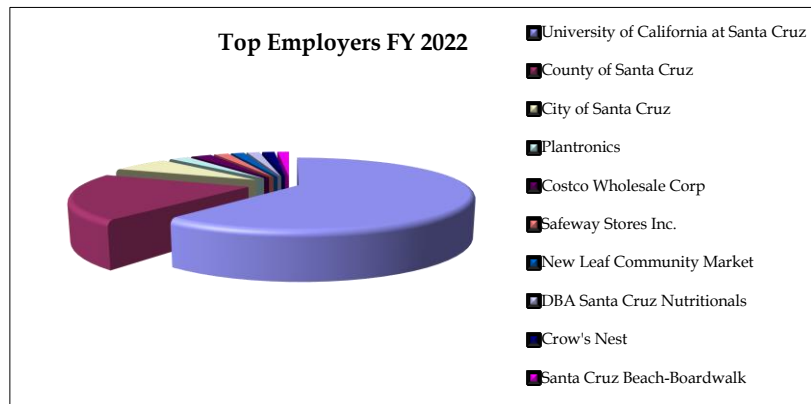
² California Employment Development Department

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

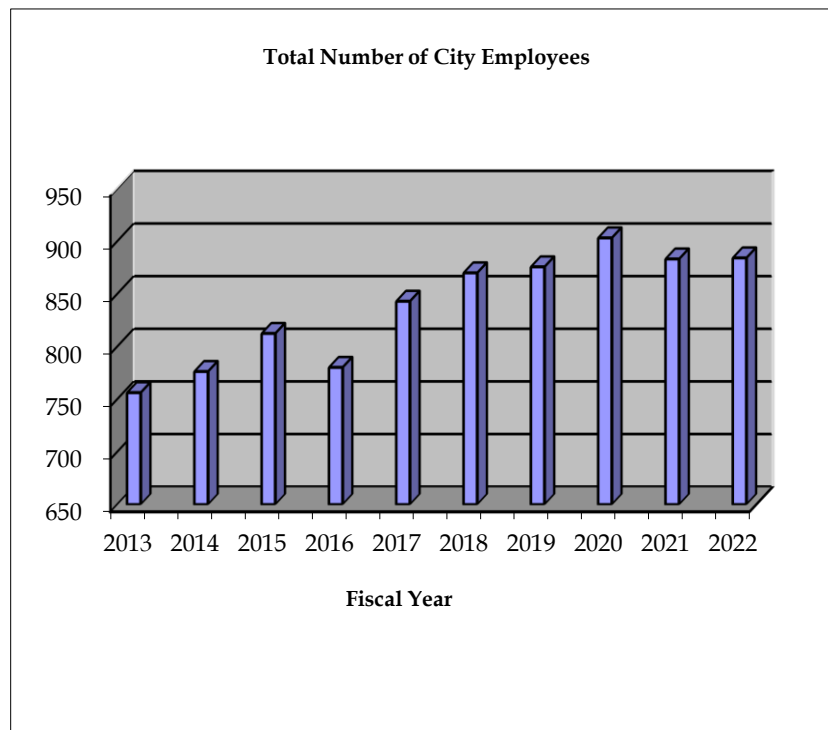
Employer:	Fiscal Year Ended June 30					
	2022			2012		
	Number of Employees	Rank	Percentage of Total Employment	Number of Employees	Rank	Percentage of Total Employment
University of California at Santa Cruz	7,997	1	25.387%	7,693	1	22.959%
County of Santa Cruz	2,687	2	8.530%	2,312	2	7.233%
City of Santa Cruz	884	3	2.806%	756	3	2.375%
Plantronics	295	4	0.937%	603	4	2.095%
Costco Wholesale Corp	314	5	0.997%	240	6	0.757%
Safeway Stores Inc.	224	6	0.711%	-		
New Leaf Community Market	202	7	0.641%	-		0.666%
DBA Santa Cruz Nutritionals	200	8	0.635%	-		
Crow's Nest	194	9	0.616%	-		
Santa Cruz Beach-Boardwalk	186	10	0.590%	347	5	1.095%
Threshold Enterprises Ltd.	-		-	213	7	0.659%
Community Bridges	-		-	212	8	0.672%
New Teacher Center	-		-	211	9	
Santa Cruz Biotechnology Incorporated	-		-	204	10	0.669%
Totals	13,183		41.851%	12,791		39.180%
Total employment	31,500			33,100		



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

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

	Fiscal Year Ended June 30									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Departments ¹ :										
City Manager	11	12	12	12	12	12	12	13	13	15
Administrative Services	28	28	30	31	31	32	32	34	32	32
Finance	24	29	30	30	30	30	32	32	30	30
Police	118	117	124	124	124	127	136	144	133	134
Fire ²	54	54	65	65	65	66	66	66	66	66
Parks and Recreation	82	82	84	88	94	96	87	86	84	83
Library	77	80	83	84	90	93	93	98	100	101
Public Works	229	233	234	235	240	250	251	258	258	258
Planning and Community Development	27	35	37	38	39	39	39	38	34	33
Economic Development/Redevelopment	10	9	11	12	12	12	14	15	14	15
Water	96	98	102	102	107	113	114	119	119	117
Total	756	776	812	780	843	870	876	903	883	884



Notes:

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

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

Source: City of Santa Cruz Budget Document

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

Function:	Fiscal Year Ended June 30									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
City Clerk										
Hours for creating the agenda for posting	300	300	500	500	500	300	500	500	500	500
Advisory body hours	575	575	300	300	300	300	300	100	300	300
Election hours	450	450	-	-	450	450	-	450	200	450
Initiative/referendum petitions processing hours	200	-	-	-	200	200	300	400	200	400
Human Resources										
Number of recruitments	74	76	101	118	129	127	128	120	82	134
Number of applications	1,351	3,384	3,438	4,087	3,885	3,613	3,619	3,983	2,184	3,071
Workers compensation claim payments	\$ 1,677,161	\$ 1,770,711	\$ 2,059,341	\$ 1,368,840	\$ 1,725,200	\$ 2,339,551	\$ 2,635,482	\$ 2,437,257	\$ 2,825,590	\$ 3,443,478
Police										
Calls for service	104,836	104,709	102,592	103,645	100,877	101,181	96,231	100,055	96,252	86,634
Cases	11,432	10,675	10,759	11,119	10,733	10,129	12,295	11,409	11,268	7,931
Fire										
Emergency calls	7,005	7,483	8,264	8,741	8,596	9,133	8,891	8,121	8,033	9,386
Inspections	655	1,934	1,946	2,951	1,475	1,165	1,282	943	815	1,215
Parks and Recreation										
Number of classes	832	889	901	962	903	843	752	972	148	805
Facility rentals:										
Parks (Picnic Areas)	2,622	1,033	598	2,506	791	1,478	526	238	130	999
Louden Nelson	4,611	5,044	5,218	6,504	5,430	5,856	5,272	3,281	596	2,456
Civic Auditorium	137	138	142	124	148	163	238	141	2	81
Swimming pool	70	77	80	85	975	276	340	62	358	171
Special events produced	12	12	30	12	10	13	12	8	2	3
Library (all locations)										
Items checked out	1,769,845	2,367,679	1,961,846	1,785,427	1,756,741	1,809,648	1,544,328	1,252,509	785,261	672,684
Queries handled	314,028	326,612	263,308	287,505	302,958	287,256	149,431	114,318	25,000	25,000
Open hours/week	359	359	359	359	359	425	384	355	104	224
Public Works										
Overlay (square footage)	515,700	1,856	633,386	349,245	461,961	856,680	149,600	445,352	196,180	98,100
Seal coat (square footage)	-	1,910,000	-	817,506	2,234,457	-	718,902	-	547,917	73,944
Sewer										
New connections	57	52	66	57	72	40	37	25	28	21
Average daily flow (MGD)	9	8	8	8	10	10	8	8	8	7
Annual total flow (MG)	3,182	3,011	2,767	3,077	3,687	3,650	2,920	2,920	2,920	2,409
Water										
Active accounts	24,425	24,429	24,511	24,514	24,517	24,518	24,550	24,545	24,626	24,674
Average daily consumption (MGD)	8	8	8	6	6	7	7	6	6	6
Annual consumption (MG)	2,984	2,959	2,979	2,234	2,342	2,437	2,416	2,345	2,247	2,219
Average monthly residential bill	\$ 45	\$ 45	\$ 41	\$ 48	\$ 50	\$ 66	\$ 68	\$ 74	\$ 76	\$ 67

Source: City of Santa Cruz Departments

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

Function:	Fiscal Year Ended June 30									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicular patrol units	69	69	69	69	69	70	70	70	72	72
Fire stations	3	3	4	4	4	4	4	4	4	4
Lifeguard Headquarters	1	1	1	1	1	1	1	1	1	1
Public Parking										
Lots	26	26	26	24	23	25	24	24	24	23
Spaces	5,300	5,301	5,514	5,244	5,174	5,357	5,470	5,460	5,454	5,239
Parking meters	1,933	1,945	1,931	1,922	1,920	1,906	1,906	1,906	1,900	1,900
Parks and Recreation										
Parks	32	31	31	31	31	31	31	31	46	46
Parks acreage	1,704	1,706	1,706	1,706	1,706	1,706	1,706	1,706	1,700	1,700
Playgrounds	16	17	17	18	18	18	18	18	21	21
Swimming pools	1	1	1	1	1	1	1	1	1	1
Tennis courts	7	6	6	6	6	6	6	6	6	6
Golf course	1	1	1	1	1	1	1	1	1	1
Libraries										
Headquarters	-	-	-	1	1	1	1	1	1	1
Central library	1	1	1	1	1	1	1	1	1	1
Branch libraries within city	2	2	2	2	2	2	2	2	2	2
Streets										
Miles of paved streets	136	136	136	136	136	136	136	136	136	136
Miles of alleys	13	13	13	13	13	13	13	13	13	13
Street lights	3,091	3,094	3,096	3,136	2,926	3,136	2,904	2,861	3,000	300
Sewer										
Miles of sanitary sewers	155	155	155	155	155	155	155	155	155	155
Miles of storm drains	49	49	49	49	49	50	50	50	50	50
Water										
Miles of water mains	298	296	298	296	294	296	294	294	294	294
Fire hydrants	2,027	2,024	2,031	2,031	2,028	2,033	2,034	2,039	2,038	2,041

Source: City of Santa Cruz Departments



Federal Awards Reports in Accordance
with the Uniform Guidance
June 30, 2022

City of Santa Cruz

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* 1

Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance 2

Schedule of Expenditures of Federal Awards 5

 Notes to Schedule of Expenditures of Federal Awards 6

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Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Santa Cruz, California, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise City of Santa Cruz, California’s basic financial statements and have issued our report thereon dated March 1, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Santa Cruz, California 's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Santa Cruz, California’s internal control. Accordingly, we do not express an opinion on the effectiveness of City of Santa Cruz, California’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Santa Cruz, California 's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Eide Sully LLP".

Menlo Park, California
March 1, 2023



Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Santa Cruz, California (City)’s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City’s major federal programs for the year ended June 30, 2022. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City’s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements. We issued our report thereon dated March 1, 2022, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Menlo Park, California
April 4, 2023

City of Santa Cruz
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Housing and Urban Development			
Direct Program			
CDBG - Entitlement Grants Cluster			
COVID-19 - Community Development Block Grants/Entitlement Grants	14.218		\$ 981,876
Community Development Block Grants/Entitlement Grants	14.218		488,717
Total CDBG - Entitlement Grants Cluster			<u>1,470,593</u>
Home Investment Partnerships Program	14.239		8,324
Total Department of Housing and Urban Development			<u>1,478,917</u>
Department of Transportation			
Passed through County of Santa Cruz			
Highway Safety Cluster			
State and Community Highway Safety	20.600	PT19110	78,526
Total Highway Safety Cluster			<u>78,526</u>
Passed through California Department of Transportation			
Highway Planning and Construction Cluster			
Highway Planning and Construction			
Murray St. Bridge Seismic Retrofits	20.205	STPLX-5025(048)	5,006,385
HSIP Cycle 8 Crossing Improvements	20.205	HSIPL-5025 (068)	1
MB Sanctuary Scenic Trail Segment 8 & 9	20.205	ATPL- 5025(072)	551,569
MB Sanctuary Scenic Trail Segment 7	20.205	HPPLU-5025(061)	222,445
Total Highway Planning and Construction Cluster			<u>5,780,400</u>
Total Department of Transportation			<u>5,858,926</u>
Department of the Treasury			
Direct Program			
COVID 19 - Coronavirus State and Local Fiscal Recovery Funds	21.027		8,798,989
Total Department of Treasury			<u>8,798,989</u>
Small Business Administration			
Direct Program			
COVID 19 - Shuttered Venue Operators Grant Program	59.075	73-0700-0-1-376	295,623
Total Small Business Administration			<u>295,623</u>
Environmental Protection Agency			
Passed through the California State Water Resources Control Board			
Drinking Water State Revolving Fund Cluster			
Drinking Water State Revolving Fund	66.468	4410010	17,000,623
Total Drinking Water State Revolving Fund Cluster			<u>17,000,623</u>
Total Environmental Protection Agency			<u>17,000,623</u>
Department of Homeland Security			
Direct Program			
Homeland Security Grant Program	97.067		35,731
Total Homeland Security Grant Program			<u>35,731</u>
Hazard Mitigation Grant			
Brackney Landslide Area	97.039		543,880
Total Hazard Mitigation Grant			<u>543,880</u>
Passed through California Governor's Office of Emergency Services			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)			
CZU Lightning Complex Fires	97.036	FEMA 4558 - DR-CA	53,463
Total Disaster Grants - Public Assistance			<u>53,463</u>
Total Department of Homeland Security			<u>633,074</u>
Total Federal Financial Assistance			<u>\$ 34,066,152</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the City of Santa Cruz, California (City) under programs of the federal government for the year ended June 30, 2022. Federal awards received directly from federal agencies and received through other governmental agencies are included on the schedule of expenditures of federal awards. The grant period may be different from City's fiscal year, which is from July 1 through June 30. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or fund balances of the City.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting except for programs reported in the City's enterprise funds, which are presented using the accrual basis of accounting, which is described in Note 1 to the City's basic financial statements. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note 3 - Indirect Cost Rate

The Organization has not elected to use the 10% de minimis cost rate.

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with Unmodified

Internal control over financial reporting:
 Material weaknesses identified No
 Significant deficiencies identified not considered to be material weaknesses None Reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major program:
 Material weaknesses identified No
 Significant deficiencies identified not considered to be material weaknesses None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516: No

Identification of major programs:

Name of Federal Program	Federal Financial Assistance Listing/ CFDA Number
CDBG - Entitlement Grants Cluster	14.218
Highway Planning and Construction Cluster	20.205
COVID 19 - Coronavirus State and Local Fiscal Recovery Funds	21.027

Dollar threshold used to distinguish between type A and type B programs: \$1,021,985

Auditee qualified as low-risk auditee? Yes

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – Prior Year Findings

None reported.