

Annual
Comprehensive
Financial Report

For Fiscal Year Ending
June 30, 2023

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City of Santa Cruz, California

Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2023

Prepared by

**Elizabeth Cabell
Marisol Gómez**

Nicholas Gong

Edward Torres

Raudel Mendoza

Joseph Balasabas

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January 19, 2024

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, 2023. 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 accounting principles generally accepted in the United States of America (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 ACFR is presented in three major sections that provide introductory, financial, and statistical information about the City. The introductory section includes this transmittal letter, the City's organizational chart and a list of the City's principal officials. The financial section includes the independent auditors' report, management's discussion, and analysis (MD&A), basic financial statements, notes to basic financial statements, required supplementary information and supplementary information on nonmajor funds. The statistical section, which is unaudited, includes selected financial and demographic information.

The City's financial statements have been audited by The Pun Group, 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, 2023, 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, 2023, 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 requires 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 63,224 as of June 2023. 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 17,502 undergraduate and 1,976 graduate students, and is the City's largest employer, with over 9,105 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 sold approximately 2.24 billion gallons of clean, safe water in 2023. 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.

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 of Santa Cruz was one of the cities in California that experienced severe winter storms from December 2022 through March 2023. The storms did not significantly impact the City's economy but there was substantial damage to City infrastructure including West Cliff drive, the Wharf, and water pipelines. The City is pursuing reimbursements from FEMA, CalOES and FHWA for the repairs. The City continues to recover from the August 2020 CZU fire and the 2020 COVID pandemic with on-going increases in both Sales Tax and Transient Occupancy Tax. The fiscal year 2024 budget does not include a contribution to the Capital Improvement Program (usually \$5M) which enabled the City to adopt a balanced 2024 budget on June 13, 2023. The City presented its 10-year financial forecast to Council in November 2023 providing options for addressing future deficits.

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. Cannabis Business Tax received in 2023 was \$2.1 million and is budgeted at \$2 million in fiscal year 2024.

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 \$1.6 million in revenue during fiscal year 2023.

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 \$4.1 million for fiscal year 2022. In fiscal year 2023 this additional ¼ percent tax generated \$4.0 million.

During the 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 of Santa Cruz. In fiscal year 2021, the City received approximately \$0.8 million of State pass-through funding provided by The Coronavirus Aid, Relief, and Economic Security Act. 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. \$12.8 million has been spent to date on revenue loss, early return from furlough, transitional shelter and day-use facilities servicing those that have been disproportionately affected by COVID-19 and experiencing homelessness. Funds must be obligated by December 31, 2024 and spent by December 31, 2026.

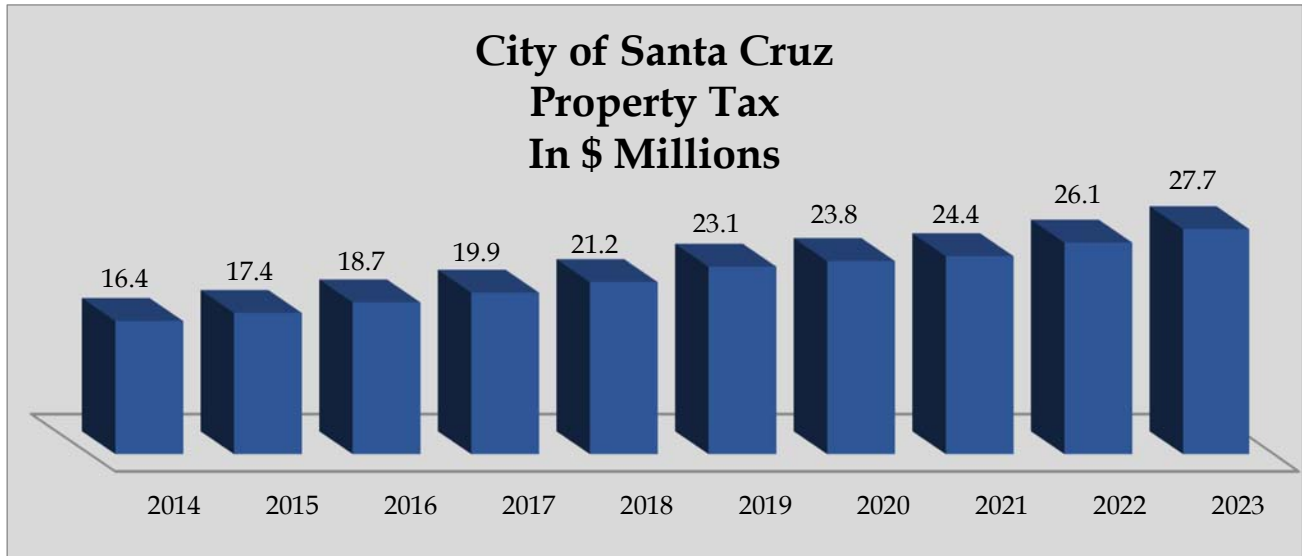
During the 2021 State Legislative session, Santa Cruz's representatives, Senator John Laird and Assembly member Mark Stone were able to obtain a one-time \$14 million allocation from the State General Fund for use by the City of Santa Cruz in addressing its issues with homelessness. Part of the justification 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, and has spent \$7.9 million to date.

The City continues to evaluate its financial future and seeks to find a structural equilibrium between available resources and service requirements. The City of Santa Cruz 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 will place a 0.5% local sales tax rate increase on the March 2024 ballot, which, if approved will take effect July 2024.

Historical Trend Information

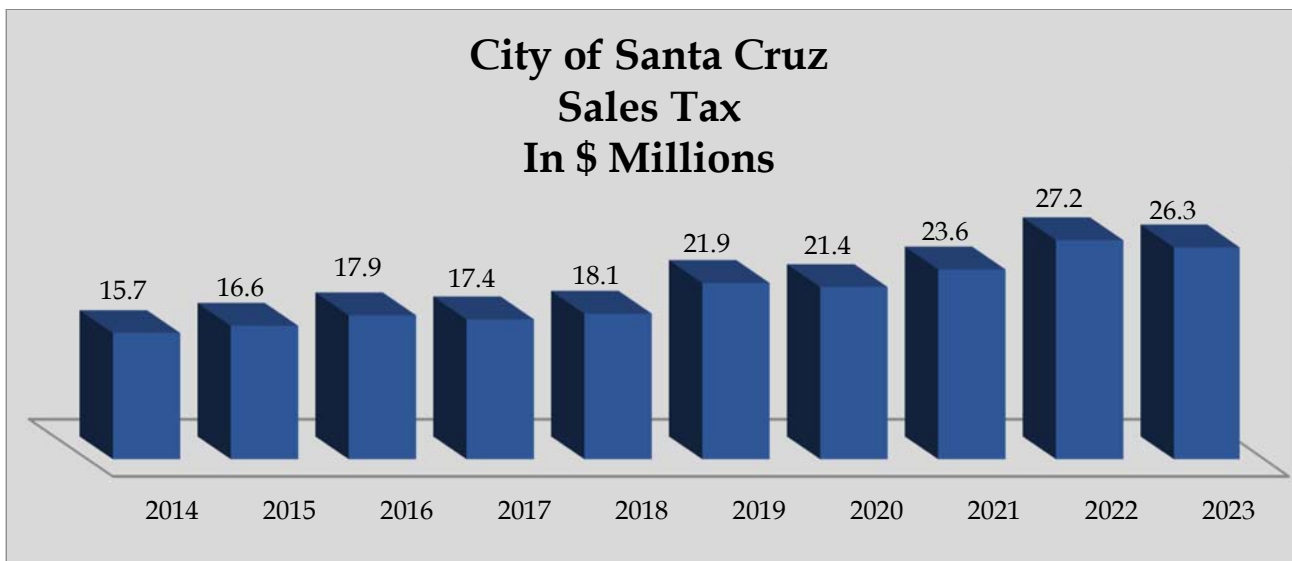
Property Tax

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%, fiscal year 2023 ended with \$27.7 million in property tax revenue.



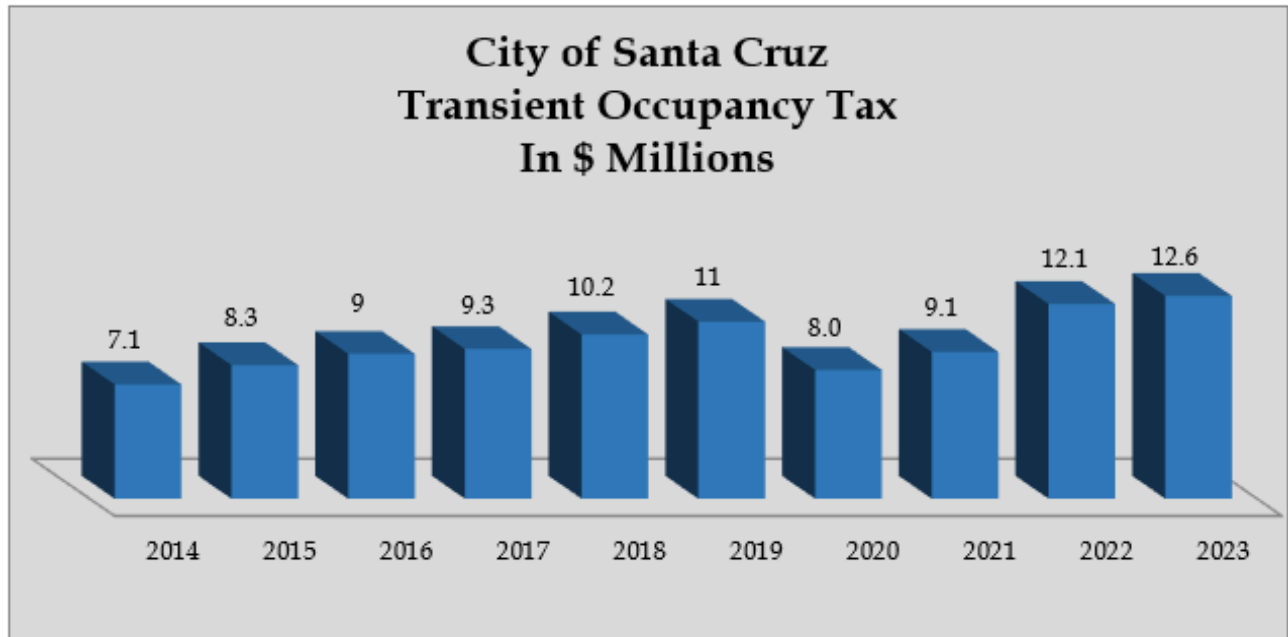
Sales & Use Tax, Local Transactions and Use Tax and Supplemental Property Tax In-Lieu of Sales Tax

The City has a well-diversified economy and sales tax base and saw steady growth in sales tax revenue between 2014 and 2022 with only a small decrease in fiscal year 2020 due to the COVID-19 shelter-in-place orders. 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. The reopening of businesses and the end of shelter in place orders resulted in significant increases in fiscal years 2021 and 2022. Fiscal year 2023 saw a slight decline as spending slowed in response to high interest rates and inflation concerns, ending with \$26.3 million.



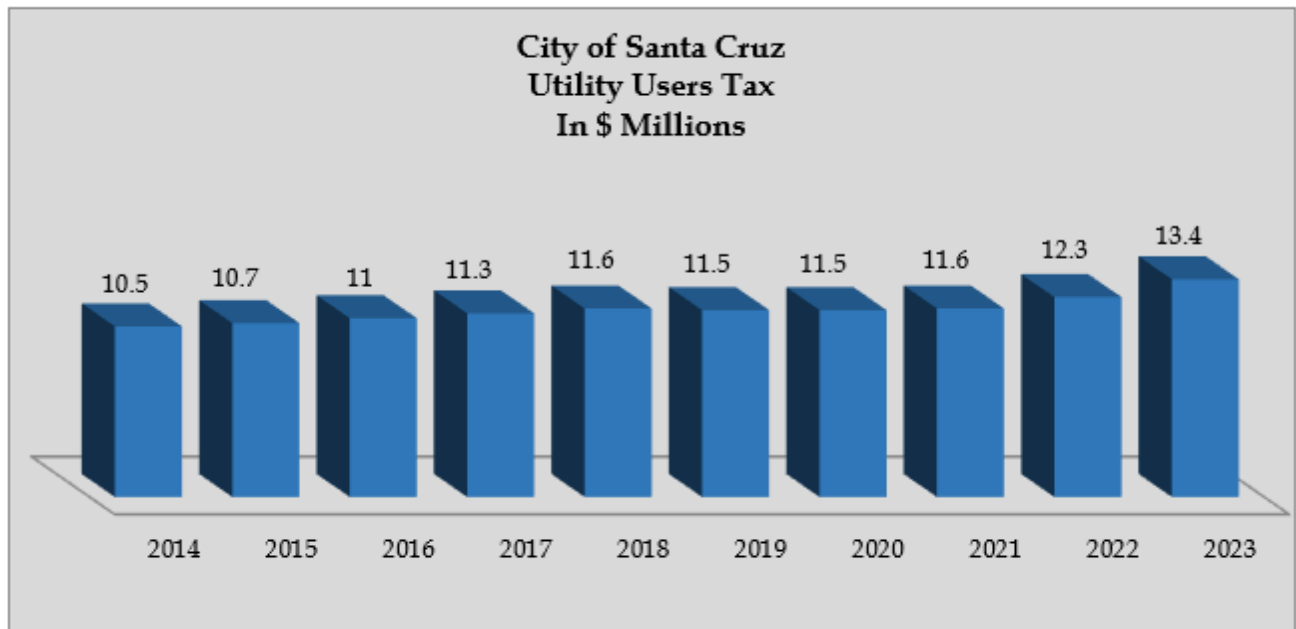
Transient Occupancy Tax

Transient Occupancy Tax (TOT) annual revenues have continued to grow each year, until 2020 when the COVID-19 pandemic resulted in a 27.3% decrease. Recovery from the pandemic began in fiscal year 2021 and continued in fiscal year 2022 with a 33.0% increase. With the passage of an increase to the transient occupancy tax measure in November 2022, which increased the rate to 12% for hotels, motels and other commercial lodging facilities and to 14% for short term residential vacation rental properties fiscal year 2023 saw a slight increase of 4.1% to \$12.6 million. The City expects continued growth for fiscal year 2024 with a full year applicable of the increased TOT rates, as well as continuing to pursue major additions to chain motels.



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), and is charged to both businesses and residents. 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, which has primarily led to fiscal year 2023 seeing an increase of 8.9% to \$13.4 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 and 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. This rate went into effect July 1, 2021 and will impact public agency budgets in FY2023-24.

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 five years that will cost approximately \$375 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, 2022. This was the fifteenth 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 2024 Annual Budget. This award is the highest form of recognition in governmental budgeting. This was the tenth 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 are 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 Finance Director Marisol Gómez for her overall support, Senior Accountant Nicholas Gong for leading the development of this document, staff Accountants Edward Torres and Raudel Mendoza, and Accounting Technician Joseph Balasabas who provided significant assistance over long hours in the compilation of this document. I also wish to thank the other Finance Division Managers, Ross Brandon, Tracy Cole, Elizabeth Millwee and the rest of the Finance Department staff, including Debra Allen, Angela Dmitriyeva, Rosa Caldera, Maureen Dunn, Zayne Fassio, Rachel Rodriguez, Holland Taylor, 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

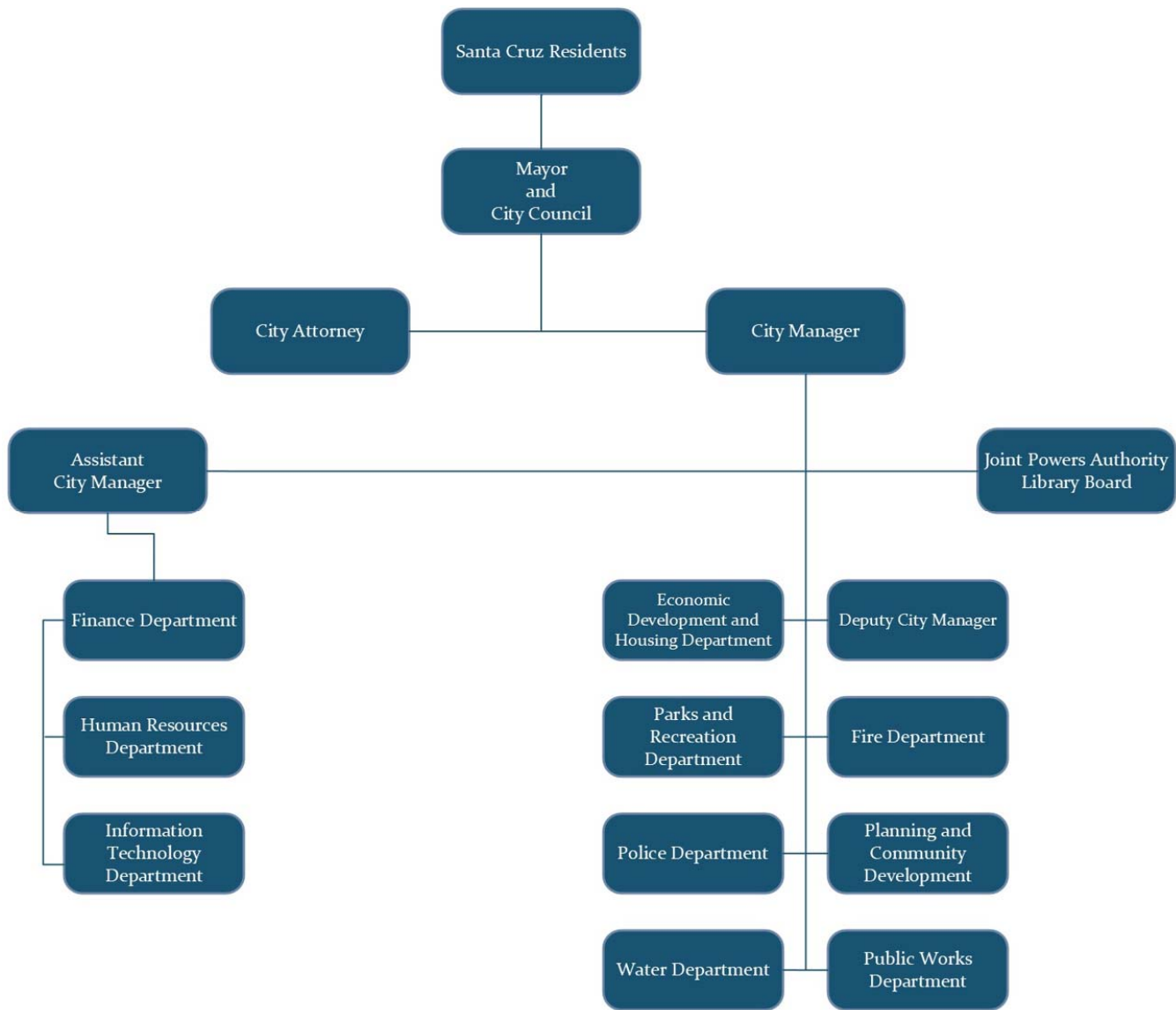
**City of Santa Cruz
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

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 Fire.....	Robert Oatey
Chief of Police	Bernard Escalante
City Attorney	Anthony Condotti
Director of Economic Development	Bonnie Lipscomb
Director of Finance	Elizabeth Cabell
Chief People Officer	Sara De Leon
Director of Information Technology.....	Ken Morgan
Director of Parks and Recreation.....	Tony Elliot
Director of Planning and Community Development	Lee Butler
Director of Public Works	Nathan Nguyen
Director of Water Department	Rosemary Menard



INDEPENDENT AUDITORS' REPORT



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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Santa Cruz, California (the "City"), as of and for the year ended June 30, 2023, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2023, 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 audits 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Implementation of New GASB Pronouncements

As discussed in Note 1 to the basic financial statements, the City implemented Governmental Accounting Standards Board ("GASB") Statement No. 96, *Subscription-Based Information Technology Arrangements* during the year. Our opinion is not modified with respect to this matter.

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'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.

Auditors' 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 auditors' 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 auditing standards generally accepted in the United States of America 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 auditing standards generally accepted in the United States of America 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 the City'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 the City'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 Schedules, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of City's Proportionate Share of the Net Pension Liability and Related Ratios, Schedules of Contributions – Pension Plans, Schedule of Changes in Total OPEB Liability and Related Ratios, Schedule of OPEB Contributions and Schedule of OPEB Annual Money-Weighted Rate of Return as listed in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining and Individual Fund Financial Statements and Budgetary Comparison 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 Financial Statements and Budgetary Comparison 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 auditors' 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 basic 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 January 19, 2024, on our consideration of City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.



Santa Ana, California
January 19, 2024

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City of Santa Cruz
Management's Discussion and Analysis
For the Year Ended June 30, 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, 2023. 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 \$404.4 million as of June 30, 2023. 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, 2023 was \$174.7 million, and from business-type activities, \$229.7 million. Of this \$404.4 million in net position, a deficit of \$76.1 million represents unrestricted net position, which is comprised of a deficit of \$91.6 million for governmental activities and \$15.5 million for business-type activities. In addition, the City's restricted net position totals of \$46.8 million (for governmental activities only), is dedicated to specific purposes. The balance of \$433.7 million represents the City's net investment in capital assets (\$219.5 million for governmental activities and \$214.3 million for business-type activities).

The City's overall net position increased by \$3.9 million (1.0%) from the City's net position at the end of June 30, 2022. The change in net position is an increase of \$8.5 million for the governmental activities and a decrease of \$4.6 million for the business-type activities from the previous fiscal year, as explained below.

The governmental activities' revenues were \$146.4 million, a decrease of \$19.0 million from the prior fiscal year. The decrease was due to a decrease in capital grant revenues. In fiscal year 2022 the City received over \$23.0 million in one-time Federal and State COVID relief grants. In fiscal year 2023, this amount was only \$4.1 million. Governmental activities expenditures were \$138.9 million, an increase of \$18.9 million from the prior fiscal year. The increase is due to Community and Economic Development projects and Social Services provided for homelessness response during the 2023 fiscal year. After transfers from the business-type activities in the amount of \$0.9 million, the ending fiscal year 2023 net position was \$174.7 million.

The business-type activities expenditures exceeded revenues (before transfers) by \$3.7 million, a decrease of \$12.8 million from the prior fiscal year. While total revenues increased over the prior year by \$6.8 million, expenditures increased by \$19.6 million. In the Water fund, charges for service increased \$.09 million, while total operating expenditures increased \$.9 million from the prior year. In the Wastewater fund, charges for service increased \$2.4 million due to a rates increase, while the total operating expenditures increased \$10.1 million, in part due to a final payment to the County Sanitation District.

In the Refuse fund charges for service increased by \$0.3 million from the prior year and operating expenditures increased by \$6.7 million largely due to increases in personnel. In the Parking fund, charges for services increased \$0.3 million over the prior year and operating expenditures increased by \$0.2 million. After transfers to the governmental activities in the amount of \$0.9 million, the ending fiscal year 2023 net position for business type activities was \$229.7 million.

City of Santa Cruz
Management’s Discussion and Analysis (Continued)
For the Year Ended June 30, 2023

Financial Highlights – Primary Government (Continued)

- **Fund Highlights:**

Governmental Funds – Governmental funds include the general, special revenue, capital improvement, and debt service funds. At the close of the fiscal year 2023, the City reported a combined ending fund balance of \$90.7 million, an increase of \$5.8 million (6.8%) in comparison to the prior fiscal year. This is due to an increase in the Capital Improvement Program (CIP) fund balance resulting from the transfer of project funding out of the General Fund and into a CIP reserve fund.

General Fund – At the close of fiscal year 2023, the City’s General Fund reported a total fund balance of \$51.9 million, an increase of \$0.9 million (1.8%) in comparison to the prior fiscal year. There is a \$6.9 million unassigned fund balance held in the City’s Stabilization Fund that can only be used to cover pension expenses. Before net interfund transfers, revenues exceed expenditures in the amount \$4.7 million during fiscal year 2023. Social Services and Capital Outlay saw significant increases due to expanded homelessness response services. All General Fund revenue categories saw increases in 2023 over 2022, the most significant being Use of Money and Property which increased \$3.7 million resulting from positive investment returns and an increase in rental revenue.

Redevelopment Successor Agency Low and Moderate Income Housing (LMIH) Fund – At the close of fiscal year 2023, the Redevelopment Successor Agency LMIH fund reported a total fund balance of \$12.7 million, no change over the prior fiscal year. Fund balance in this fund is Restricted for housing programs.

General Capital Improvement Fund – At the close of fiscal year 2023, the City’s General Capital Improvement Fund reported a fund balance of \$3.2 million. This is a \$10.9 million increase over the negative fund balance of \$7.8 million reported in fiscal year 2022. This increase is due to the transfer of project funding from the General Fund into a CIP reserve fund.

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.

City of Santa Cruz
Management’s Discussion and Analysis (Continued)
For the Year Ended June 30, 2023

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 enterprise. 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 26 through 29 of this report.

Fund Financial Statements

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

The 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 138 through 139.

City of Santa Cruz
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2023

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 thirteen governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 34 through 40 of this report. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 138 through 139 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The fund financial statements for the enterprise funds provide separate information for the four municipal utilities: water, wastewater, storm water, and refuse and landfill operations as well as the self-supporting parking enterprise. The basic enterprise fund financial statements can be found on pages 42 through 49 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 158 through 163 of this report.

City of Santa Cruz
Management’s Discussion and Analysis (Continued)
For the Year Ended June 30, 2023

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 Leet Corday Estate Trust, the Morley Estate – La Selva Branch Trust, the Hale – Scotts Valley Branch Trust, and the Carolyn Virginia Claeys Charity trust which does not have any restriction on use. 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 34 through 54 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 59 through 113 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 117 through 133 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 138 through 156 of this report.

City of Santa Cruz
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2023

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, 2023, the City's total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by \$404.4 million. This was an increase of \$3.9 million (1.0%) 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	
	2023	2022	2023	2022	2023	2022
Assets:						
Current assets	\$ 116.8	\$ 125.5	\$ 98.0	\$ 112.7	\$ 214.8	\$ 238.2
Noncurrent assets	40.9	36.6	2.3	2.2	43.2	38.8
Capital assets	229.9	213.5	394.1	354.6	624.0	568.1
Total assets	<u>387.6</u>	<u>375.6</u>	<u>494.4</u>	<u>469.5</u>	<u>882.0</u>	<u>845.1</u>
Deferred outflows of resources:						
Deferred charge on refunding	0.2	0.2	0.5	0.6	0.7	0.8
Deferred outflows related to OPEB	4.5	4.7	1.7	1.7	6.2	6.4
Deferred outflows related to pensions	65.9	29.1	23.8	8.6	89.7	37.6
Total deferred outflows of resources	<u>70.6</u>	<u>34.0</u>	<u>26.0</u>	<u>10.9</u>	<u>96.6</u>	<u>44.8</u>
Liabilities:						
Current liabilities	25.8	27.2	54.4	22.7	80.2	49.9
Noncurrent liabilities	219.3	138.7	232.3	200.9	451.6	339.6
Total liabilities	<u>245.1</u>	<u>165.9</u>	<u>286.7</u>	<u>223.6</u>	<u>531.8</u>	<u>389.5</u>
Deferred inflows of resources:						
Deferred inflows related to leases	21.1	20.5	0.2	0.4	21.3	20.9
Deferred inflows related to pensions	7.1	53.1	-	20.6	7.1	73.7
Deferred inflows related to OPEB	10.2	3.9	3.8	1.4	14.0	5.3
Total deferred inflows of resources	<u>38.4</u>	<u>77.5</u>	<u>4.0</u>	<u>22.4</u>	<u>42.4</u>	<u>99.9</u>
Net position						
Net investment in capital assets	219.5	199.7	214.3	216.0	433.8	415.7
Restricted	46.8	48.9	-	-	46.8	48.9
Unrestricted (deficit)	(91.6)	(82.4)	15.4	18.3	(76.2)	(64.1)
Total net position	<u>\$ 174.7</u>	<u>\$ 166.2</u>	<u>\$ 229.7</u>	<u>\$ 234.4</u>	<u>\$ 404.4</u>	<u>\$ 400.5</u>

City of Santa Cruz
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2023

At June 30, 2023, 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 \$76.2 million at the end of the fiscal year an increase from the prior fiscal year deficit of \$64.1 million, as explained below.

By far the largest portion of the City's net position, \$433.8 million, reflects its net investment in capital assets (e.g., land, streets, bridges, water and sewer lines, buildings, machinery and equipment, less any related debt used to acquire those assets that is still outstanding). This category reflects an increase of \$18.1 million over the previous fiscal year. The majority of this increase was due to additions to the construction in progress category from new projects started during the year, but not completed. The City uses these capital assets to provide services to citizens, and consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Additional information on the City's capital assets can be found in the Notes to the Basic Financial Statements on pages 59 through 113 of this report.

The restricted portion of the City's net position, \$46.8 million, is \$2.0 million less 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 capital project activity that is now included in the net investment in capital assets fund balance category.

Of the total net position at June 30, 2023, a deficit amount of \$76.2 million, represents *unrestricted net position* (negative \$91.6 million for governmental activities and positive \$15.4 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. In 2023, the net pension liability combined with the deferred inflows and outflows related to pensions increased by \$116.6 million to \$220.2 million. The other post employment benefit (OPEB) liability and related inflows decreased by \$7.5 million to \$37.6 million in fiscal year 2023. These noncurrent liabilities vary each year based on actuarial valuations.

Changes in Net Position

During fiscal year 2023, the City's total net position increased by \$3.9 million, reflecting an \$8.5 million increase in the governmental activities and a \$4.6 million decrease in the business-type activities. Notable changes in the statement of net position between June 30, 2023 and June 30, 2022 included:

- Capital assets held by the City increased by \$55.9 million due to increased work on projects that had been delayed coming out of the pandemic. Capital assets for Business type activities increased by \$39.2 million and capital assets for Governmental activities increased by \$15.1 million.
- City liabilities increased by \$142.3 million. This is due to an increase of \$28.9 million in the combined 2020 & 2021 State Water Resource Control Board (SWRCB) loans and an increase in the Pension liability of \$116.6 million.

City of Santa Cruz
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2023

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

Condensed Statements of Activities

(amounts expressed in millions)

	Governmental		Business-Type		Total	
	Activities		Activities			
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 32.8	\$ 30.8	\$ 95.6	\$ 92.3	\$ 128.4	\$ 123.1
Operating grants and contributions	5.8	5.7	4.0	3.2	9.8	8.9
Capital grants and contributions	9.0	38.0	-	-	9.0	38.0
Total program revenues	47.6	74.5	99.6	95.5	147.2	170.0
General revenues:						
Property taxes	27.4	25.8	0.3	0.3	27.7	26.1
Sales and use taxes	26.3	27.2	-	-	26.3	27.2
Franchise taxes	4.2	4.1	-	-	4.2	4.1
Transient occupancy taxes	12.6	12.1	-	-	12.6	12.1
Utility users taxes	13.4	12.3	-	-	13.4	12.3
Parking, Admission, Transfer, Cannabis, Libraries Parcel Taxes	7.4	8.6	-	-	7.4	8.6
Other taxes	2.8	2.1	-	-	2.8	2.1
Total taxes	94.1	92.2	0.3	0.3	94.4	92.5
Unrestricted investment earnings	4.1	(1.3)	1.0	(1.7)	5.1	(3.0)
Gain (loss) on sale of assets	0.1	-	-	-	0.1	-
Miscellaneous	0.6	-	-	-	0.6	-
Total revenues	146.5	165.4	100.9	94.1	247.4	259.5
Expenses:						
General government	9.8	21.9	-	-	9.8	22.0
Public safety	50.0	53.3	-	-	50.0	53.3
Parks and recreation	21.2	17.0	-	-	21.2	17.0
Library	0.3	0.2	-	-	0.3	0.2
Public works	23.4	19.0	-	-	23.4	19.0
Transit	1.3	1.1	-	-	1.3	1.1
Community and economic development	18.3	4.1	-	-	18.3	4.1
Social services	14.0	2.6	-	-	14.0	2.6
Interest and charges on long term debt	0.6	0.8	-	-	0.6	0.8
Water	-	-	39.1	36.7	39.1	36.7
Wastewater	-	-	31.2	21.0	31.2	21.0
Refuse	-	-	25.2	18.4	25.2	18.4
Parking	-	-	6.5	6.3	6.5	6.3
Storm water	-	-	2.6	2.6	2.6	2.6
Total expenses	138.9	120.0	104.6	85.0	243.5	205.1
Increase (decrease) before transfers	7.6	45.4	(3.7)	9.1	3.9	54.5
Transfers	0.9	0.5	(0.9)	(0.5)	-	-
Change in net position	8.5	45.9	(4.6)	8.6	3.9	54.5
Net position, beginning of year	166.2	120.3	234.3	225.8	400.5	346.1
Net position - end of year	\$ 174.7	\$ 166.2	\$ 229.7	\$ 234.4	\$ 404.4	\$ 400.5

City of Santa Cruz
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2023

Governmental Activities

The net position for the City's governmental activities increased in fiscal year 2023 by \$8.5 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)

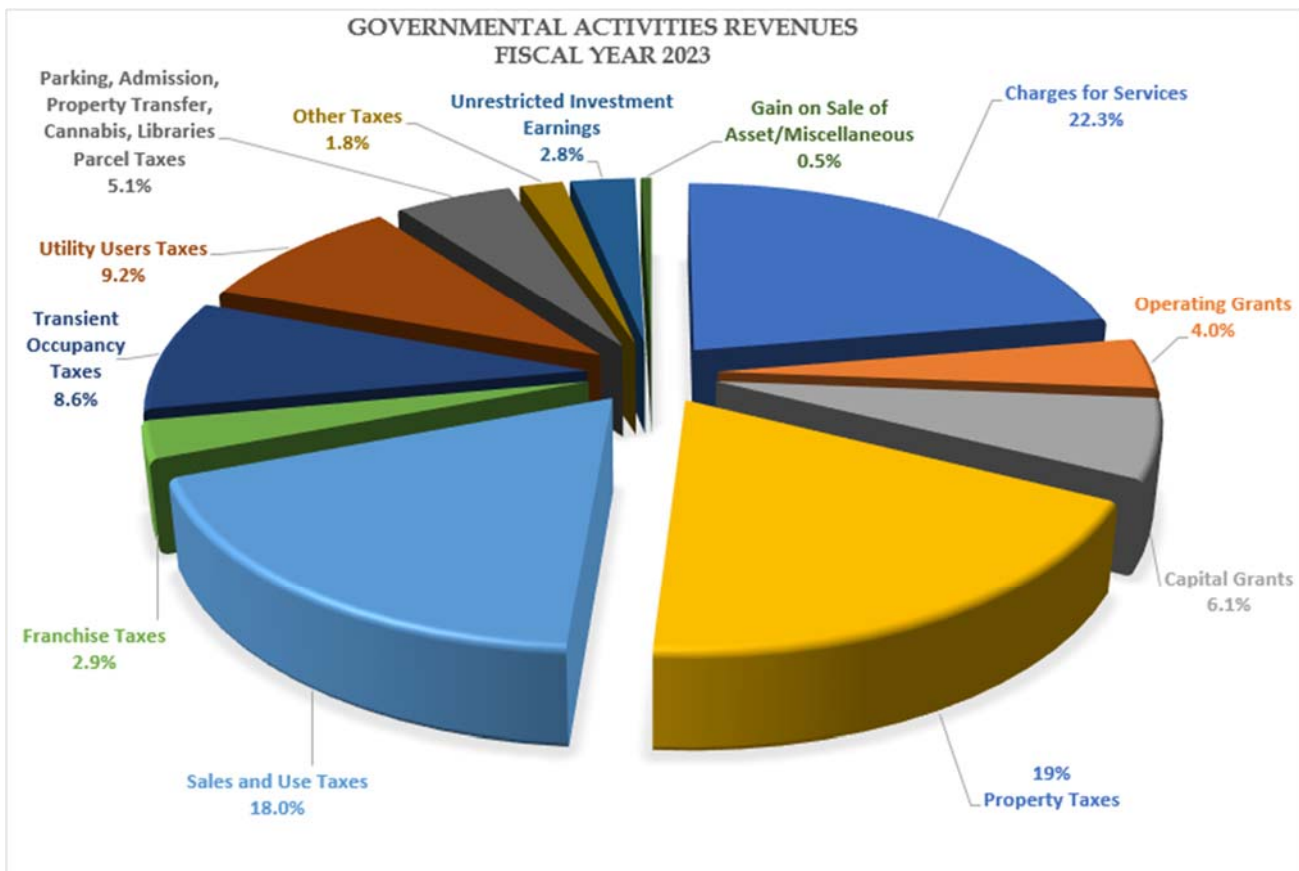
	2023	2022	Net Change
Expenses net of program revenues:			
General government	\$ 7.1	\$ (12.5)	\$ 19.6
Public safety	(41.5)	45.4	(86.9)
Parks and recreation	(15.1)	10.9	(26.0)
Library	0.2	(0.3)	0.5
Public works	(12.1)	(2.5)	(9.6)
Transit	-	-	-
Community and economic development	(15.3)	1.1	(16.4)
Social services	(14.0)	2.6	(16.6)
Interest and fiscal charges on long-term debt	(0.6)	0.8	(1.4)
Total expenses net of program revenues - governmental activities	<u>(91.3)</u>	<u>45.5</u>	<u>(136.8)</u>
General revenues transfers and special items:			
General revenues:			
Property taxes	27.4	25.8	1.6
Sales and use taxes	26.3	27.2	(0.9)
Franchise taxes	4.2	4.1	0.1
Transient occupancy taxes	12.6	12.1	0.5
Utility users taxes	13.5	12.3	1.2
Admission taxes	7.4	8.6	(1.2)
Other taxes	2.7	2.1	0.6
Total taxes	<u>94.1</u>	<u>92.2</u>	<u>1.9</u>
Unrestricted investment earnings	4.1	(1.3)	5.4
Gain on sale of assets	0.1	-	0.1
Miscellaneous	0.6	-	0.6
Transfers	0.9	0.5	0.4
Total general revenues and transfers	<u>99.8</u>	<u>91.4</u>	<u>8.4</u>
Change in governmental activities net position	<u>\$ 8.5</u>	<u>\$ 45.9</u>	<u>\$ 145.2</u>

**City of Santa Cruz
Management’s Discussion and Analysis (Continued)
For the Year Ended June 30, 2023**

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 \$47.6 million in fiscal year 2023, a decrease of \$27.0 million (36.24%) from the previous fiscal year. This revenue decrease is due to a reduction in capital grants and contributions. Governmental program revenues are derived primarily from *charges for services*, which include 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.

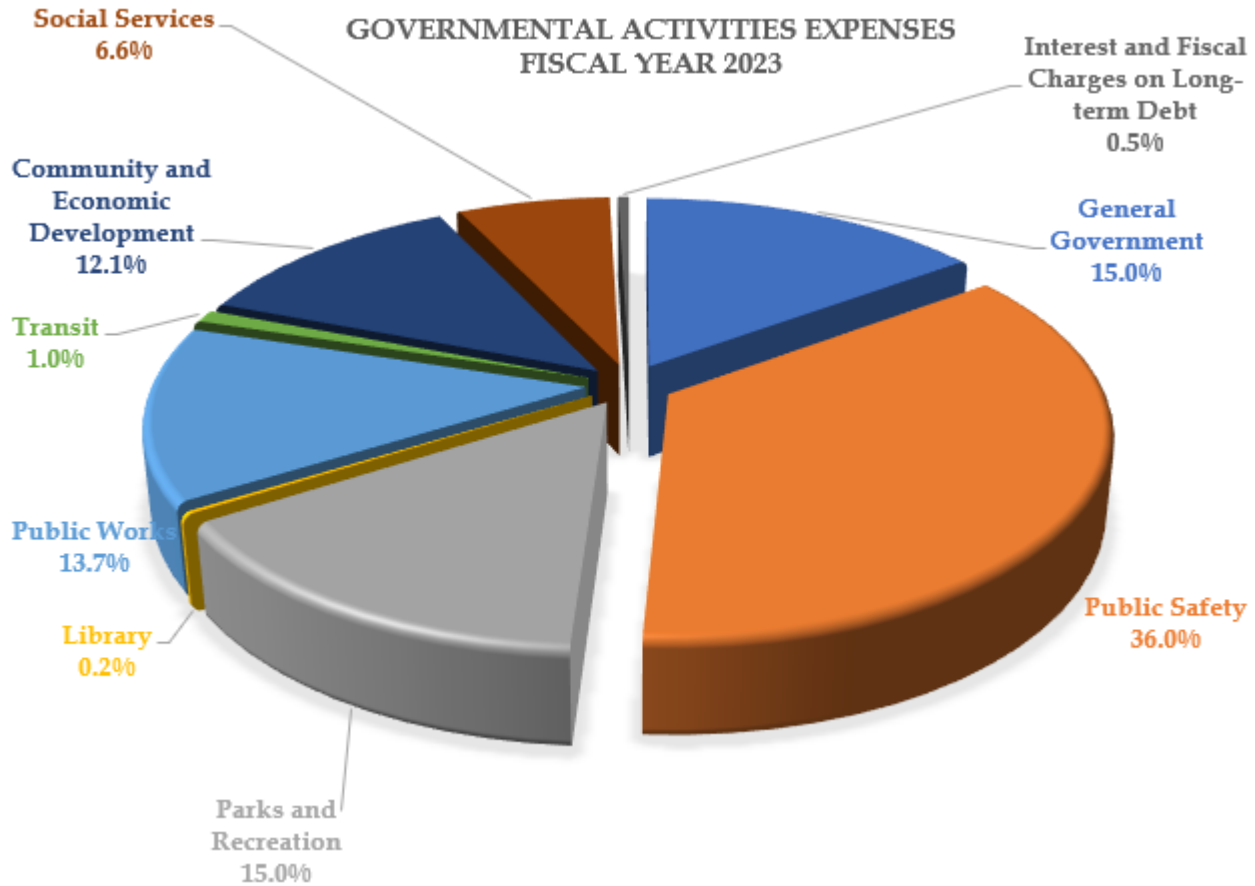
General revenues are all other revenues not categorized as program revenues, and include all taxes, unrestricted grants, contributions and investment earnings, material gains on sales of capital assets, and other miscellaneous revenues. Taxes of \$94.1 million made up 64.3% of total governmental revenues for fiscal year 2023. The largest single source of general revenues received during fiscal year 2023 was \$27.4 million of property taxes, which were 18.7% of total revenues, followed by \$26.3 million of sales and use taxes, which were 17.9% of total revenues. With an offset from investment earnings, gain on sale of assets, and miscellaneous revenue of \$4.8 million, total general revenues from governmental activities, excluding transfers, for fiscal year 2023 were \$98.9 million. The following graph depicts program and general revenues for all governmental activities.



City of Santa Cruz
Management’s Discussion and Analysis (Continued)
For the Year Ended June 30, 2023

Governmental Expenses

Total governmental activities expenses were \$138.9 million in fiscal year 2023, offset by \$47.5 million in program revenues. The balance is funded through general revenues. The largest expenses incurred were for public safety at \$50.0 million, followed by general government and parks and recreation at \$20.8 million each, and public works at \$19.0 million. These expenses do not include capital outlay, which were reflected in the City’s capital assets. The following graph shows the percentage of Governmental Activities expenses by program for fiscal year 2023.

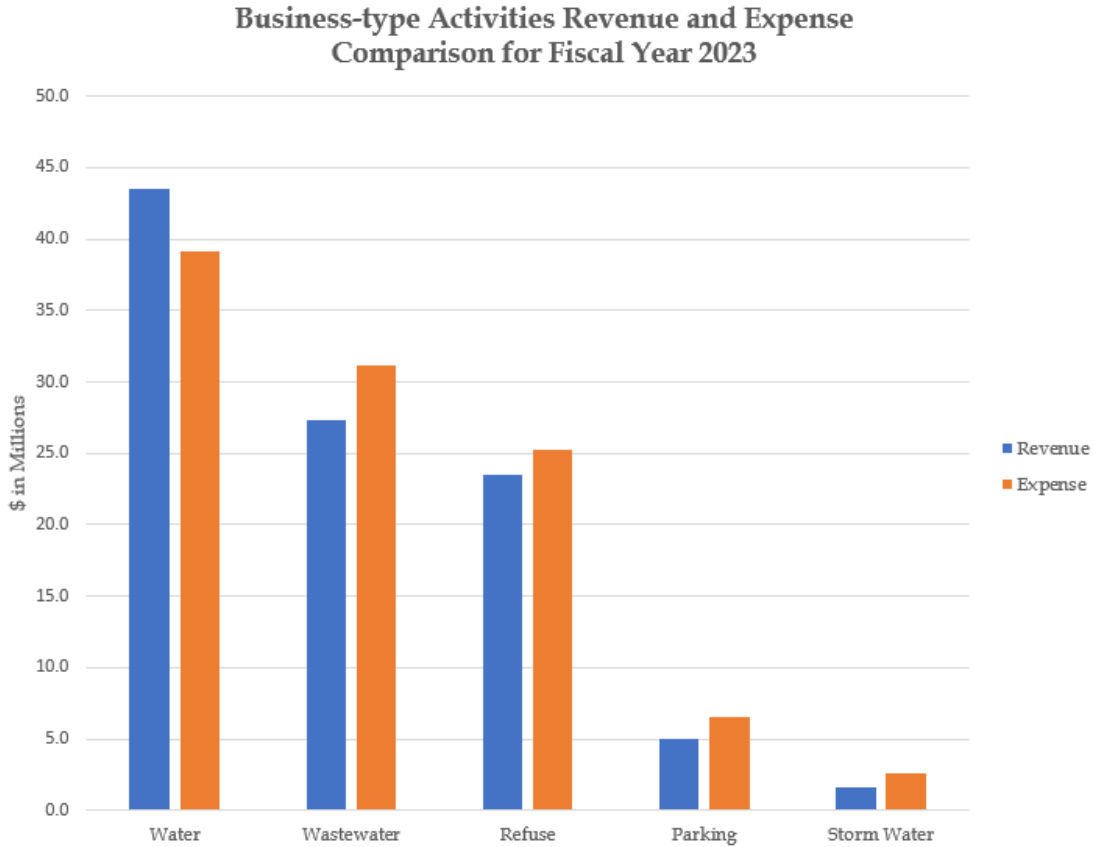


Business Type Activities

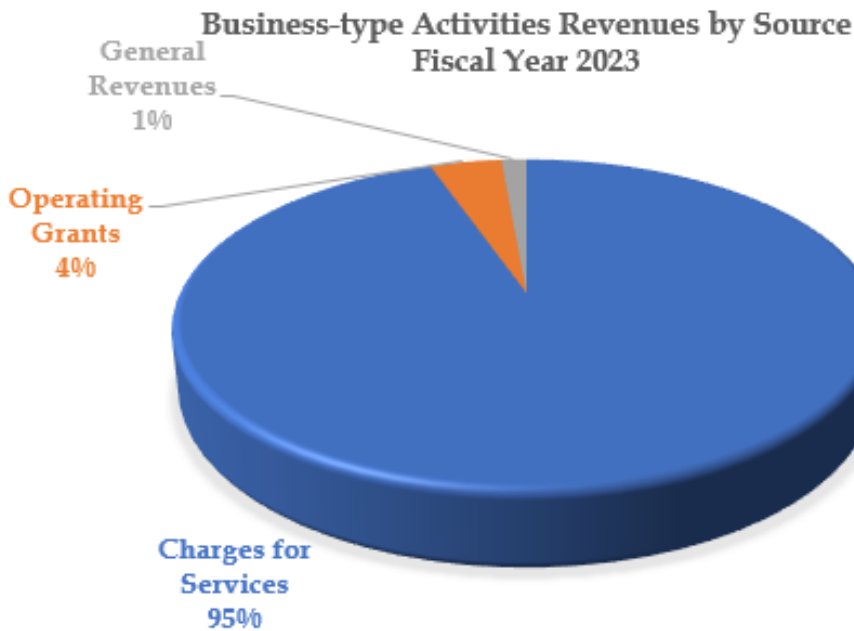
As shown in the condensed statement of activities table, net position for the City’s business-type activities at June 30, 2023 was \$229.7 million, a decrease of \$4.7 million from the previous fiscal year. Total program revenues for business-type activities were \$99.5 million. The largest program revenues were charges for services of \$95.6 million, with other program revenues including capital and operating grants and contributions totaling \$4.0 million. Total expenses for the business-type activities were \$104.6 million during fiscal year 2023.

**City of Santa Cruz
Management’s Discussion and Analysis (Continued)
For the Year Ended June 30, 2023**

The following chart shows fiscal year 2023 revenue and expenses for the City’s enterprise funds:



The following chart shows fiscal year 2023 revenues by source for the City’s enterprise funds:



City of Santa Cruz
Management’s Discussion and Analysis (Continued)
For the Year Ended June 30, 2023

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 2023, the City’s governmental funds reported a combined ending fund balance of \$90.7 million, an increase of \$5.8 million (6.8%) 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, \$7.1 million is considered “non-spendable” because it represents the portion of the City’s assets classified as long-term receivables, advances and prepaid expenses, \$44.5 million is considered “restricted” as these balances are for specific services, \$25.8 million is committed by City Council resolution for capital improvement. More information concerning fund balances can be found in Note 15 on pages 111 and 113 of this report.

General Fund – Total fund balance of the General Fund on June 30, 2023 was \$51.9 million, an increase of \$0.9 million (1.79%) 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, \$7.1 million was considered non-spendable; \$8.8 million was restricted; \$22.7 million is committed by City Council resolution for capital improvement; \$6.3 million is assigned for the City public trust fund and Economic development trust fund; and \$6.9 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. The \$6.9 million in unassigned fund balance is held in the City’s Stabilization Reserve fund.

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 2023, the total fund balance of the RDA Successor Agency – LMIH fund was \$12.7 million, virtually unchanged from the prior 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 2023, the total fund balance of the General Capital Improvement Fund was \$3.2 million an increase from the prior fiscal year’s deficit of \$7.8 million.

The entire amount is classified as committed. The increase in fund balance is because committed capital funding was previously held in the General Fund. In 2023, this funding was moved out of the General Fund and into a Capital Projects Reserve Fund.

City of Santa Cruz
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2023

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 2023, the net position of the enterprise funds was \$229.7 million, a \$4.6 million (2.0%) decrease over the prior fiscal year, primarily due to increased operating expenses.

Operating revenues in the City's enterprise funds experienced an increase of \$3.1 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 increased by \$18.1 million compared to the prior fiscal year. All Enterprise Funds saw increases in Personnel costs totaling \$6.6 million and Services and Supplies for a total of \$10.4 million. These increases can be attributed to increases in wages, pension and benefit costs, the filling of vacancies, and inflationary increases in supplies, services, and materials.

Net position in the internal service funds in the amount of \$4.7 million represented a decrease of \$1.3 million compared to the previous fiscal year. The decrease was primarily due to an increase in operating expenses in the equipment operations and group health internal service funds without enough revenue to cover the expenditure increases. Expenditures in the liability internal service fund slowed when compared to the prior fiscal year. Departments increased their contributions to help plan for expected increases in liability and property insurance.

General Fund Budgetary Highlights

The fiscal year 2023 final amended General Fund budget (not including other financing sources and uses) totaled \$130.0 million and included amendments to the original budget, resulting in a \$3.8 million increase when compared to the prior fiscal year total adjusted budget of \$126.2 million. This is primarily attributed to increases in personnel costs and inflationary increases in materials, supplies and services.

At June 30, 2023, actual operating expenditures (not including other financing sources and uses) in the City's General Fund totaled \$120.0 million, which was \$10.0 million less than the final amended budget. The budgetary savings are most significant in Police, and Social Services and represent project commitments that have been carried forward into fiscal year 2024. Actual operating revenues totaled \$124.7 million which was \$1.4 million higher than the fiscal year 2023 adjusted budget. This was primarily due to increased tax revenue as the City continues to recover from the COVID-19 pandemic.

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, 2023, amounted to \$624.0 million which includes \$532.3 million, of accumulated depreciation and amortization. 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 \$55.9 million. Additions and deletions consisted of an increase to capital assets of \$74.6 million offset by an increase to accumulated depreciation and amortization of \$20.2 million. Two significant projects added during the year were the Felton Diversion Pipeline emergency repair in the business-type activities, and the Civic Auditorium Roof and Harvey West Park solar project in the governmental activities.

City of Santa Cruz
Management’s Discussion and Analysis (Continued)
For the Year Ended June 30, 2023

Additional information on the City of Santa Cruz’s capital assets can be found in Note 7 to the financial statements.

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

	Governmental Activities		Business-Type Activities		Total	
	June 30		June 30			
	2023	2022	2023	2022	2023	2022
Land	\$ 85.6	\$ 85.6	\$ 2.7	\$ 2.7	\$ 88.3	\$ 88.3
Construction in progress	26.9	11.5	155.2	120.8	182.1	132.3
Land improvements	9.0	9.5	9.5	9.3	18.5	18.8
Infrastructure	61.7	64.9	142.7	141.0	204.4	205.9
Buildings	36.1	34.4	60.4	63.9	96.5	98.3
Machinery and equipment	6.5	5.9	20.3	15.8	26.8	21.7
Lease improvements	-	-	-	-	-	-
Right-to-use lease assets	2.9	1.7	3.1	1.1	6.0	2.8
Subscriptions	1.2	-	0.2	-	1.4	-
Software	-	-	-	-	-	-
Totals	\$ 229.9	\$ 213.5	\$ 394.1	\$ 354.6	\$ 624.0	\$ 568.1

Debt Administration

Long Term Debt – At June 30, 2023, the City had \$207.1 million in long term debt outstanding compared to \$173.5 million last fiscal year, which was an increase of \$33.3 million (19.4%). The bonds, notes, loans and leases payable associated with governmental activities increased to \$25.5 million, or 31.4%, from the prior year. This is the result of the City’s regularly scheduled debt service payments and two new loans related to energy efficiency improvements. The bonds, notes, loans and leases payable associated with business-type activity debt increased to \$181.6 million, or 17.8%. This is primarily due to the issuance of notes payable related to the water fund, more specifically the 2020 & 2021 State Water Resource Control Board loans related to the Graham Hill Water Treatment Plant & Newell Creek Inlet/Outlet projects.

The 2013 Wastewater refunding bonds were retired this year. As of June 30, 2023, 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 \$75.6 million with the capacity to be drawn up to \$103.5 million. The Water Department also issued new debt, the Water Infrastructure Finance and Innovation Act (WIFIA) will also be used for City-wide improvements to the water system. It allows the Water department to draw up to \$127.7 million.

City of Santa Cruz
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2023

The chart below illustrates the changes in bonds, notes, loans and leases payable for the year ending June 30, 2023:

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

	Governmental Activities		Business-Type Activities		Total	
	June 30		June 30			
	2023	2022	2023	2022	2023	2022
Revenue bonds payable	\$ 6.2	\$ 6.5	\$ 35.7	\$ 37.7	\$ 41.9	\$ 44.2
General obligation bonds	3.5	3.9	-	-	3.5	3.9
Pension obligation bonds	-	-	-	-	-	-
Notes payable	11.7	7.3	142.8	115.3	154.5	122.6
Leases payable	3.0	1.7	2.9	1.1	5.9	2.8
Subscription liability	1.1	-	0.2	-	1.3	-
Totals	\$ 25.5	\$ 19.4	\$ 181.6	\$ 154.1	\$ 207.1	\$ 173.5

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, 2023	
	2023	2022			Due in less than one year	Due in more than one year
	Compensated absences	\$ 7.2			\$ 6.9	\$ 0.3
Claims and judgments	18.6	17.3	1.3	7.5%	5.1	13.5
Closure and post closure landfill costs	10.3	9.3	1.0	10.8%	-	10.3
Totals	\$ 36.1	\$ 33.5	\$ 2.6	7.8%	\$ 9.9	\$ 26.2

Additional information on the City of Santa Cruz's long-term debt can be found in Note 8 to the financial statements. Additional information on the City of Santa Cruz's landfill closure and post closure costs can be found in Note 13.

City of Santa Cruz
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2023

Economic Factors and Next Year's Budgets and Rates

The City of Santa Cruz, and Santa Cruz County 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.

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. The fiscal year 2024 budget does not include a contribution to the Capital Improvement Program (usually \$5M) which enabled the City to adopt a balanced 2024 budget on June 13, 2023. The City presented its 10-year financial forecast to Council in November 2023 providing options for addressing future deficits.

The City has a balanced tax base of property, sales, transient occupancy and utility tax. 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 for fiscal year 2023 saw a slight decline as spending slowed in response to high interest rates and inflation concerns, ending with \$26.3 million, or a decrease of 3.31%. The City will place a 0.5% local sales tax rate increase on the March 2024 ballot, which, if approved will take effect July 2024. Transient Occupancy Tax revenues have increased 4.13% from the previous year to \$12.6 million. With a new rate that went into effect January 2023, revenues from Transient Occupancy Tax (TOT) are expected to continue to increase; the City continues to invite major name hotels into the area.

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, 1200 Pacific Avenue, Suite 290, Santa Cruz, CA 95060.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Santa Cruz
Statement of Net Position
June 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 78,013,240	\$ 84,292,581	\$ 162,305,821
Restricted cash and investments	14,815,891	241	14,816,132
Accounts receivable - net	3,051,307	12,834,331	15,885,638
Taxes receivable	10,372,414	42,391	10,414,805
Grants receivable	2,466,839	436,662	2,903,501
Interest receivable	4,183,653	169,070	4,352,723
Notes and loans receivable - net, due within one year	327,072	-	327,072
Leases receivable - due within one year	1,103,856	167,125	1,270,981
Prepaid items	6,431	3,968	10,399
Inventories	102,452	-	102,452
Deposits	5,462,016	30,000	5,492,016
Total current assets	119,905,171	97,976,369	217,881,540
Noncurrent assets:			
Restricted cash and investments	-	1,322,805	1,322,805
Notes and loans receivable - due in more than one year	17,784,289	1,049,425	18,833,714
Lease receivable - due in more than one year	19,968,361	-	19,968,361
Capital assets:			
Not being depreciated/amortized	112,483,323	157,903,361	270,386,684
Being depreciated/amortized, net	117,485,399	236,163,149	353,648,548
Total capital assets	229,968,722	394,066,510	624,035,232
Total noncurrent assets	267,721,372	396,438,740	664,160,112
Total assets	387,626,543	494,415,109	882,041,652
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	204,365	491,724	696,089
Deferred outflows related to OPEB	4,481,770	1,650,082	6,131,852
Deferred outflows related to pensions	65,905,202	23,822,855	89,728,057
Total deferred outflows of resources	70,591,337	25,964,661	96,555,998

City of Santa Cruz
Statement of Net Position (Continued)
June 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable and other current liabilities	10,219,933	14,692,991	24,912,924
Interest payable	130,941	1,789,458	1,920,399
Unearned revenue	1,833,151	648,367	2,481,518
Deposits payable	1,351,094	72,820	1,423,914
Claims payable - due within one year	5,113,675	-	5,113,675
Compensated absences - due within one year	3,446,999	1,329,399	4,776,398
Long-term debt - due within one year	3,679,541	35,930,857	39,610,398
Total current liabilities	25,775,334	54,463,892	80,239,226
Noncurrent liabilities:			
Claims payable - due in more than one year	13,448,965	-	13,448,965
Compensated absences - due in more than one year	1,723,500	664,700	2,388,200
Long-term debt - due in more than one year	21,797,429	145,697,136	167,494,565
Landfill closure liability	-	10,388,632	10,388,632
Net OPEB liability	27,469,988	10,113,796	37,583,784
Net pension liability	154,825,495	65,393,864	220,219,359
Total noncurrent liabilities	219,265,377	232,258,128	451,523,505
Total liabilities	245,040,711	286,722,020	531,762,731
DEFERRED INFLOWS OF RESOURCES			
Related to leases	21,087,109	184,236	21,271,345
Related to pensions	7,116,190	-	7,116,190
Related to OPEB	10,226,759	3,765,249	13,992,008
Total deferred inflows of resources	38,430,058	3,949,485	42,379,543
NET POSITION			
Net investment in capital assets	219,512,008	214,253,287	433,765,295
Restricted:			
Capital projects	9,519,674	-	9,519,674
Debt service	1,392,661	-	1,392,661
Public safety	1,394,890	-	1,394,890
Parks and recreation	3,661,124	-	3,661,124
Community and economic development	30,865,789	-	30,865,789
Total restricted	46,834,138	-	46,834,138
Unrestricted (deficit)	(91,599,035)	15,454,978	(76,144,057)
Total net position	\$ 174,747,111	\$ 229,708,265	\$ 404,455,376

City of Santa Cruz
Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Program Revenues				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Primary government:					
Governmental activities:					
General government	\$ 9,764,269	\$ 12,169,415	\$ 96,802	\$ 4,581,027	\$ 16,847,244
Public safety	49,997,725	7,759,280	467,238	217,901	8,444,419
Parks and recreation	21,200,478	5,694,661	359,974	28,139	6,082,774
Library	281,736	527,783	-	-	527,783
Public works	23,398,921	6,174,299	2,933,515	2,182,731	11,290,545
Transit	1,335,582	-	1,335,583	-	1,335,583
Community and economic development	18,261,414	367,372	593,114	1,994,595	2,955,081
Social services	14,025,049	-	-	-	-
Interest and fiscal charges on long-term debt	659,450	-	-	-	-
Total governmental activities	<u>138,924,624</u>	<u>32,692,810</u>	<u>5,786,226</u>	<u>9,004,393</u>	<u>47,483,429</u>
Business-type activities:					
Water	34,814,510	41,901,402	971,148	-	42,872,550
Wastewater	31,063,751	25,245,183	2,013,451	-	27,258,634
Refuse	25,256,080	22,849,214	349,037	-	23,198,251
Parking	6,388,710	4,649,621	-	-	4,649,621
Storm water	2,480,885	915,663	651,676	-	1,567,339
Total business-type activities	<u>100,003,936</u>	<u>95,561,083</u>	<u>3,985,312</u>	<u>-</u>	<u>99,546,395</u>
Total primary government	<u><u>\$ 238,928,560</u></u>	<u><u>\$ 128,253,893</u></u>	<u><u>\$ 9,771,538</u></u>	<u><u>\$ 9,004,393</u></u>	<u><u>\$ 147,029,824</u></u>

City of Santa Cruz
Statement of Activities (Continued)
For the Year Ended June 30, 2023

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
Primary government:			
Governmental activities:			
General government	\$ 7,082,975	\$ -	\$ 7,082,975
Public safety	(41,553,306)	-	(41,553,306)
Parks and recreation	(15,117,704)	-	(15,117,704)
Library	246,047	-	246,047
Public works	(12,108,376)	-	(12,108,376)
Transit	1	-	1
Community and economic development	(15,306,333)	-	(15,306,333)
Social services	(14,025,049)	-	(14,025,049)
Interest and fiscal charges on long-term debt	(659,450)	(4,595,934)	(5,255,384)
Total governmental activities	(91,441,195)	(4,595,934)	(96,037,129)
Business-type activities:			
Water	-	8,058,040	8,058,040
Wastewater	-	(3,805,117)	(3,805,117)
Refuse	-	(2,057,829)	(2,057,829)
Parking	-	(1,739,089)	(1,739,089)
Storm water	-	(913,546)	(913,546)
Total business-type activities	-	(457,541)	(457,541)
Total primary government	(91,441,195)	(5,053,475)	(96,494,670)
General Revenues and Transfers:			
General revenues:			
Property taxes	27,444,537	288,972	27,733,509
Sales and use taxes	26,310,460	-	26,310,460
Franchise taxes	4,240,753	-	4,240,753
Transient occupancy taxes	12,633,022	-	12,633,022
Utility users taxes	13,433,448	-	13,433,448
Parking, admission, property transfer, cannabis, and libraries parcel taxes	7,400,296	-	7,400,296
Other taxes	2,703,881	-	2,703,881
Unrestricted investment earnings	4,111,368	1,044,421	5,155,789
Gain on sale of assets	128,737	45,487	174,224
Miscellaneous	613,492	-	613,492
Total general revenues	99,019,994	1,378,880	100,398,874
Transfers	932,875	(932,875)	-
Total general revenues and transfers	99,952,869	446,005	100,398,874
Change in net position	8,511,674	(4,607,470)	3,904,204
Net Position:			
Beginning of year, as restated (Note 16)	166,235,437	234,315,735	400,551,172
End of year	\$ 174,747,111	\$ 229,708,265	\$ 404,455,376

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FUND FINANCIAL STATEMENTS

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Governmental Funds 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 Fund - This fund is used to account for housing assets transferred from the former Redevelopment Agency to the City as housing successor.

General Capital Improvement Fund - 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, 2023

	Major Funds		
	General Fund	RDA Successor Agency - LMIH	General Capital Improvement
ASSETS			
Cash and investments	\$ 32,369,391	\$ 1,968,926	\$ 4,978,759
Restricted cash and investments	9,457,397	-	5,358,494
Accounts receivable - net	2,610,812	29,629	45,622
Taxes receivable	9,984,363	-	185,213
Interest receivable	303,520	1,513,195	18,548
Grants receivable	188,825	-	2,034,741
Prepaid items	6,431	-	-
Deposits	539,948	-	-
Notes and loans receivable - net	2,223,358	10,208,705	-
Leases receivable	14,326,681	940,675	-
Advances to other funds	4,309,687	500,000	-
Total assets	\$ 76,320,413	\$ 15,161,130	\$ 12,621,377
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable and other current liabilities	3,660,513	41,175	3,931,748
Unearned revenues	11,732	-	-
Deposits payable	1,346,004	3,000	2,000
Advances from other funds	4,844,531	-	5,509,687
Total liabilities	9,862,780	44,175	9,443,435
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to leases	13,959,765	928,336	-
Unavailable revenue	586,580	1,506,653	-
Total deferred inflows of resources	14,546,345	2,434,989	-
Fund Balances:			
Nonspendable			
Noncurrent receivables	2,590,274	-	-
Interfund advances	4,309,687	-	-
Prepaid items	6,431	-	-
Restricted:			
Clean rivers, oceans, and beaches	-	-	-
Debt service	-	-	-
Hardship grants	268,482	-	-
Housing programs	-	12,681,966	-
Parks and recreation	-	-	-
Police programs	-	-	-
Streets and roads	-	-	-
Traffic impact	-	-	-
Retiree benefits	8,562,470	-	-
Committed	22,449,897	-	3,177,942
Assigned	6,347,533	-	-
Unassigned (deficit)	7,376,514	-	-
Total fund balances	51,911,288	12,681,966	3,177,942
Total liabilities, deferred inflows of resources, and fund balances	\$ 76,320,413	\$ 15,161,130	\$ 12,621,377

(Continued)

**City of Santa Cruz
Balance Sheet (Continued)
Governmental Funds
June 30, 2023**

	Other Governmental Funds	Total Governmental Funds
ASSETS		
Cash and investments	\$ 25,534,479	\$ 64,851,555
Restricted cash and investments	-	14,815,891
Accounts receivable - net	277,250	2,963,313
Taxes receivable	202,838	10,372,414
Interest receivable	2,324,397	4,159,660
Grants receivable	243,273	2,466,839
Prepaid items	-	6,431
Deposits	-	539,948
Notes and loans receivable - net	5,679,298	18,111,361
Leases receivable	5,804,861	21,072,217
Advances to other funds	-	4,809,687
Total assets	\$ 40,066,396	\$ 144,169,316
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
Liabilities:		
Accounts payable and other current liabilities	1,344,217	8,977,653
Unearned revenues	1,821,419	1,833,151
Deposits payable	-	1,351,004
Advances from other funds	2,300,000	12,654,218
Total liabilities	5,465,636	24,816,026
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to leases	6,199,008	21,087,109
Unavailable revenue	5,455,707	7,548,940
Total deferred inflows of resources	11,654,715	28,636,049
Fund Balances:		
Nonspendable		
Noncurrent receivables	-	2,590,274
Interfund advances	-	4,309,687
Prepaid items	-	6,431
Restricted:		
Clean rivers, oceans, and beaches	1,887,308	1,887,308
Debt service	1,523,656	1,523,656
Hardship grants	6,196,105	6,464,587
Housing programs	2,429,288	15,111,254
Parks and recreation	3,515,176	3,515,176
Police programs	3,620,720	3,620,720
Streets and roads	2,662,886	2,662,886
Traffic impact	1,110,906	1,110,906
Retiree benefits	-	8,562,470
Committed	-	25,627,839
Assigned	-	6,347,533
Unassigned (deficit)	-	7,376,514
Total fund balances	22,946,045	90,717,241
Total liabilities, deferred inflows of resources, and fund balances	\$ 40,066,396	\$ 144,169,316

(Concluded)

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City of Santa Cruz
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2023

Total Fund Balances - Total Governmental Funds \$ 90,717,241

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

	Government- Wide Statement of Net Position	Internal Service Funds	
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:			
Non-depreciable/amortizable	112,483,323	-	112,483,323
Depreciable/amortizable, net	117,485,399	(1,368,322)	116,117,077
Total capital assets	\$ 229,968,722	\$ (1,368,322)	228,600,400

Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in the governmental funds (net of \$919 in internal service funds). (130,022)

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	(2,316,788)
Risk management fund	7,012,810
Total internal service funds	4,696,022

Unavailable revenue was deferred in the governmental funds balance sheet and reduced fund balance but was recognized as revenue on the government-wide statements. 7,548,940

	Government- Wide Statement of Net Position	Internal Service Funds	
Noncurrent liabilities and pension and OPEB deferrals were not due and payable in the current period. Therefore, they are not reported in the governmental funds. Except for internal service funds as reported above, the long-term liabilities are adjusted as follows:			
Net OPEB liability	(27,469,988)	590,066	(26,879,922)
Net pension liability	(154,825,495)	3,307,764	(151,517,731)
OPEB-related deferred outflows of resources	4,481,770	(96,270)	4,385,500
Pension-related deferred outflows of resources	65,905,202	(1,205,012)	64,700,190
OPEB-related deferred inflows of resources	(10,226,759)	219,675	(10,007,084)
Pension-related deferred inflows of resources	(7,116,190)	-	(7,116,190)
Compensated absences, due within one year	(3,446,999)	18,740	(3,428,259)
Compensated absences, due in more than one year	(1,723,500)	9,370	(1,714,130)
Long-term debt, due within one year	(3,679,541)	50,368	(3,629,173)
Long-term debt, due in more than one year	(21,797,429)	114,393	(21,683,036)
Total long-term liabilities and deferred items	\$ (159,898,929)	\$ 3,009,094	(156,889,835)

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. 204,365

Net Position of Governmental Activities \$ 174,747,111

City of Santa Cruz
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

	Major Funds		
	General Fund	RDA Successor Agency - LMIH	General Capital Improvement
REVENUES:			
Taxes	\$ 89,795,560	\$ -	\$ 2,118,853
Licenses and permits	1,684,201	-	-
Intergovernmental	2,121,784	785	8,303,400
Charges for services	21,121,206	28,750	-
Fines and forfeitures	1,341,043	-	-
Use of money and property	7,999,871	231,472	184,184
Other revenues	625,336	-	127,125
Total revenues	124,689,001	261,007	10,733,562
EXPENDITURES:			
Current:			
General government	17,855,264	-	1,051,665
Public safety	50,000,023	-	-
Parks and recreation/library	18,997,682	-	383,990
Public works	9,074,400	-	1,293,548
Transit	-	-	-
Community and economic development	10,739,198	300,842	1,509,995
Social services	8,326,322	-	-
Capital outlay	2,023,965	-	19,992,243
Debt service:			
Principal	2,800,014	-	160,000
Interest and fiscal charges	146,659	-	132,716
Total expenditures	119,963,527	300,842	24,524,157
REVENUES OVER (UNDER) EXPENDITURES	4,725,474	(39,835)	(13,790,595)
OTHER FINANCING SOURCES (USES):			
Proceeds from issuance of notes and loans payable	-	-	6,145,224
Proceeds from issuance of leases payable	2,066,330	-	-
Proceeds from issuance of subscription liabilities	142,376	-	-
Proceeds from sale of property	-	-	112,245
Transfers in	6,774,164	-	18,491,146
Transfers out	(12,795,185)	-	-
Total other financing sources (uses)	(3,812,315)	-	24,748,615
NET CHANGE IN FUND BALANCES	913,159	(39,835)	10,958,020
FUND BALANCES (DEFICIT):			
Beginning of year	50,998,129	12,721,801	(7,780,078)
End of year	<u>\$ 51,911,288</u>	<u>\$ 12,681,966</u>	<u>\$ 3,177,942</u>

(Continued)

City of Santa Cruz
Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Governmental Funds
For the Year Ended June 30, 2023

	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:		
Taxes	\$ 2,251,984	\$ 94,166,397
Licenses and permits	-	1,684,201
Intergovernmental	14,200,556	24,626,525
Charges for services	46,781	21,196,737
Fines and forfeitures	-	1,341,043
Use of money and property	630,448	9,045,975
Other revenues	1,807,384	2,559,845
Total revenues	18,937,153	154,620,723
EXPENDITURES:		
Current:		
General government	-	18,906,929
Public safety	104,590	50,104,613
Parks and recreation/library	-	19,381,672
Public works	4,781,173	15,149,121
Transit	1,335,582	1,335,582
Community and economic development	3,589,445	16,139,480
Social services	-	8,326,322
Capital outlay	550,527	22,566,735
Debt service:		
Principal	590,073	3,550,087
Interest and fiscal charges	335,109	614,484
Total expenditures	11,286,499	156,075,025
REVENUES OVER (UNDER) EXPENDITURES	7,650,654	(1,454,302)
OTHER FINANCING SOURCES (USES):		
Proceeds from issuance of notes and loans payable	-	6,145,224
Proceeds from issuance of leases payable	-	2,066,330
Proceeds from issuance of subscription liabilities	-	142,376
Proceeds from sale of property	-	112,245
Transfers in	570,620	25,835,930
Transfers out	(14,260,400)	(27,055,585)
Total other financing sources (uses)	(13,689,780)	7,246,520
NET CHANGE IN FUND BALANCES	(6,039,126)	5,792,218
FUND BALANCES (DEFICIT):		
Beginning of year	28,985,171	84,925,023
End of year	\$ 22,946,045	\$ 90,717,241

(Concluded)

City of Santa Cruz
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Position
For the Year Ended June 30, 2023

Net Change in Fund Balance - All Governmental Funds	\$ 5,792,218
Amounts reported for Governmental Activities in the Statement of Net Position were different because:	
Governmental funds reported capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Position the cost of those assets was allocated over their estimated useful lives as depreciation/amortization expenses. This is the amount of capital assets recorded in the current period (net of \$310,230 added in internal service funds).	23,060,903
Depreciation/amortization expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Position, but they did not require the use of current financial resources. Therefore, depreciation expense, net of internal service funds of \$455,207, was not reported as expenditures in the Governmental Funds.	(7,792,172)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) decreased net position.	-
Revenues in the Government-Wide Statement of Activities that do not provide current financial resources and are not reported as revenue in the governmental funds.	(8,568,993)
Compensated absences expenses reported in the Government-Wide Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds (net of \$8,172 deducted in internal service funds).	(202,564)
Issuance of long-term liabilities provides current financial resources to governmental funds, but the issuance increased long-term liabilities in the Government-Wide Statement of Net Position (net of \$44,272 added in internal service funds).	(8,254,020)
Repayment of long-term liabilities was an expenditures in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position (net of \$45,422 change in long-term liabilities in internal service funds).	3,550,087
Governmental funds report pension expenditures equal to pension contributions, however, in the statement of net position, pension expenses are adjusted to reflect the changes in net pension liability and related deferrals.	2,919,896
Governmental funds report OPEB expenditures equal to OPEB benefit payments, however, in the statement of net position, OPEB expenses are adjusted to reflect the changes in net OPEB liability and related deferrals.	(649,826)
Interest expense on long-term debt was reported in the Government-Wide Statement of Activities, but it did not require the use of current financial resources. This amount represented the changes in accrued interest from prior year.	5,501
Amortization of premium in not recorded in the governmental funds but it impacts the statement of activities.	(23,350)
Amortization of refunding costs is not recorded in the governmental funds but it impacts the statement of activities.	(25,377)
The internal service funds are used by management to charge the costs of certain activities, such as fleet maintenance, risk management, and information technology to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	(1,300,629)
Change in Net Position of Governmental Activities	\$ 8,511,674

Proprietary Funds 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, 2023

	Business-type Activities			
	Major Funds			
	Water	Wastewater	Refuse	Parking
ASSETS				
Current assets:				
Cash and investments	\$ 38,451,144	\$ 23,188,120	\$ 21,671,972	\$ 154,928
Restricted cash and investments	-	-	-	-
Accounts receivable - net	5,911,358	3,785,883	2,882,129	253,461
Taxes receivable	-	-	-	4,289
Grants receivable	281,881	-	87,713	-
Interest receivable	78,912	39,228	46,292	1,189
Leases receivable	-	-	167,125	-
Notes and loans receivable	-	-	-	-
Prepaid items	3,968	-	-	-
Inventories	-	-	-	-
Deposits	-	-	-	30,000
Due from other funds	-	-	-	-
Total current assets	44,727,263	27,013,231	24,855,231	443,867
Noncurrent assets:				
Restricted cash and investments	1,180,099	-	41,394	101,312
Leases receivable	-	-	-	-
Notes and loans receivable	1,049,425	-	-	-
Advances to other funds	-	-	-	-
Capital assets:				
Land	1,941,687	-	721,017	-
Construction in progress	151,833,321	126,758	688,536	216,542
Land improvements	2,378,103	1,526,507	7,560,600	337,496
Infrastructure	166,044,434	61,844,098	21,002,092	1,392,448
Buildings	18,742,857	126,746,279	3,121,543	22,281,497
Machinery and equipment	15,704,924	18,358,101	25,997,891	2,823,536
Lease improvements- buildings	-	70,000	-	-
Right-to-use leased assets	2,794,448	399,221	93,035	436,827
Software	792,317	332,185	438,631	9,934
Less accumulated depreciation and amortization	(83,460,675)	(136,077,518)	(36,636,399)	(16,388,703)
Total capital assets	276,771,416	73,325,631	22,986,946	11,109,577
Total noncurrent assets	279,000,940	73,325,631	23,028,340	11,210,889
Total assets	323,728,203	100,338,862	47,883,571	11,654,756
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding of debt	236,020	-	3,932	98,864
Deferred outflows related to OPEB	645,685	364,232	502,199	133,061
Deferred outflows related to pensions	9,908,380	5,529,412	6,288,797	1,955,302
Total deferred outflows of resources	10,790,085	5,893,644	6,794,928	2,187,227

(Continued)

City of Santa Cruz
Statement of Net Position (Continued)
Proprietary Funds
June 30, 2023

	Business-type Activities		Governmental Activities Internal Service Funds
	Non-Major Storm Water	Total	
ASSETS			
Current assets:			
Cash and investments	\$ 826,417	\$ 84,292,581	\$ 13,161,685
Restricted cash and investments	241	241	-
Accounts receivable - net	1,500	12,834,331	87,994
Taxes receivable	38,102	42,391	-
Grants receivable	67,068	436,662	-
Interest receivable	3,449	169,070	23,993
Leases receivable	-	167,125	-
Notes and loans receivable	-	-	-
Prepaid items	-	3,968	-
Inventories	-	-	102,452
Deposits	-	30,000	4,922,068
Due from other funds	-	-	2,016,294
Total current assets	936,777	97,976,369	20,314,486
Noncurrent assets:			
Restricted cash and investments	-	1,322,805	-
Leases receivable	-	-	-
Notes and loans receivable	-	1,049,425	-
Advances to other funds	-	-	7,844,531
Capital assets:			
Land	-	2,662,704	-
Construction in progress	2,375,500	155,240,657	-
Land improvements	858,956	12,661,662	-
Infrastructure	23,508,005	273,791,077	-
Buildings	-	170,892,176	-
Machinery and equipment	61,226	62,945,678	3,821,883
Lease improvements- buildings	-	70,000	-
Right-to-use leased assets	-	3,723,531	206,301
Software	-	1,573,067	76,232
Less accumulated depreciation and amortization	(16,930,747)	(289,494,042)	(2,736,094)
Total capital assets	9,872,940	394,066,510	1,368,322
Total noncurrent assets	9,872,940	396,438,740	9,212,853
Total assets	10,809,717	494,415,109	29,527,339
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding of debt	152,908	491,724	-
Deferred outflows related to OPEB	4,905	1,650,082	96,270
Deferred outflows related to pensions	140,964	23,822,855	1,205,012
Total deferred outflows of resources	298,777	25,964,661	1,301,282

(Continued)

City of Santa Cruz
Statement of Net Position (Continued)
Proprietary Funds
June 30, 2023

	Business-type Activities			
	Major Funds			
	Water	Wastewater	Refuse	Parking
LIABILITIES				
Current liabilities:				
Accounts payable and other current liabilities	12,161,246	1,194,267	812,925	133,461
Interest payable	1,724,510	36,683	2,079	12,577
Unearned revenue	648,367	-	-	-
Deposits payable	56,733	-	1,500	14,587
Due to other funds	-	-	-	-
Claims and judgments - due within one year	-	-	-	-
Compensated absences - due within one year	634,708	272,108	326,834	95,749
Long-term debt - due within one year	31,852,845	84,805	18,045	1,943,596
Total current liabilities	47,078,409	1,587,863	1,161,383	2,199,970
Noncurrent liabilities:				
Claims and judgments - due in more than one year	-	-	-	-
Compensated absences - due in more than one year	317,354	136,054	163,417	47,875
Long-term debt - due in more than one year	141,635,637	3,562,174	206,507	292,818
Landfill closure and postclosure costs	-	-	10,388,632	-
Net OPEB liability	3,957,569	2,232,477	3,078,112	815,571
Net pension liability	27,198,555	15,178,267	17,262,781	5,367,315
Total noncurrent liabilities	173,109,115	21,108,972	31,099,449	6,523,579
Total liabilities	220,187,524	22,696,835	32,260,832	8,723,549
DEFERRED INFLOWS OF RESOURCES				
Related to leases	-	-	184,236	-
Related to OPEB	1,473,358	831,125	1,145,945	303,627
Total deferred inflows of resources	1,473,358	831,125	1,330,181	303,627
NET POSITION				
Net investment in capital assets	103,282,934	69,678,652	22,762,394	8,873,163
Unrestricted (deficit)	9,574,472	13,025,894	(1,674,908)	(4,058,356)
Total net position	\$ 112,857,406	\$ 82,704,546	\$ 21,087,486	\$ 4,814,807

(Continued)

City of Santa Cruz
Statement of Net Position (Continued)
Proprietary Funds
June 30, 2023

	Business-type Activities		Governmental Activities Internal Service Funds
	Non-Major Storm Water	Total	
LIABILITIES			
Current liabilities:			
Accounts payable and other current liabilities	391,092	14,692,991	1,242,280
Interest payable	13,609	1,789,458	919
Unearned revenue	-	648,367	-
Deposits payable	-	72,820	90
Due to other funds	-	-	2,016,294
Claims and judgments - due within one year	-	-	5,113,675
Compensated absences - due within one year	-	1,329,399	18,740
Long-term debt - due within one year	2,031,566	35,930,857	50,368
Total current liabilities	2,436,267	54,463,892	8,442,366
Noncurrent liabilities:			
Claims and judgments - due in more than one year	-	-	13,448,965
Compensated absences - due in more than one year	-	664,700	9,370
Long-term debt - due in more than one year	-	145,697,136	114,393
Landfill closure and postclosure costs	-	10,388,632	-
Net OPEB liability	30,067	10,113,796	590,066
Net pension liability	386,946	65,393,864	3,307,764
Total noncurrent liabilities	417,013	232,258,128	17,470,558
Total liabilities	2,853,280	286,722,020	25,912,924
DEFERRED INFLOWS OF RESOURCES			
Related to leases	-	184,236	-
Related to OPEB	11,194	3,765,249	219,675
Total deferred inflows of resources	11,194	3,949,485	219,675
NET POSITION			
Net investment in capital assets	7,841,374	212,438,517	1,203,561
Unrestricted (deficit)	402,646	17,269,748	3,492,461
Total net position	\$ 8,244,020	\$ 229,708,265	\$ 4,696,022

(Concluded)

City of Santa Cruz
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2023

	Business-type Activities			
	Water	Wastewater	Refuse	Parking
OPERATING REVENUES:				
Charges for services	\$ 41,344,448	\$ 25,245,183	\$ 22,676,166	\$ 4,480,080
Rental revenues	6,600	-	-	123,988
Other revenues	550,354	-	173,048	45,553
Total operating revenues	41,901,402	25,245,183	22,849,214	4,649,621
OPERATING EXPENSES:				
Personnel services	15,820,873	9,328,685	12,193,655	3,419,188
Services, supplies, and other charges	14,254,039	16,804,287	10,767,954	2,166,465
Depreciation/amortization	4,739,598	4,930,779	2,294,471	800,881
Total operating expenses	34,814,510	31,063,751	25,256,080	6,386,534
OPERATING INCOME (LOSS)	7,086,892	(5,818,568)	(2,406,866)	(1,736,913)
NONOPERATING REVENUES (EXPENSES):				
Intergovernmental	971,148	2,013,451	349,037	288,972
Investment earnings	573,017	130,252	260,893	39,881
Interest expense and fiscal charges	(4,297,265)	(112,464)	(30,169)	(71,386)
Miscellaneous	-	-	-	(2,176)
Gain (loss) on sale of capital assets	8,494	4,255	32,738	-
Total nonoperating revenues (expenses)	(2,744,606)	2,035,494	612,499	255,291
INCOME (LOSS) BEFORE TRANSFERS	4,342,286	(3,783,074)	(1,794,367)	(1,481,622)
TRANSFERS:				
Transfers in	-	-	10,000	36,921
Transfers out	(84,890)	(66,509)	(32,249)	(15,430)
Total transfers	(84,890)	(66,509)	(22,249)	21,491
Changes in net position	4,257,396	(3,849,583)	(1,816,616)	(1,460,131)
NET POSITION:				
Beginning of year	108,600,010	86,554,129	22,904,102	6,274,938
End of year	<u>\$ 112,857,406</u>	<u>\$ 82,704,546</u>	<u>\$ 21,087,486</u>	<u>\$ 4,814,807</u>

(Continued)

City of Santa Cruz
Statement of Revenues, Expenses, and Changes in Net Position (Continued)
Proprietary Funds
For the Year Ended June 30, 2023

	Business-type Activities		Governmental
	Non-Major Storm Water	Total Enterprise Funds	Activities Internal Service Funds
OPERATING REVENUES:			
Charges for services	\$ 911,163	\$ 94,657,040	\$ 31,010,949
Rental revenues	-	130,588	-
Other revenues	4,500	773,455	42,031
Total operating revenues	<u>915,663</u>	<u>95,561,083</u>	<u>31,052,980</u>
OPERATING EXPENSES:			
Personnel services	219,740	40,982,141	2,311,349
Services, supplies, and other charges	1,460,720	45,453,465	32,077,292
Depreciation/amortization	800,425	13,566,154	455,207
Total operating expenses	<u>2,480,885</u>	<u>100,001,760</u>	<u>34,843,848</u>
OPERATING INCOME (LOSS)	<u>(1,565,222)</u>	<u>(4,440,677)</u>	<u>(3,790,868)</u>
NONOPERATING REVENUES (EXPENSES):			
Intergovernmental	651,676	4,274,284	-
Investment earnings	40,378	1,044,421	322,956
Interest expense and fiscal charges	(84,650)	(4,595,934)	(1,739)
Miscellaneous	-	(2,176)	-
Gain (loss) on sale of capital assets	-	45,487	16,492
Total nonoperating revenues (expenses)	<u>607,404</u>	<u>766,082</u>	<u>337,709</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(957,818)</u>	<u>(3,674,595)</u>	<u>(3,453,159)</u>
TRANSFERS:			
Transfers in	-	46,921	2,316,906
Transfers out	(780,718)	(979,796)	(164,376)
Total transfers	<u>(780,718)</u>	<u>(932,875)</u>	<u>2,152,530</u>
Changes in net position	<u>(1,738,536)</u>	<u>(4,607,470)</u>	<u>(1,300,629)</u>
NET POSITION:			
Beginning of year	<u>9,982,556</u>	<u>234,315,735</u>	<u>5,996,651</u>
End of year	<u>\$ 8,244,020</u>	<u>\$ 229,708,265</u>	<u>\$ 4,696,022</u>

(Concluded)

City of Santa Cruz
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2023

	Business-type Activities			
	Water	Wastewater	Refuse	Parking
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers and users	\$ 41,764,206	\$ 27,282,817	\$ 22,582,971	\$ 4,302,463
Cash payments to suppliers for goods and services	(14,276,722)	(16,790,549)	(11,501,774)	(2,336,179)
Cash payments for employee services and pensions	(15,109,350)	(9,160,486)	(11,302,802)	(3,500,180)
Cash received from others	550,354	-	173,048	45,553
Net cash provided by (used in) operating activities	12,928,488	1,331,782	(48,557)	(1,488,343)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers from other funds	-	-	10,000	36,921
Transfers to other funds	(84,890)	(66,509)	(32,249)	(15,430)
Receipts/(payments) to others	-	-	-	(2,176)
Receipts from other governments	755,743	2,013,451	261,324	363,540
Net cash provided by (used in) noncapital financing activities	670,853	1,946,942	239,075	382,855
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	(49,049,255)	(872,653)	(2,961,080)	(6,956)
Proceeds from sale of capital assets	8,494	4,255	32,738	-
Proceeds from debt issuance	33,518,576	-	1,172,877	-
Principal paid on capital debt	(4,505,297)	(414,569)	(296,850)	(416,052)
Interest paid on debt	(3,799,861)	(101,247)	(17,515)	(53,957)
Net cash (used in) capital and related financing activities	(23,827,343)	(1,384,214)	(2,069,830)	(476,965)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income (loss)	678,953	114,123	247,364	43,003
Net cash provided by investing activities	678,953	114,123	247,364	43,003
Net change in cash and cash equivalents	(9,549,049)	2,008,633	(1,631,948)	(1,539,450)
CASH AND CASH EQUIVALENTS:				
Beginning of year	49,180,292	21,179,487	23,345,314	1,795,690
End of year	<u>\$ 39,631,243</u>	<u>\$ 23,188,120</u>	<u>\$ 21,713,366</u>	<u>\$ 256,240</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating income (loss)	\$ 7,086,892	\$ (5,818,568)	\$ (2,406,866)	\$ (1,736,913)
Adjustments to reconcile operating (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	4,739,598	4,930,779	2,294,471	800,881
Changes in operating assets and liabilities, and deferred outflows and inflows of resources:				
Accounts receivable, net	536,602	2,213,353	(72,211)	(247,304)
Leases receivable	-	-	166,601	79,556
Prepaid items	471	-	-	-
Inventories	-	-	-	-
Deposits	-	-	-	-
Pension-related deferred outflows	(6,268,140)	(3,468,869)	(4,105,621)	(1,263,076)
OPEB-related deferred outflows	(44,559)	(11,752)	10,954	41,293
Accounts payable and other current liabilities	(23,154)	13,738	(733,820)	(169,714)
Unearned revenue	(127,532)	-	(29,140)	-
Deposits payable	4,088	(175,719)	(528)	(57,590)
Claims and judgments payable	-	-	-	-
Compensated absences payable	(21,522)	(14,637)	52,199	(4,715)
Net pension liability	15,127,501	8,345,494	10,023,359	3,071,889
Total OPEB liability	(311,371)	(270,685)	(566,082)	(422,614)
Pension-related deferred inflows	(8,747,076)	(4,951,248)	(5,245,919)	(1,663,340)
OPEB-related deferred inflows	976,690	539,896	721,963	159,571
Leases-related deferred inflows	-	-	(157,917)	(76,267)
Total adjustments	5,841,596	7,150,350	2,358,309	248,570
Net cash provided by (used in) operating activities	\$ 12,928,488	\$ 1,331,782	\$ (48,557)	\$ (1,488,343)

(Continued)

City of Santa Cruz
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2023

	Business-type Activities		Governmental
	Non-Major Storm Water	Total Enterprise Funds	Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers and users	\$ 910,663	\$ 96,843,120	\$ 30,944,476
Cash payments to suppliers for goods and services	(1,459,659)	(46,364,883)	(31,533,914)
Cash payments for employee services and pensions	(211,517)	(39,284,335)	(2,381,648)
Cash received from others	4,500	773,455	42,031
Net cash provided by (used in) operating activities	(756,013)	11,967,357	(2,929,055)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers from other funds	-	46,921	2,316,906
Transfers to other funds	(780,718)	(979,796)	(164,376)
Receipts/(payments) to others	-	(2,176)	-
Receipts from other governments	599,280	3,993,338	-
Net cash provided by (used in) noncapital financing activities	(181,438)	3,058,287	2,152,530
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(190,021)	(53,079,965)	(310,529)
Proceeds from sale of capital assets	-	45,487	16,492
Proceeds from debt issuance	-	34,691,453	-
Principal paid on capital debt	(342,203)	(5,974,971)	45,422
Interest paid on debt	(57,225)	(4,029,805)	(520)
Net cash (used in) capital and related financing activities	(589,449)	(28,347,801)	(249,135)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income (loss)	39,709	1,123,152	319,150
Net cash provided by investing activities	39,709	1,123,152	319,150
Net change in cash and cash equivalents	(1,487,191)	(12,199,005)	(706,510)
CASH AND CASH EQUIVALENTS:			
Beginning of year	2,313,849	97,814,632	13,868,195
End of year	<u>\$ 826,658</u>	<u>\$ 85,615,627</u>	<u>\$ 13,161,685</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Operating income (loss)	\$ (1,565,222)	\$ (4,440,677)	\$ (3,790,868)
Adjustments to reconcile operating (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	800,425	13,566,154	455,207
Changes in operating assets and liabilities, and deferred outflows and inflows of resources:			
Accounts receivable, net	(500)	2,429,940	(66,473)
Leases receivable	-	246,157	-
Prepaid items	-	471	-
Inventories	-	-	(28,360)
Deposits	-	-	(437,786)
Pension-related deferred outflows	(82,875)	(15,188,581)	(758,049)
OPEB-related deferred outflows	(4,905)	(8,969)	17,119
Accounts payable and other current liabilities	1,061	(911,889)	(231,918)
Unearned revenue	-	(156,672)	-
Deposits payable	-	(229,749)	-
Claims and judgments payable	-	-	1,241,442
Compensated absences payable	-	11,325	8,172
Net pension liability	194,323	36,762,566	1,825,636
Total OPEB liability	30,067	(1,540,685)	(215,171)
Pension-related deferred inflows	(139,581)	(20,747,164)	(1,073,997)
OPEB-related deferred inflows	11,194	2,409,314	125,991
Leases-related deferred inflows	-	(234,184)	-
Total adjustments	809,209	16,408,034	861,813
Net cash provided by (used in) operating activities	\$ (756,013)	\$ 11,967,357	\$ (2,929,055)

(Concluded)

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Fiduciary Funds 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.

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City of Santa Cruz
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2023

	Custodial Funds	Private Purpose Trust Funds	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 10,100,522	\$ 14,729,026	\$ 24,829,548
Restricted cash and equivalents	-	1,870,377	1,870,377
Accounts receivable	1,055,107	10,093	1,065,200
Taxes receivable	801,417	-	801,417
Grants receivable	43,160	-	43,160
Notes receivable	-	11,811	11,811
Interest receivable	22,746	27,399	50,145
Non-current assets:			
Notes receivable	-	270,241	270,241
Nondepreciable capital assets	-	902,621	902,621
Depreciable capital assets	-	6,245,636	6,245,636
Total assets	12,022,952	24,067,204	36,090,156
LIABILITIES			
Current liabilities:			
Accounts payable and other current liabilities	534,429	-	534,429
Interest payable	11,305	55,573	66,878
Non-current liabilities:			
Bonds, notes, loans and leases payable - due in one year	-	1,045,000	1,045,000
Bonds, notes, loans and leases payable - due in more than one year	-	3,070,000	3,070,000
Total liabilities	545,734	4,170,573	4,716,307
NET POSITION			
Restricted for:			
Held in trust for Library programs	-	579,532	579,532
Held in trust for dissolution of RDA	-	19,317,099	19,317,099
Other governments, individuals and organizations	11,477,218	-	11,477,218
Total net position	\$ 11,477,218	\$ 19,896,631	\$ 31,373,849

City of Santa Cruz
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2023

	Custodial Funds	Private Purpose Trust Funds	Total
ADDITIONS:			
Taxes	\$ 10,572,557	\$ 2,028,779	\$ 12,601,336
Use of money and property	75,439	198,167	273,606
Member and private contributions	8,149,614	-	8,149,614
Miscellaneous	54,286	-	54,286
Other payments received	220,707	-	220,707
Total additions	19,072,603	2,226,946	21,299,549
DEDUCTIONS:			
Library programs	13,663,937	4,555	13,668,492
Interest expense	-	241,574	241,574
Contractual services	3,683,071	86,989	3,770,060
Depreciation/amortization expense	-	353,795	353,795
Miscellaneous	428,780	657,368	1,086,148
Total deductions	17,775,788	1,344,281	19,120,069
Change in net position	1,296,815	882,665	2,179,480
NET POSITION:			
Beginning of year	10,180,403	19,013,966	29,194,369
End of year	\$ 11,477,218	\$ 19,896,631	\$ 31,373,849

NOTES TO THE BASIC FINANCIAL STATEMENTS

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City of Santa Cruz
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For the Year Ended June 30, 2023

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City of Santa Cruz
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City of Santa Cruz
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

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

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

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

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

B. Fiduciary Activities

The City presents its fiduciary activity information for assessing its accountability and financial reporting in their role as fiduciaries. The definition of a “fiduciary” is:

- The organization acts on behalf of another person or persons to manage assets;
- Fiduciary responsibility refers to the obligation that one party has in relationship with another one to act entirely on the other party’s behalf and best interest. It is considered to be the standard of the highest care.

City of Santa Cruz
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Fiduciary Activities (Continued)

Included within the reporting entity as fiduciary activities is the following:

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.

C. 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.

City of Santa Cruz
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting and Measurement Focus (Continued)

Government-Wide Financial Statements (Continued)

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 presents 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 liabilities, 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.

City of Santa Cruz
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting and Measurement Focus (Continued)

Governmental Fund Financial Statements (Continued)

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 fund 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. The Internal Service Funds of the City include the Equipment Operations and the 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.

City of Santa Cruz
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

D. 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.

E. 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.

For purposes of the statement of cash flows, all highly liquid temporary investments purchased with a maturity of three months or less are considered cash equivalents.

The City participates in an investment pool managed by the State of California titled Local Agency Investment Fund ("LAIF"), which has invested a portion of the pool funds in structured notes and asset-backed securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these structured notes and asset-backed securities are subject to market risk and to change in interest rates. The reported value of the pool is the same as the fair value of the pool shares.

Certain disclosure requirements, if applicable for deposit and investment risk, are specified for the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentration of Credit Risk
- Foreign Currency Risk

City of Santa Cruz
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

E. Cash, Cash Equivalents, and Investments (Continued)

GASB Statement No. 72, *Fair Value Measurement and Application*, defined fair value, established a framework for measuring fair value and established disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the Statements of Net Position, are categorized based upon the level of judgement associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1 – Inputs are unadjusted, quoted prices for identical assets and liabilities in active markets at the measurement date.

Level 2 – Inputs, other than quoted prices included in Level 1, that are observable for the asset or liability through corroboration with market data at the measurement date.

Level 3 – Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

F. 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.

G. 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.

H. 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.

I. Interfund Transactions

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

City of Santa Cruz
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

J. 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:

<u>Asset Type</u>	<u>Threshold</u>
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:

<u>Asset Type</u>	<u>Years</u>
Land Improvements	20
Buildings and Lease Improvements	15-50
Water Tanks and Water Mains	30-50
Underground Sewer Lines	50
Other Infrastructure	5-100
Leased buildings	5-50
Machinery and Equipment (including leases)	5-20
Software (if qualified)	5

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

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

City of Santa Cruz
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

J. Capital Assets (Continued)

Fund Financial Statements

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

K. Leases

Lessee: The City has a policy to recognize a lease liability and a right-to-use lease asset (lease asset) in our financial statements with an initial, individual value of \$5,000 or more with a lease term greater than one year. Variable payments based on future performance or usage of the underlying assets are not included in the measurement of the lease liability.

At the commencement of a lease, the lease liability is measured 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.

Lease assets are recorded at the amount of the initial measurement of the lease liabilities and modified by any lease payments made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term along with any initial direct costs that are ancillary charges necessary to place the lease assets into service. Lease assets are amortized using the straight-line method over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that the City has determined is reasonably certain of being exercised. In this case, the lease asset is amortized over the useful life of the underlying asset.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease, plus any option periods that are reasonably certain to be exercised.
- Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise. The City monitors changes in circumstances that would require a remeasurement of a lease and will remeasure any lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported as right-to-use along with other capital assets and lease liabilities are reported as long-term debt on the statement of net position.

City of Santa Cruz
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

K. Leases (Continued)

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.

L. Subscription-Based Information Technology Arrangements (SBITAs)

The City has a policy to recognize a SBITA liability and a right-to-use subscription asset (SBITA asset) in our financial statements with an initial, individual value of \$5,000 or more with a subscription term greater than one year.

At the commencement of a subscription, when the subscription asset is placed into service, the SBITA liability is measured at the present value of payments expected to be made during the subscription term. Future subscription payments are discounted using the City's incremental borrowing rate and the City recognizes amortization of the discount on the subscription liability as interest expense in subsequent financial reporting periods.

SBITA assets are measured as the sum of the initial subscription liability, payments made to the SBITA vendor before the commencement of the lease term, and capitalizable implementation costs less any incentives received from the SBITA vendor at or before the commencement of the subscription term. Subscription assets are amortized using the straight-line method over the subscription term.

Key estimates and judgments related to SBITAs include how the City determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The City uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.
- The subscription term includes the period during which the City has a noncancelable right to use the underlying IT asset. The subscription term also includes periods covered by an option to extend if it is reasonably certain to be exercised.
- Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option years that the City is reasonably certain to exercise. The City monitors changes in circumstances that would require a remeasurement of a subscription and will remeasure any subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

City of Santa Cruz
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

L. Subscription-Based Information Technology Arrangements (SBITAs) (Continued)

Right-to-use subscription assets are reported along with other capital assets and subscription liabilities are reported as long-term debt on the statement of net position.

M. 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.

N. 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, other postemployment liabilities, and leases.

O. 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.

City of Santa Cruz
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

P. 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.

Q. 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.

R. Pensions

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

Key dates related to the measurement of the net pension liability are as follows:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 - June 30, 2022

S. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability and deferred outflows of resources/deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's OPEB plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the City's actuaries. For this purpose, benefit payments recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. OPEB liabilities will be paid by the fund for which the employee worked.

Key dates related to the measurement of the net OPEB liability are as follows:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 - June 30, 2022

City of Santa Cruz
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

T. Net Position

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

Net Investment in Capital Assets – This component of net position consists of capital assets net of accumulated depreciation/amortization and reduced by outstanding debt and deferred outflows and inflows of resources that are attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position – This component of net position consists of restricted assets reduced by liabilities and deferred outflows/inflows of resources related to those assets. Restrictions are placed by external creditors, grantors, contributors, and/or laws or regulations of other governments.

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

U. 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.

City of Santa Cruz
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

U. Fund Balances (Continued)

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.

V. 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.

W. 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.

X. Implementation of New GASB Pronouncements

GASB Statement No. 91 - In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Implementation of this Statement did not have a significant effect on the City's financial statements for the fiscal year ended June 30, 2023.

GASB Statement No. 94 - In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Implementation of this statement did not have a significant effect on the City's financial statements for the fiscal year ended June 30, 2023.

City of Santa Cruz
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

X. Implementation of New GASB Pronouncements (Continued)

GASB Statement No. 96 - In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Implementation of this Statement had a moderate effect on the City's financial statements for the fiscal year ended June 30, 2023.

GASB Statement No. 99 - In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. Implementation of this Statement did not have a significant effect on the City's financial statements for the fiscal year ended June 30, 2023.

Y. Upcoming GASB Pronouncements

In the next two years, the City will implement the following GASB Pronouncements:

GASB Statement No. 100 – In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Application of this statement is effective for the City's fiscal year ending June 30, 2024.

GASB Statement No. 101 – In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Application of this statement is effective for the City's fiscal year ending June 30, 2025.

City of Santa Cruz
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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, consisted of the following at June 30, 2023:

	Government-Wide Statement of Net Position			Statement of Fiduciary	
	Governmental Activities	Business-Type Activities	Total	Net Position	Total
Unrestricted assets:					
Cash and investments	\$ 78,013,240	\$ 84,292,581	\$ 162,305,821	\$ 24,829,548	\$ 187,135,369
Total unrestricted assets	78,013,240	84,292,581	162,305,821	24,829,548	187,135,369
Restricted assets:					
Cash and cash equivalents	14,815,891	241	14,816,132	-	14,816,132
Cash and investments with fiscal agents	-	1,322,805	1,322,805	1,870,377	3,193,182
Total restricted assets	14,815,891	1,323,046	16,138,937	1,870,377	18,009,314
Total cash and investments	\$ 92,829,131	\$ 85,615,627	\$ 178,444,758	\$ 26,699,925	\$ 205,144,683

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, 2023:

Unrestricted cash and deposits:	
Pooled cash deposits	\$ 2,931,161
Other deposits and cash held by city	92,695
Total cash and deposits	<u>3,023,856</u>
Unrestricted investments:	
Certificates of deposit	308,992
Money market mutual funds available for debt service	1,472
Federal agency securities	67,362,883
U.S. Treasuries	11,779,110
State local agency investment fund (LAIF)	106,816,023
Total unrestricted investments	<u>186,268,480</u>
Restricted investments:	
Money market held by fiscal agents	2,598,115
Mutual funds	13,254,232
Total restricted investments	<u>15,852,347</u>
Total cash, cash equivalents, and investments	<u>\$ 205,144,683</u>

A. Cash Deposits

As of June 30, 2023, the carrying amount of demand deposits was \$2,931,161 and the bank balance was \$5,797,211, of which the total amount was collateralized or insured with securities held by the pledging financial institutions in the City's name as discussed below.

City of Santa Cruz
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 2 – Cash Deposits and Investments (Continued)

A. Cash Deposits (Continued)

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, 2023, the balances of these certificates of deposit were: Comerica Bank \$101,211, Santa Cruz County Bank, \$102,439, and Santa Cruz County Bank \$105,342.

B. Investments

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

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

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

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.

City of Santa Cruz
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 2 – Cash Deposits and Investments (Continued)

B. Investments (Continued)

- 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's investments with Local Agency Investment Fund ("LAIF") include a portion of the pool funds invested in structured notes and asset-backed securities. These investments include the following:

- Structured Notes – debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options. They are issued by corporations and by government-sponsored enterprises.
- Asset-Backed Securities – entitle their purchaser to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMO's), small business loans or credit card receivables.

LAIF is overseen by the Local Investment Advisory Board, which consists of five members, in accordance with State statute. The fair value of the City's position in the pool is the same as the value of the pool shares. As of June 30, 2023, the City had \$106,816,023 invested in LAIF, which had invested 2.78% of the pool investment funds in structured notes and asset-backed securities.

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

City of Santa Cruz
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 2 – Cash Deposits and Investments (Continued)

B. Investments (Continued)

The City has the following recurring fair value measurements as of June 30, 2023:

Investment Type	Amount	Level 1	Level 2	Level 3	Not Subject to Fair Value or Uncategorized
Certificates of Deposit	\$ 308,992	\$ -	\$ -	\$ -	\$ 308,992
Federal Agency Securities	67,362,883	-	67,362,883	-	-
U.S. Treasuries	11,779,110	-	11,779,110	-	-
LAIF	106,816,023	-	-	-	106,816,023
Money Market	2,599,587	-	-	-	2,599,587
Mutual Funds	13,254,232	-	13,254,232	-	-
Cash and Deposits	3,023,856	-	-	-	3,023,856
Total	<u>\$ 205,144,683</u>	<u>\$ -</u>	<u>\$ 92,396,225</u>	<u>\$ -</u>	<u>\$ 112,748,458</u>

Debt and equity securities classified in Level 2 are valued using the following approaches:

- U.S. Treasury Obligations, Federal Agency Securities: quoted prices for identical securities in markets that are not active;
- Mutual Funds: quoted prices for similar securities in active markets.

C. Risk Disclosures

Interest Rate Risk - In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to two and one-half (2½) years or less. The City is in compliance with this provision of the investment policy with a weighted average maturity of 111 days at June 30, 2023. At June 30, 2023, 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 Agency Securities	\$ 67,362,883	\$ -	\$ 49,750,955	\$ 6,813,270	\$ 8,836,338	\$ 1,962,320	\$ -
U.S. Treasuries	11,779,110	-	9,803,250	1,975,860	-	-	-
Certificates of Deposit	308,992	-	100,367	-	208,625	-	-
Local Agency Investment Fund	106,816,023	-	106,816,023	-	-	-	-
Money Market	2,599,587	2,599,587	-	-	-	-	-
Mutual Funds	13,254,232	13,254,232	-	-	-	-	-
Cash and Deposits	3,023,856	3,023,856	-	-	-	-	-
Total	<u>\$ 205,144,683</u>	<u>\$ 18,877,675</u>	<u>\$ 166,470,595</u>	<u>\$ 8,789,130</u>	<u>\$ 9,044,963</u>	<u>\$ 1,962,320</u>	<u>\$ -</u>

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations - Investments in callable bonds are investments that, although having clearly defined maturities, allow for the issuer to redeem or call such bonds earlier than their respective maturity dates. The investor must then replace the called bonds with investments that may have lower yield than the original bonds. As a result, the fair value of the callable bonds is highly sensitive to changes in interest rates. As of June 30, 2023, the City held \$45,833,735 in callable securities, which amounted to approximately 22% of investments at June 30, 2023. The investment policy limits the purchase of callable U.S. Agency instruments to discreet calls and those that pay 100% of the principal at the redemption date. In addition, purchases of callable U.S. Agency instruments are not to exceed 30% of the value of the portfolio. The City is in compliance with these provisions of the investment policy.

City of Santa Cruz
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 2 – Cash Deposits and Investments (Continued)

C. Risk Disclosures (Continued)

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

	<u>Moody's</u>	<u>Standard and Poor's</u>
<u>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+
<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, 2023.

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 2B. \$5,547,211 of the City’s deposits with financial institutions in excess of federal depository insurance limits was held in collateralized accounts.

City of Santa Cruz
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 3 – Notes and Loans Receivable

Government-Wide Statements

The following is a summary of notes and loans receivables net of allowances at June 30, 2023:

	Notes and Loans Receivable	Total	Amount Due Within One Year	Amount Due in More Than One Year
Governmental Funds:				
General Fund	\$ 2,223,358	\$ 2,223,358	\$ 325,152	\$ 1,898,206
RDA Successor Agency - LMIH	10,208,705	10,208,705	-	10,208,705
Other Governmental Funds	5,679,298	5,679,298	1,920	5,677,378
Total governmental funds	<u>18,111,361</u>	<u>18,111,361</u>	<u>327,072</u>	<u>17,784,289</u>
Proprietary Funds:				
Water	1,049,425	1,049,425	-	1,049,425
Total proprietary funds	<u>1,049,425</u>	<u>1,049,425</u>	<u>-</u>	<u>1,049,425</u>
Fiduciary Funds:				
Redevelopment Successor Agency Trust	282,052	282,052	11,811	270,241
Total fiduciary funds	<u>282,052</u>	<u>282,052</u>	<u>11,811</u>	<u>270,241</u>
Total notes and loans receivable	<u>\$ 19,442,838</u>	<u>\$ 19,442,838</u>	<u>\$ 338,883</u>	<u>\$ 19,103,955</u>

Fund Financial Statements

At June 30, 2023, the Fund Financial Statements show the following notes, loans, and intergovernmental receivables:

Notes and loans receivable in the General Fund of \$2,223,358 (net of an allowance for doubtful amounts of \$422,485) consist primarily of \$236,261 due from SC Warriors LLC for construction of a temporary arena facility and \$1,018,597 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 9/17/2023. Payments on the Solar One note are due monthly at an interest rate of 4%. The lease receivable for 350 Ocean St. is \$350,000 and 712 Water St. is \$70,072. The remaining balance is made up of a 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 \$54,533; a note to First Night Santa Cruz for \$20,000; Harvey West Assessment District notes in the amount of \$100,141 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 \$475,704 and various other notes in the amount of \$242,350.

Notes and loans receivable in the City's RDA Successor Agency – LMIH fund of \$10,208,705 (net of an allowance for uncollectible amounts of \$311,448), 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 \$5,679,298 (net of an allowance for uncollectible amounts of \$12,475,694) 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.

City of Santa Cruz
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 3 – Notes and Loans Receivable

Fund Financial Statements (Continued)

Notes and loans 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.

Fiduciary Activities

At June 30, 2023, loans receivable consisted of \$282,052 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.

Note 4 – Leases Receivable

The City leases various types of property including land and buildings and easements. Leases receivable consist of agreements with others for the right-to-use of the underlying assets at various locations owned by the City. The remaining terms of the agreements range from 1 to 45 years. The calculated interest rates used vary depending on the length of the lease.

The City acts as the lessor for the use of land and buildings leases varying from 14 months to 67 years. During the fiscal year the City did not enter into any new long-term leases acting as the lessor for the use of land and buildings. The current leases have interest rates varying from 0.1850% to 1.7050% not including those leases adjusted for Consumer Price Index (CPI) adjustments. 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%.

For the fiscal year ended June 30, 2023, the City recognized \$1,423,678 in lease revenue and \$343,741 in interest revenue, and the outstanding receivable amount is \$21,072,217.

A summary of changes in leases receivable for the governmental activities for the fiscal year ended June 30, 2023 is as follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Classification	
					Due within One Year	Due in More Than One Year
Leases receivable	\$ 20,509,174	\$ 2,053,125	\$ (1,490,082)	\$ 21,072,217	\$ 1,103,856	\$ 19,968,361
Total	\$ 20,509,174	\$ 2,053,125	\$ (1,490,082)	\$ 21,072,217	\$ 1,103,856	\$ 19,968,361

City of Santa Cruz
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 4 – Leases Receivable (Continued)

As of June 30, 2023, the required payments for these leases, including interest, are:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 1,103,856	\$ 328,012	\$ 1,431,868
2025	1,074,193	311,664	1,385,857
2026	1,095,218	295,113	1,390,331
2027	1,121,606	278,233	1,399,839
2028	1,147,955	260,964	1,408,919
2029-2033	5,559,713	1,038,825	6,598,538
2034-2038	5,257,241	614,404	5,871,645
2039-2043	2,343,646	300,510	2,644,156
2044-2048	1,423,517	126,409	1,549,926
2049-2053	774,961	46,866	821,827
2054-2058	170,311	6,490	176,801
Total	\$ 21,072,217	\$ 3,607,490	\$ 24,679,707

As of June 30, 2023, the amounts reported as deferred inflows of resources will be recognized as lease revenue as follows:

Year Ending June 30,	Amortization Schedule
2024	\$ 1,189,890
2025	993,757
2026	956,342
2027	956,342
2028	956,342
2029-2033	4,278,891
2034-2038	3,381,164
2039-2043	2,564,398
2044-2048	1,607,367
2049-2053	947,872
2054-2058	608,796
2059-2063	476,847
2064-2068	476,847
2069-2073	476,847
2074-2078	476,847
2079-2083	476,847
2084-2088	261,713
Total	\$ 21,087,109

A summary of changes in leases receivable for the business-type activities for the fiscal year ended June 30, 2023 is as follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Classification	
					Due within One Year	Due in More Than One Year
Leases receivable	\$ 413,282	\$ -	\$ (246,157)	\$ 167,125	\$ 167,125	\$ -
Total	\$ 413,282	\$ -	\$ (246,157)	\$ 167,125	\$ 167,125	\$ -

City of Santa Cruz
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 4 – Leases Receivable (Continued)

As of June 30, 2023, the required payments for these leases, including interest, are:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 167,125	\$ 526	\$ 167,651
Total	\$ 167,125	\$ 526	\$ 167,651

As of June 30, 2023, the amounts reported as deferred inflows of resources will be recognized as lease revenue as follows:

Year Ending June 30,	Amortization Schedule
2024	\$ 184,236
Total	\$ 184,236

Note 5 – Deposits

The City had the following deposits at June 30, 2023:

Governmental Activities:	
Housing programs	\$ 70,659
Mailing house	12,100
Economic development	457,189
Workers' compensation	230,000
Liability insurance	4,692,068
Total governmental activities	5,462,016
Business-type Activities:	
Parking	30,000
Total business-type activities	30,000
Total deposits	\$ 5,492,016

A. Governmental Activities

Deposits in the City’s governmental funds total \$5,462,016 at June 30, 2023. A deposit in the amount of \$70,000 was established with the Santa Cruz Community Credit Union (“SCCCU”) for the purpose of maintaining an Accessory Dwelling Unit Loan Program. The deposit has accumulated interest of \$659 for a total deposit at June 30, 2023 of \$70,659. 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. As of June 30, 2023, SCCCUC has collected back \$443,967 in loan principal receipts and \$11,722 in interest and late fees, less processing fees for a total deposit of \$457,189. 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, 2023 the City had a deposit in the amount of \$4,692,068 with ACCEL.

B. Business-type Activities

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

City of Santa Cruz
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 6 – Interfund Balances and Transfers

A. Government-Wide Financial Statements

Transfers

The City had \$932,875 of net transfers between the governmental activities and business-type activities for the year ending June 30, 2023.

B. Funds Financial Statements

Long-Term Advances

The City had the following long-term advances as of June 30, 2023:

		Advances to Other Funds			
		General Fund	RDA Successor Agency - LMIH	Risk Management Internal Service Fund	Total
Advances from Other Funds	General Fund	\$ -	\$ -	\$ 4,844,531	\$ 4,844,531
	General CIP	2,509,687	-	3,000,000	5,509,687
	Non-Major				
	Governmental Funds	1,800,000	500,000	-	2,300,000
	Total	\$ 4,309,687	\$ 500,000	\$ 7,844,531	\$ 12,654,218

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, 2023:

		Transfers In						
		General Fund	General Capital Improvement Fund	Non-Major Governmental Funds	Refuse Enterprise Fund	Parking Enterprise Fund	Risk Management Internal Service Fund	Total
Transfers Out	Governmental Funds:							
	General Fund	\$ -	\$ 10,463,279	\$ -	\$ 10,000	\$ 5,000	\$ 2,316,906	\$ 12,795,185
	Non-Major Governmental Funds	6,721,904	6,935,955	570,620	-	31,921	-	14,260,400
	Enterprise Funds:							
	Water	4,019	80,871	-	-	-	-	84,890
	Wastewater	30,724	35,785	-	-	-	-	66,509
	Refuse	15,267	16,982	-	-	-	-	32,249
	Parking	622	14,808	-	-	-	-	15,430
	Storm Water	-	780,718	-	-	-	-	780,718
	Internal Service Funds							
	Equipment Operations Fund	1,628	-	-	-	-	-	1,628
	Risk Management Fund	-	162,748	-	-	-	-	162,748
	Total	\$ 6,774,164	\$ 18,491,146	\$ 570,620	\$ 10,000	\$ 36,921	\$ 2,316,906	\$ 28,199,757

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.

City of Santa Cruz
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 7 – Capital Assets

A. Governmental Activities

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

Governmental Activities:	Balance July 1, 2022, as restated	Additions	Deletions	Transfers	Balance June 30, 2023
Capital assets, not being depreciated/amortized:					
Land	\$ 85,595,946	\$ -	\$ -	\$ -	\$ 85,595,946
Construction in progress	11,506,776	16,994,522	-	(1,613,921)	26,887,377
Total capital assets, not being depreciated/amortized	<u>97,102,722</u>	<u>16,994,522</u>	<u>-</u>	<u>(1,613,921)</u>	<u>112,483,323</u>
Capital assets, being depreciated/amortized:					
Land improvements	23,350,125	524,855	-	-	23,874,980
Infrastructure	236,242,266	29,996	-	-	236,272,262
Buildings	61,929,309	1,617,558	-	1,613,921	65,160,788
Machinery and equipment	25,937,878	1,885,687	(385,684)	-	27,437,881
Lease improvements	573,239	-	-	-	573,239
Right-to-use leased equipment	2,197,581	2,094,827	(60,778)	-	4,231,630
Subscriptions	1,328,203	223,688	-	-	1,551,891
Software	1,218,026	-	-	-	1,218,026
Total capital assets, being depreciated/amortized	<u>352,776,627</u>	<u>6,376,611</u>	<u>(446,462)</u>	<u>1,613,921</u>	<u>360,320,697</u>
Less accumulated depreciation/amortization:					
Land improvements	(13,838,287)	(991,668)	-	-	(14,829,955)
Infrastructure	(171,315,296)	(3,205,890)	-	-	(174,521,186)
Buildings	(27,558,746)	(1,474,872)	-	-	(29,033,618)
Machinery and equipment	(20,030,886)	(1,271,684)	385,684	-	(20,916,886)
Lease improvements	(546,593)	(64,719)	-	-	(611,312)
Right-to-use leased equipment	(533,533)	(899,636)	60,778	-	(1,372,391)
Subscriptions	-	(335,409)	-	-	(335,409)
Software	(1,211,040)	(3,501)	-	-	(1,214,541)
Total accumulated depreciation/amortization	<u>(235,034,381)</u>	<u>(8,247,379)</u>	<u>446,462</u>	<u>-</u>	<u>(242,835,298)</u>
Total capital assets, being depreciated/amortized, net	<u>117,742,246</u>	<u>(1,870,768)</u>	<u>-</u>	<u>1,613,921</u>	<u>117,485,399</u>
Total capital assets - governmental activities	<u>\$ 214,844,968</u>	<u>\$ 15,123,754</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 229,968,722</u>

Depreciation and amortization expense of the governmental activities for the year ended June 30, 2023, was \$8,247,379 and was distributed as follows:

General Government	\$ 1,483,786
Public Safety	674,747
Parks and Recreation	1,245,195
Library - City	60,819
Public Works	3,777,922
Community & Economic Development	549,703
Total depreciation/amortization expense- general government	<u>7,792,172</u>
Internal Service Funds	455,207
Total depreciation/amortization expense- governmental activities	<u>\$ 8,247,379</u>

City of Santa Cruz
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 7 – Capital Assets (Continued)

B. Business-Type Activities

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

Business-Type Activities	Balance July 1, 2022, as restated	Additions	Deletions	Transfers	Balance June 30, 2023
Capital assets, not being depreciated/amortized:					
Land	\$ 2,662,704	\$ -	\$ -	\$ -	\$ 2,662,704
Construction in progress	120,838,611	40,172,240	-	(5,770,194)	155,240,657
Total capital assets, not being depreciated/amortized	<u>123,501,315</u>	<u>40,172,240</u>	<u>-</u>	<u>(5,770,194)</u>	<u>157,903,361</u>
Capital assets, being depreciated/amortized:					
Land improvements	11,818,171	476,037	-	367,455	12,661,663
Infrastructure	266,924,376	6,389,720	(23,411)	500,393	273,791,078
Buildings	170,892,176	-	-	-	170,892,176
Machinery and equipment	55,752,177	3,532,886	(1,241,731)	4,902,346	62,945,678
Lease improvements	70,000	-	-	-	70,000
Right-to-use leased assets	1,398,584	2,324,947	-	-	3,723,531
Subscriptions	290,670	20,980	-	-	311,650
Software	1,261,417	-	-	-	1,261,417
Total capital assets, being depreciated/amortized	<u>508,407,571</u>	<u>12,744,570</u>	<u>(1,265,142)</u>	<u>5,770,194</u>	<u>525,657,193</u>
Less accumulated depreciation/amortization:					
Land improvements	(2,495,830)	(667,772)	-	-	(3,163,602)
Infrastructure	(126,066,597)	(5,057,066)	23,411	-	(131,100,252)
Buildings	(106,959,469)	(3,494,608)	-	-	(110,454,077)
Machinery and equipment	(39,933,758)	(3,824,917)	1,119,233	-	(42,639,442)
Lease improvements	(59,779)	(3,950)	-	-	(63,729)
Right-to-use leased assets	(291,920)	(392,761)	(5,017)	-	(689,698)
Subscriptions	-	(111,766)	-	-	(111,766)
Software	(1,258,164)	(13,314)	-	-	(1,271,478)
Total accumulated depreciation/amortization	<u>(277,065,517)</u>	<u>(13,566,154)</u>	<u>1,137,627</u>	<u>-</u>	<u>(289,494,044)</u>
Total capital assets, being depreciated/amortized net	<u>231,342,054</u>	<u>(821,584)</u>	<u>(127,515)</u>	<u>5,770,194</u>	<u>236,163,149</u>
Total capital assets - Business-type Activities	<u>\$ 354,843,369</u>	<u>\$ 39,350,656</u>	<u>\$ (127,515)</u>	<u>\$ -</u>	<u>\$ 394,066,510</u>

Business-type activities depreciation and amortization expense for the year ended June 30, 2023 is as follows:

Water	\$ 4,739,598
Wastewater	4,930,779
Refuse	2,294,471
Parking	800,881
Storm Water	800,425
Total depreciation/amortization expense - business-type activities	<u>\$ 13,566,154</u>

City of Santa Cruz
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 7 – Capital Assets (Continued)

C. Fiduciary Activities

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

	Balance July 1, 2022	Additions	Deletions	Transfers	Balance June 30, 2023
Capital assets, not being depreciated/amortized:					
Land - parking lot	\$ 902,621	\$ -	\$ -	\$ -	\$ 902,621
Total capital assets, not being depreciated/amortized	902,621	-	-	-	902,621
Capital assets, being depreciated/amortized:					
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
Total capital assets, being depreciated/amortized	11,084,816	-	-	-	11,084,816
Less accumulated depreciation/amortization:					
Land improvements	(242,424)	(25,411)	-	-	(267,835)
Buildings	(3,890,561)	(323,804)	-	-	(4,214,365)
Machinery and equipment	(110,025)	(1)	-	-	(110,026)
Lease improvements	(231,409)	(4,579)	-	-	(235,988)
Intangibles	(10,966)	-	-	-	(10,966)
Total accumulated depreciation/amortization	(4,485,385)	(353,795)	-	-	(4,839,180)
Total capital assets, being depreciated/amortized net	6,599,431	(353,795)	-	-	6,245,636
Total capital assets - Fiduciary Activities	\$ 7,502,052	\$ (353,795)	\$ -	\$ -	\$ 7,148,257

Depreciation/amortization expense of \$353,795 was recorded in the Redevelopment Successor Agency Trust Fund.

City of Santa Cruz
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 8 – Long-Term Debt

A. Governmental Activities

At June 30, 2023, long-term debt for governmental activities consisted of the following amounts:

Description/Purpose	Maturity	Interest Rates	Annual Principal	Original Issue Amount	Balance at June 30, 2023
<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 unamortized premium net balance	\$ 3,520,000 9,603 <u>3,529,603</u>
<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 unamortized premium net balance	4,240,000 159,748 <u>4,399,748</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 - 11/1/37	2.00% - 5.00%	\$140,000 - \$220,000	\$ 2,420,000 unamortized premium net balance	1,680,000 90,157 <u>1,770,157</u>
<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	1,284,836
<i>Public Works Loans Payable to PG&E - Direct Borrowing</i> For city-wide enhancements	various	0.00%	\$57,429 - \$62,151	various	136,371
<i>2015 I-Bank Arterial Roads Loan - Direct Borrowing</i> For City-wide road improvements	8/1/2024	2.00%	\$1,306,455 - \$1,524,530	\$ 14,130,000	3,023,134
<i>2018 California Energy Commission Loan - Direct Borrowing</i> For comprehensive energy efficiency retrofit project	12/22/2033	1.00%	\$67,344 - \$115,309	\$ 483,697	1,020,378
<i>2023 California Energy Commission Loan - Direct Borrowing</i> For comprehensive energy efficiency retrofit project	12/22/2042	1.00%	\$56,364 - \$71,679	\$ 2,424,224	2,424,224
<i>2023 Site logiQ BofA Municipal Loan - Direct Borrowing</i> For energy efficiency improvement projects	12/1/2042	3.71%	\$96,000 - \$325,000	\$ 3,721,000	3,721,000
<i>Leases Payable</i> For acquisition of right-to-use intangible assets	various	various	various	various	3,025,518
<i>Subscription Liability</i> For acquisition of right-to-use software	various	various	various	various	1,142,001
				Total long-term debt of governmental activities	<u>\$ 25,476,970</u>

Events of Default and Acceleration Clauses

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

City of Santa Cruz
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 8 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

The following table summarizes long-term debt activity for the year ended June 30, 2023:

	Balance July 1, 2022, as restated	Additions	Retirements	Balance June 30, 2023	Amount Due Within One Year	Amount Due in More Than One Year
General obligation bonds	\$ 3,905,000	\$ -	\$ (385,000)	\$ 3,520,000	\$ 410,000	\$ 3,110,000
Bond issuance premiums	11,160	-	(1,557)	9,603	-	9,603
Total general obligation bonds	3,916,160	-	(386,557)	3,529,603	410,000	3,119,603
Lease revenue bonds	6,270,000	-	(350,000)	5,920,000	360,000	5,560,000
Bond issuance premiums	271,698	-	(21,793)	249,905	-	249,905
Total lease revenue bonds	6,541,698	-	(371,793)	6,169,905	360,000	5,809,905
Notes and loans payable	7,252,736	6,145,224	(1,788,017)	11,609,943	1,825,241	9,784,702
Leases payable	1,706,680	2,066,330	(747,492)	3,025,518	761,999	2,263,519
Subscription liability	1,286,991	186,648	(331,638)	1,142,001	322,301	819,700
Total long-term debt	\$ 20,704,265	\$ 8,398,202	\$ (3,625,497)	\$ 25,476,970	\$ 3,679,541	\$ 21,797,429

As of June 30, 2023, the future debt service requirements to maturity for outstanding debt were:

Year Ending June 30,	General Obligation Bonds		Lease Revenue Bonds		Notes and Loans Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 410,000	\$ 140,946	\$ 360,000	\$ 228,788	\$ 1,825,241	\$ 277,242
2025	440,000	123,412	375,000	210,788	2,058,234	221,625
2026	465,000	104,516	390,000	197,813	530,012	192,146
2027	500,000	84,126	400,000	182,813	543,888	178,773
2028	535,000	62,133	420,000	152,313	562,444	164,861
2029-2033	1,170,000	51,851	2,165,000	495,544	2,101,923	645,511
2034-2038	-	-	1,810,000	170,444	1,903,789	424,898
2039-2043	-	-	-	-	2,084,412	355,190
	3,520,000	566,984	5,920,000	1,638,503	11,609,943	2,460,246
Unamortized premiums	9,603	-	249,905	-	-	-
	\$ 3,529,603	\$ 566,984	\$ 6,169,905	\$ 1,638,503	\$ 11,609,943	\$ 2,460,246

For Year Ending June 30,	Leases Payable		Subscription Liability		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 761,999	\$ 36,118	\$ 322,301	\$ 22,586	\$ 3,679,541	\$ 705,680
2025	862,099	28,845	300,850	15,815	4,036,183	600,485
2026	492,815	21,800	219,765	9,481	2,097,592	525,756
2027	335,629	15,644	224,213	5,033	2,003,730	466,389
2028	340,549	9,512	74,872	496	1,932,865	389,315
2029-2033	232,427	3,366	-	-	5,669,350	1,196,272
2034-2038	-	-	-	-	3,713,789	595,342
2039-2043	-	-	-	-	2,084,412	355,190
	3,025,518	115,285	1,142,001	53,411	25,217,462	4,834,429
Unamortized premiums	-	-	-	-	259,508	-
	\$ 3,025,518	\$ 115,285	\$ 1,142,001	\$ 53,411	\$ 25,476,970	\$ 4,834,429

Leases Payable

The City leases vehicles and a building in the governmental activities. 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 \$2,808,899. Leases payable outstanding at June 30, 2023 were \$3,025,518.

Subscription Liability

The City has contracted for the “right-to-use” certain subscription-based information technology software in the governmental activities. The arrangements have interest rates between 2.75% and 3.5%. The value of the right-to-use subscription assets as of the end of the current fiscal year was \$1,216,482. Subscriptions payable outstanding at June 30, 2023 were \$1,142,001.

City of Santa Cruz
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 8 – Long-Term Debt (Continued)

B. Business-Type Activities

At June 30, 2023, 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, 2023
<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 unamortized premium net balance	\$ 2,020,000 11,566 <u>\$ 2,031,566</u>
<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 unamortized premium net balance	\$ 7,275,000 4,798 <u>\$ 7,279,798</u>
<i>2019 Water Revenue Bonds</i> Issued to finance capital improvement projects for the City's water system and to repay outstanding amounts on bank loan.	3/1/20 - 3/1/49	5.00%	\$70,000 - \$1,310,000	\$ 20,925,000 unamortized premium net balance	\$ 19,800,000 4,670,535 <u>\$ 24,470,535</u>
<i>2017 Refunding 2010 Parking Lease Revenue Bonds</i> Refinanced 2010 Parking Lease Revenue Bonds	11/1/17 - 11/1/28	2.0% - 5.0%	\$235,000 - \$330,000	\$ 3,350,000 unamortized premium net balance	\$ 1,805,000 138,595 <u>\$ 1,943,595</u>
				Bonds subtotal	<u>\$ 35,725,494</u>
<i>2016 I-Bank Water Infrastructure Loan - Direct Borrowing</i> For City-wide improvements to the water system	8/1/16-8/1/46	3.24%	\$505,367 - \$1,274,087	\$ 25,000,000	\$ 21,711,316
<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	\$ 144,400
<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	\$ 5,743
<i>2020 Water CA State Water Resources Control Board Loan - Direct Borrowing</i> ¹ For the Newell Creek Inlet - Outlet Replacement Project	3/1/21 - 10/1/52	1.40%	\$1,568,454 - \$2,347,321	\$ 75,610,635	\$ 77,392,166
<i>2020 I-Bank Wastewater Loan - Direct Borrowing</i> UV Replacement Project	2/1/21 - 8/1/50	2.50%	\$79,221 - \$163,143	\$ 3,500,000	\$ 3,338,563
<i>2021 Water CA State Water Resources Control Board Loan - Direct Borrowing</i> ² For the Graham Hill Water Treatment Plant Concrete Tanks Replacement Project	4/30/21 - 4/30/54	1.40%	\$271,996 - \$407,065	\$ 21,301,501	\$ 19,519,970
<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	\$ 19,962
<i>2021 Water Fund Bank of America Loan - Direct Borrowing</i> For water related projects	6/15/21 - 6/14/24	4.50%**	n/a	n/a	\$ 16,000,000
<i>2023 Water Infrastructure and Finance Innovation Act - Direct Borrowing</i> ³ For water related projects	5/4/23 - 5/1/63	3.77%**	\$916,351 - \$3,262,562	\$ 4,641,930	\$ 4,641,930
				Notes and loans subtotal	<u>\$ 142,774,050</u>
<i>Leases Payable</i> For acquisition of right-to-use intangible assets	various	various	\$140,977 - \$711,894	various	2,923,088
<i>Subscription Liability</i> For acquisition of right-to-use software	various	various	\$72,696 - \$132,665	various	205,361
				Total long-term debt of business-type activities	<u>\$ 181,627,993</u>

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

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

³ The 2023 Water Infrastructure and Finance Innovation Act loan is drawable up to \$127,730,000.

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

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

City of Santa Cruz
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 8 – Long-Term Debt (Continued)

B. Business-Type Activities (Continued)

The following table summarizes business-type activities long-term debt activity for the year ended June 30, 2023:

	Balance July 1, 2022	PPA	Additions	Retirements	Balance June 30, 2023	Amount Due Within One Year	Amount Due in More than One Year
Revenue bonds payable	\$ 32,664,605	\$ -	\$ -	\$ (1,764,605)	\$ 30,900,000	\$ 1,475,000	\$ 29,425,000
Bond issuance premiums	5,035,632	-	-	(210,138)	4,825,494	-	4,825,494
Total bonds payable	37,700,237	-	-	(1,974,743)	35,725,494	1,475,000	34,250,494
Notes and loans payable	115,255,699	-	33,518,576	(6,000,225)	142,774,050	33,946,730	108,827,320
Leases payable	1,128,452	-	2,214,611	(419,975)	2,923,088	376,462	2,546,626
Subscription liability	-	290,670	15,980	(101,289)	205,361	132,665	72,696
Total long-term debt	\$ 154,084,388	\$ 290,670	\$ 35,749,167	\$ (8,496,232)	\$ 181,627,993	\$ 35,930,857	\$ 145,697,136

As of June 30, 2023, the future debt service requirements to maturity for outstanding debt were:

For Year Ending June 30,	Revenue Bonds		Notes and Loans Payable ¹		Leases Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 1,475,000	\$ 1,350,494	\$ 863,647	\$ 769,448	\$ 376,462	\$ 37,180
2025	1,525,000	1,297,725	719,736	745,155	496,192	33,089
2026	1,570,000	1,244,429	740,213	721,905	373,916	29,286
2027	1,625,000	1,190,638	763,545	697,981	170,465	26,528
2028	1,685,000	898,667	787,617	673,171	140,977	24,387
2029-2033	6,135,000	4,786,766	4,326,734	2,936,272	620,182	90,756
2034-2038	5,445,000	3,487,679	5,053,942	2,195,637	744,894	32,778
2039-2043	4,450,000	2,362,583	5,904,130	1,329,442	-	-
2044-2048	5,680,000	1,112,833	5,582,832	355,375	-	-
2049-2053	1,310,000	43,667	477,588	18,106	-	-
	30,900,000	17,775,481	25,219,984	10,442,492	2,923,088	274,004
Unamortized premiums	4,825,494	-	-	-	-	-
Totals	\$ 35,725,494	\$ 17,775,481	\$ 25,219,984	\$ 10,442,492	\$ 2,923,088	\$ 274,004

For Year Ending June 30,	Subscription Liability		Total ¹	
	Principal	Interest	Principal	Interest
2024	\$ 132,665	\$ 5,545	\$ 2,847,774	\$ 2,162,667
2025	72,696	2,688	2,813,624	2,078,657
2026	-	-	2,684,129	1,995,620
2027	-	-	2,559,010	1,915,147
2028	-	-	2,613,594	1,596,225
2029-2033	-	-	11,081,916	7,813,794
2034-2038	-	-	11,243,836	5,716,094
2039-2043	-	-	10,354,130	3,692,025
2044-2048	-	-	11,262,832	1,468,208
2049-2053	-	-	1,787,588	61,773
	205,361	8,233	59,248,433	28,500,210
Unamortized premiums	-	-	4,825,494	-
Totals	\$ 205,361	\$ 8,233	\$ 64,073,927	\$ 28,500,210

¹ The totals do not include a direct borrowing amortization table for the 2020 and 2021 Water CA State Water Resources Control Board Loans - Direct Borrowings (\$77,392,166 and \$19,519,970 outstanding, respectively), the 2021 Water Fund Bank of America Loan (\$16,000,000 outstanding) or the 2023 Water Infrastructure and Finance Innovation Act - Direct Borrowing (\$4,641,930 outstanding) as there are no fixed debt maturity schedules for these debts.

City of Santa Cruz
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 8 – Long-Term Debt (Continued)

B. Business-Type Activities (Continued)

Pledged Revenues

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

The Trust Indenture for the 2014 Storm Water Refunding Revenue Bonds requires the City to pledge its annual Net Revenues (defined as gross revenues received during the period minus the amount required to pay all operation and maintenance costs payable during the period excluding depreciation) in an amount equal to at least 125% of the annual debt service requirement each fiscal year, through final maturity of the Bonds in October 2029 or early retirement of the Bonds, whichever first occurs. A principal payment of \$340,000 and an interest payment in the amount of \$57,838 were made for a debt service total of \$397,838. The current year Storm Water net revenues were \$193,795, resulting in a revenue source to debt service ratio of 48.71%. (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 \$450,000 and interest payments of \$255,038 were made in the current year for a debt service total of \$705,038. Net Water revenues for the fiscal year ended June 30, 2023, were \$13,045,413 resulting in a revenue source to debt service ratio of 1,850%.

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 \$329,605 and interest payments of \$4,268 were made in the current year for a debt service total of \$333,873 that was applied against this indenture for the fiscal year ended June 30, 2023. The current year Wastewater revenues were \$6,783,841, resulting in a revenue source to debt service ratio of 2,032%.

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, 2023, consisted of \$278,700 in principal and \$17,282 in interest for a total of \$295,982. Net Refuse revenues for the fiscal year ended June 30, 2023, were \$403,854 resulting in a revenue source to debt service ratio of 136%.

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 \$370,000 and interest payments of \$1,008,500 were made in the current year for a debt service total of \$1,378,500. Net Water revenues for the fiscal year ended June 30, 2023, were \$13,045,413, resulting in a revenue source to debt service ratio of 946%.

City of Santa Cruz
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 8 – Long-Term Debt (Continued)

B. Business-Type Activities (Continued)

Pledged Revenues (Continued)

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 payments of \$203,877 were made in the current year. Net Water revenues for the fiscal year ended June 30, 2023, were \$13,045,413, resulting in a revenue source to debt service ratio of 6,399%.

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 payments of \$43,664 were made in the current year. Net Water revenues for the fiscal year ended June 30, 2023, were \$13,045,413, resulting in a revenue source to debt service ratio of 29,877%.

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 \$81,715 and interest payments of \$84,486 were made in the current year for a debt service total of \$166,201 was applied against this indenture for the fiscal year ended June 30, 2023. The current year Wastewater revenues were \$6,783,841, resulting in a revenue source to debt service ratio of 408,171%.

The Trust Indenture for the 2023 Water Infrastructure and Finance Innovation Act (“WIFIA”) requires the City to pledge the amount of Net Revenues, excluding amounts in the Rate Stabilization Fund, as shown by the books of the City for the Base Year, plus, at the option of the City and additional revenues, are at least equal to 120% of the amount of the maximum. No principal or interest payments were made in the current year. Net Water Revenues for the fiscal year ended June 30, 2023 were \$13,045,413. The City met the ratio requirement.

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.

C. Leases Payable

The City leases vehicles and property in the business-type activities. The leases have interest rates between 4.75% and 8.75%. The value of the right-to-use leased assets as of the end of the current fiscal year was \$2,808,899. Leases payable outstanding at June 30, 2023 were \$2,923,088.

City of Santa Cruz
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 8 – Long-Term Debt (Continued)

D. Fiduciary Activities

The following table summarizes the fiduciary activities long-term debt for the year ended June 30, 2023:

Description/Purpose	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Balance at June 30, 2023
<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	\$ 2,410,000
<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	1,705,000
Total long-term debt - Fiduciary Activities					\$ 4,115,000

As of June 30, 2023, the future debt service requirements to maturity for outstanding debt were:

	Balance July 1, 2022	Additions	Retirements	Balance June 30, 2023	Amount Due Within One Year	Amount Due in More Than One Year
Tax allocation bonds	\$ 5,105,000	\$ -	\$ (990,000)	\$ 4,115,000	\$ 1,045,000	\$ 3,070,000
Total	\$ 5,105,000	\$ -	\$ (990,000)	\$ 4,115,000	\$ 1,045,000	\$ 3,070,000

As of June 30, 2023, future debt service requirements to maturity for outstanding debt were:

For Year Ending June 30,	Tax Allocation Bonds	
	Principal	Interest
2024	\$ 1,045,000	\$ 190,297
2025	1,110,000	124,130
2026	245,000	84,446
2027	255,000	73,196
2028	265,000	61,364
2029-2032	1,195,000	113,659
Totals	\$ 4,115,000	\$ 647,092

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 \$4,115,000 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 \$2,028,779, and the debt service payments on the bonds was \$990,000 of principal payments on the 2011 Taxable Tax Allocation Bond Series B, and 2011 Tax-Exempt Tax Allocation Bond Series C Fiscal Year 2021.

City of Santa Cruz
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 8 – Long-Term Debt (Continued)

E. 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, 2023, the total amounts outstanding for all the 2002 Bonds were as follows: \$25,825,000 for Series A and \$17,395,000 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 \$3,391,392 at June 30, 2023. 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 9 – Compensated Absences

The change in compensated absences during the year ended June 30, 2023 was as follows:

	Balance			Balance June 30, 2023	Classification	
	July 1, 2022	Additions	Deletions		Due within One Year	Due in More Than One Year
Governmental activities	\$ 4,959,763	\$ 4,023,366	\$ (3,812,630)	\$ 5,170,499	\$ 3,446,999	\$ 1,723,500
Business-type activities	1,982,774	1,770,486	(1,759,161)	1,994,099	1,329,399	664,700
Total	\$ 6,942,537	\$ 5,793,852	\$ (5,571,791)	\$ 7,164,598	\$ 4,776,398	\$ 2,388,200

City of Santa Cruz
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 10 – 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, 2023, 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 Management 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 was \$0. At June 30, 2023, claims outstanding against the City are \$18,562,640.

As of June 30, 2023, coverage provided by self-insurance, purchased insurance, and excess coverage 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 aggregate
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.

The Successor Agency is also covered under the City’s insurance policies. Therefore, the limitation and self-insured retentions applicable to the City also apply to the Successor Agency.

City of Santa Cruz
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 10 – Risk Management and Self-Insurance (Continued)

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

	Beginning of Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End	Due in One Year	Due in More than One Year
2020-2021	\$ 13,551,443	\$ 4,584,366	\$ (4,597,191)	\$ 13,538,618	\$ 3,714,974	\$ 9,823,644
2021-2022	13,538,618	7,256,079	(3,473,499)	17,321,198	4,959,169	12,362,029
2022-2023	17,321,198	1,369,678	(128,236)	18,562,640	5,113,675	13,448,965

Note 11 – Retirement Plans

Summary

As of and for the year ended June 30, 2023, the City reported the following pension items:

	Governmental Activities	Business-Type Activities	Total
Deferred outflows of resources:			
Pension contribution made after measurement date:			
CalPERS Miscellaneous	\$ 7,149,648	\$ 7,867,467	\$ 15,017,115
CalPERS Safety	10,907,976	-	10,907,976
Total pension contribution made after measurement date	18,057,624	7,867,467	25,925,091
Changes in assumptions			
CalPERS Miscellaneous	4,488,539	4,939,184	9,427,723
CalPERS Safety	9,619,015	-	9,619,015
Total change in assumptions	14,107,554	4,939,184	19,046,738
Projected earnings on pension plan investments in excess of actual earnings:			
CalPERS Miscellaneous	8,913,768	9,808,703	18,722,471
CalPERS Safety	15,064,692	-	15,064,692
Total projected earnings on pension plan investments in excess of actual earnings	23,978,460	9,808,703	33,787,163
Adjustment due to difference in proportions			
CalPERS Miscellaneous	-	-	-
CalPERS Safety	5,752,001	-	5,752,001
Total adjustment due to difference in proportions	5,752,001	-	5,752,001
Difference between expected and actual experience			
CalPERS Miscellaneous	1,097,331	1,207,501	2,304,832
CalPERS Safety	2,912,232	-	2,912,232
Total difference between expected and actual experience	4,009,563	1,207,501	5,217,064
Total deferred outflows of resources			
CalPERS Miscellaneous	21,649,286	23,822,855	45,472,141
CalPERS Safety	44,255,916	-	44,255,916
Total deferred outflows of resources	\$ 65,905,202	\$ 23,822,855	\$ 89,728,057
Net pension liabilities:			
CalPERS Miscellaneous	\$ 59,427,407	\$ 65,393,864	\$ 124,821,271
CalPERS Safety	95,398,088	-	95,398,088
Total net pension liabilities	\$ 154,825,495	\$ 65,393,864	\$ 220,219,359

City of Santa Cruz
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 11 – Retirement Plans (Continued)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Deferred inflows of resources:			
Employer contributions in excess of proportionate share of contribution			
CalPERS Miscellaneous	\$ -	\$ -	\$ -
CalPERS Safety	7,116,190	-	7,116,190
Total employer contributions in excess of proportionate share of contribution	<u>7,116,190</u>	<u>-</u>	<u>7,116,190</u>
Total deferred inflows of resources			
CalPERS Miscellaneous	-	-	-
CalPERS Safety	7,116,190	-	7,116,190
Total deferred inflows of resources	<u>\$ 7,116,190</u>	<u>\$ -</u>	<u>\$ 7,116,190</u>
Pension expense (credit):			
CalPERS Miscellaneous	\$ 8,676,026	\$ 9,547,092	\$ 18,223,118
CalPERS Safety	5,602,882	-	5,602,882
Total net pension expense (credit)	<u>\$ 14,278,908</u>	<u>\$ 9,547,092</u>	<u>\$ 23,826,000</u>

CalPERS Miscellaneous and Safety Employees' Pension Plans

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

A. *Miscellaneous Plan*

Plan Description

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

Benefits Provided

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

City of Santa Cruz
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 11 – Retirement Plans (Continued)

A. Miscellaneous Plan (Continued)

Benefits Provided (Continued)

The Plan provisions and benefits in effect at June 30, 2023, are summarized as follows:

	Tier 1	Tier 2	Tier 3
Hire Date	Prior to 5/12/2012	Prior to 5/12/2012	Prior to 5/12/2012
Benefit formula	2.0% @ 55	2.0% @ 55	2.0% @ 55
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	9.50%	9.50%	9.50%
Required employee contribution rates	7.25%	7.25%	7.25%

Additional employer contributions of \$9,683,196 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, 2023, the following employees were covered by the benefit terms for Miscellaneous Plan.

Member Type	Miscellaneous Plan
Active Members	656
Transferred Members	325
Terminated Members	363
Retired Members and Beneficiaries	986
Total	<u>2,330</u>

City of Santa Cruz
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 11 – Retirement Plans (Continued)

A. Miscellaneous Plan (Continued)

Actuarial Assumptions

For the measurement period ended June 30, 2022, (the measurement date), the total pension liability was determined by rolling forward the June 30, 2021, total pension liability. The June 30, 2021, total pension liabilities were based on the following actuarial methods and assumptions.

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Fair Value of Assets
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	6.90%
Mortality Rate Table	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

Discount Rate

The discount rate used to measure the total pension liability was 6.90% 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 6.90% discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 6.90% 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.

City of Santa Cruz
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 11 – Retirement Plans (Continued)

A. Miscellaneous Plan (Continued)

Discount Rate (Continued)

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	New Strategic Allocation	Real Return
Global equity - cap-weighted	30.00%	4.45%
Global equity - non-cap-weighted	12.00%	3.84%
Private equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed securities	5.00%	0.50%
Investment-grade corporates	10.00%	1.56%
High yield	5.00%	2.27%
Emerging market debt	5.00%	2.48%
Private debt	5.00%	3.57%
Real assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
	100.00%	

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
Balance at June 30, 2021	\$ 465,088,047	\$ 411,581,604	\$ 53,506,443
Service cost	9,012,357	-	9,012,357
Interest on the total pension liability	32,660,579	-	32,660,579
Changes of benefit terms	-	-	-
Changes of assumptions	14,141,584	-	14,141,584
Differences between expected and actual experience	1,537,155	-	1,537,155
Plan to plan resource movement	-	-	-
Contributions from the employer	-	13,501,287	(13,501,287)
Contributions from employees	-	3,872,768	(3,872,768)
Net investment income (loss)	-	(31,080,817)	31,080,817
Benefit payments, including refunds of employee contributions	(23,862,469)	(23,862,469)	-
Administrative expense	-	(256,391)	256,391
Net changes	33,489,206	(37,825,622)	71,314,828
Balance at June 30, 2022	\$ 498,577,253	\$ 373,755,982	\$ 124,821,271

City of Santa Cruz
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 11 – Retirement Plans (Continued)

A. Miscellaneous Plan (Continued)

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

The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 6.90%, 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 (5.90%) or 1 percentage-point higher (7.90%) than the current rate:

Plan	Discount Rate - 1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate + 1% (7.90%)
Net Pension Liability	\$ 189,093,849	\$ 124,821,271	\$ 71,521,025

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

For the year ended June 30, 2023, the City recognized pension expense of \$18,223,118 for the Miscellaneous Plan and the City contributed \$15,017,115. At June 30, 2023 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Miscellaneous Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	\$ 15,017,115	\$ -
Changes of Assumptions	9,427,723	-
Differences between expected and actual experience	2,304,832	-
Net difference between projected and actual earnings on pension plan investments	18,722,471	-
Total	\$ 45,472,141	\$ -

The \$15,017,115 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

For Year Ending June 30,	Outflows/(Inflows) of Resources
2024	\$ 9,471,746
2025	7,865,578
2026	1,270,523
2027	11,847,179
2028	-
Thereafter	-
Total	\$ 30,455,026

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, 2023, the City reported no payables outstanding to the pension plan.

City of Santa Cruz
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 11 – Retirement Plans (Continued)

B. Safety Plans

Plan Description

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

Benefits Provided

Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are generally eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law. The Plan provisions and benefits in effect at June 30, 2023, are summarized as follows:

<u>Police</u>	<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 3</u>
Hire Date	Prior to 9/3/2011	9/3/2011 - 12/31/2012	After 12/31/2012
Benefit formula - sworn	3.0% @ 50	3.0% @ 55	2.7% @ 57
Benefit formula - non-sworn	2.0% @ 55	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Minimum retirement age - sworn	50	50	50
Minimum retirement age - non-sworn	50	50	52
Required employer contribution rates - sworn	25.64%	22.48%	13.66%
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>Fire</u>	<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 3</u>
Hire Date	Prior to 9/3/2011	9/3/2011 - 12/31/2012	After 12/31/2012
Benefit formula	3.0% @ 50	3.0% @ 55	2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Minimum retirement age	50	50	50
Required employer contribution rates	25.64%	22.48%	13.66%
Required employee contribution rates	9.00%	9.00%	13.75%

Additional employer contributions of \$6,806,565 of UAL was made at the beginning of the year.

City of Santa Cruz
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 11 – Retirement Plans (Continued)

B. Safety Plans (Continued)

Contribution Description

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

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

As of June 30, 2023, the City reported a liability of \$95,398,088 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, 2023, was \$10,907,976 and recognized a pension expense in the amount of \$5,602,882. The net pension liability of the Plan is measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022, 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, 2022 (measurement date) was as follows:

	Proportions - June 30, 2022	Proportions - June 30, 2021	Change - Increase (Decrease)
Safety Plan	1.3883%	1.4283%	-0.0400%

At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Safety Plan		
Pension contributions subsequent to the measurement date	\$ 10,907,976	\$ -
Changes of assumptions	9,619,015	-
Differences between expected and actual experience	2,912,232	-
Difference in actual contribution and proportionate share of contributions	-	(7,116,190)
Changes in proportion	5,752,001	-
Net difference between projected and actual earnings on pension plan investments	15,064,692	-
Total	\$ 44,255,916	\$ (7,116,190)

City of Santa Cruz
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 11 – Retirement Plans (Continued)

B. Safety Plans (Continued)

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

The contributions of \$10,907,976 were made subsequent to the measurement date and will be recognized in June 30, 2024. 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
2024	\$ 7,566,056
2025	6,078,579
2026	3,397,460
2027	9,189,655
2028	-
Thereafter	-
Total	<u>\$ 26,231,750</u>

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2022, (the measurement date), the total pension liability was determined by rolling forward the June 30, 2021, total pension liability. The June 30, 2022, total pension liabilities were based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Fair Value of Assets
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	6.90%
Mortality Rate Table	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

Discount Rate

The discount rate used to measure the total pension liability was 6.90% 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 6.90% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 6.90% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

City of Santa Cruz
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 11 – Retirement Plans (Continued)

B. Safety Plans (Continued)

Discount Rate (Continued)

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits 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	New Strategic Allocation	Real Return
Global equity - cap-weighted	30.00%	4.45%
Global equity - non-cap-weighted	12.00%	3.84%
Private equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed securities	5.00%	0.50%
Investment-grade corporates	10.00%	1.56%
High yield	5.00%	2.27%
Emerging market debt	5.00%	2.48%
Private debt	5.00%	3.57%
Real assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
	100.00%	

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 6.90%, 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 (5.90%) or 1 percentage-point higher (7.90%) than the current rate:

	Discount Rate - 1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate + 1% (7.90%)
Net Pension Liability	\$ 141,447,945	\$ 95,398,088	\$ 57,762,734

City of Santa Cruz
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 11 – Retirement Plans (Continued)

B. Safety Plans (Continued)

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, 2023, the City reported no payables outstanding to the pension plan.

Note 12 – Other Post-Employment Retirement Benefits (OPEB)

A. Summary

As of and for the year ended June 30, 2023, the City recorded the following OPEB-related items:

	Governmental Activities	Business-Type Activities	Total
Deferred outflows of resources:			
Contributions made after measurement date	\$ 1,137,429	\$ 418,774	\$ 1,556,203
Changes in assumptions	3,059,678	1,126,501	4,186,179
Difference between expected and actual experience	59,259	21,818	81,077
Projected earnings on pension plan investments in excess of actual earnings	225,404	82,989	308,393
Total deferred outflows of resources	<u>\$ 4,481,770</u>	<u>\$ 1,650,082</u>	<u>\$ 6,131,852</u>
Net OPEB liability	<u>\$ 27,469,988</u>	<u>\$ 10,113,796</u>	<u>\$ 37,583,784</u>
Deferred inflows of resources:			
Changes in assumptions	\$ 7,958,728	\$ 2,930,214	\$ 10,888,942
Difference between expected and actual experience	2,268,031	835,035	3,103,066
Total deferred inflows of resources	<u>\$ 10,226,759</u>	<u>\$ 3,765,249</u>	<u>\$ 13,992,008</u>
OPEB expense (credit):	<u>\$ 2,315,469</u>	<u>\$ 852,501</u>	<u>\$ 3,167,970</u>

B. 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 \$149 per month for calendar year 2022, and \$151 per month for calendar year 2023 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.

City of Santa Cruz
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 12 – Other Post-Employment Retirement Benefits (OPEB) (Continued)

B. Retiree Medical Plan Description (Continued)

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.

C. Employees Covered

At June 30, 2023, the following employees were covered by the benefit terms for the OPEB plan:

	Active employees	826
active employees or beneficiaries currently receiving benefits payments		312
		1,138

D. 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 2023, the City made benefit payments in the amount of \$1,556,203 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.

E. Assumption

The City’s total OPEB liability was measured as of June 30, 2022 and was determined by an actuarial valuation dated June 30, 2022 that was based on the following actuarial methods and assumptions:

Actuarial cost method	Entry Age, Level Percent of Pay
Valuation of Fiduciary Net Position	Fair value of assets
Expected return on Plan Investments	5.75%
Discount Rate	4.60%
Inflation	2.50%
Salary Increases	3.00%
Mortality Rate	Pre-retirement and Post-retirement Mortality Rates for Public Agency Miscellaneous from CalPERS Experience Study (2000-2019) Pre-retirement and Post-retirement Mortality Rates for Public Agency Police from CalPERS Experience Study (2000-2019)
Healthcare Trend Rate	6.50% for 2022, 6.00% for 2023, 5.5% for 2024, 5.25% for 2025-2029, 5% for 2030-2039, 4.75% for 2040-2049, 4.5% for 2050-2069, and 4% for 2070 and later years

City of Santa Cruz
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 12 – Other Post-Employment Retirement Benefits (OPEB) (Continued)

F. Changes in Net OPEB Liability

At June 30, 2023 (measurement date 2022), the change in the net OPEB liability was as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary net Position	Net OPEB Liability
Balance at June 30, 2021	\$ 49,610,425	\$ 4,500,095	\$ 45,110,330
Changes recognized for the year:			
Service cost	3,453,407	-	3,453,407
Interest	1,330,358	-	1,330,358
Changes of benefit terms	-	-	-
Differences between expected and actual experience	91,472	-	91,472
Changes of assumptions	(11,610,576)	-	(11,610,576)
Contributions	-	1,383,760	(1,383,760)
Net investment income	-	(589,020)	589,020
Administrative expenses	-	(3,533)	3,533
Benefit payments	(1,383,760)	(1,383,760)	-
Net Changes	(8,119,099)	(592,553)	(7,526,546)
Balance at June 30, 2022	\$ 41,491,326	\$ 3,907,542	\$ 37,583,784

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
Broad U.S. Equity	45.00%	4.40%
Global ex-U.S. Equity	5.00%	4.80%
U.S. Fixed	50.00%	1.80%
	<u>100.00%</u>	

G. 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 (3.60%) or one percentage point higher (5.60%) than the current rate, for year ended June 30, 2023:

Net OPEB Liability		
Current Discount		
Discount Rate	Rate	Discount Rate
-1% (3.60%)	(4.60%)	+1% (5.60%)
\$ 42,703,242	\$ 37,583,784	\$ 33,278,187

City of Santa Cruz
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 12 – Other Post-Employment Retirement Benefits (OPEB) (Continued)

H. 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, 2023:

Net OPEB Liability		
Trend Rate -1%	Current Healthcare Cost Trend Rate	Trend Rate +1%
\$ 32,319,000	\$ 37,583,784	\$ 44,130,036

I. 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, 2023, the City recognized OPEB expense of \$3,167,970.

	Deferred Outflows	Deferred Inflows
Contributions subsequent to measurement date	\$ 1,556,203	\$ -
Difference between expected and actual experience	81,077	(3,103,066)
Difference between projected and actual return on investments	308,393	-
Changes in assumptions	4,186,179	(10,888,942)
	\$ 6,131,852	\$ (13,992,008)

As of fiscal year, ended June 30, 2023, the City reported deferred outflows of resources related to OPEB in the amount of \$1,556,203 for its benefit payments subsequent to the measurement date. This amount will be recognized as an OPEB expense in fiscal year 2024. Other amounts will be recognized to OPEB expenses as follows:

Fiscal Year	Deferred Outflows/Inflows
2024	\$ (1,361,273)
2025	(1,361,275)
2026	(1,096,916)
2027	(1,087,595)
2028	(1,063,592)
Thereafter	(3,445,708)
	\$ (9,416,359)

City of Santa Cruz
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 13 – Landfill Closure and Post-Closure 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	\$ 4,881,967
Total estimated postclosure costs	15,152,906
	<u>20,034,873</u>
Total estimated closure and postclosure costs	<u>\$ 20,034,873</u>

The City has increased the landfill's capacity through excavations and plans to continue excavating in future years to increase capacity. At June 30, 2023, the estimated landfill closure cost liabilities of \$10,388,632 and estimated annual landfill closure cost adjustment of \$1,172,877 were calculated as follows:

Total estimated closure and postclosure costs	\$ 20,034,873
Percent of used capacity to total capacity	51.85%
	<u>10,388,632</u>
Revised estimated total closure and postclosure costs liability	10,388,632
Previous closure costs accrued	(9,215,755)
	<u>\$ 1,172,877</u>
Expense for closure and postclosure costs	<u>\$ 1,172,877</u>

The landfill has an estimated remaining capacity of 4,003,494 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, 2023 was \$9,215,755, and is available to provide for closure and post closure costs. Total funds accumulated as of June 30, 2023, are comprised as follows:

Closure	\$ 2,531,434
Postclosure	7,857,198
	<u>10,388,632</u>
Total	<u>\$ 10,388,632</u>

Note 14 – 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.

City of Santa Cruz
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 14 – Commitments and Contingencies (Continued)

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 June 30, 2023, the amount of encumbrances within the governmental funds that are expected to be honored upon performance by the vendor in the next year were as follows:

General Fund	\$	5,817,844
RDA Successor Agency - LMIH		12,464
General Capital Improvement		19,191,311
Other governmental funds		1,888,453

The following list of major commitments and open amounts on contracts consists of both governmental and enterprise fund projects within the Capital Investment Program as of June 30, 2023:

Major Commitments and Contracts		
MB Sanctuary Scenic Trail (Rail Trail) S	\$	9,319,461
Newell Creek Dam Inlet/Outlet Replacement Project		8,383,191
Graham Hill Water Treatment Plant CC Tanks Replacement		3,117,213
City Arterial & Collector Street Recon/O		2,212,789
Main Replacements - Engineering Section		1,684,538
Eastside Alley Sewer Project		1,360,017
Downtown Mixed Use Project		1,262,377
CES-Civic Auditorium Roof, Solar and BAS		1,183,553
CES - Soquel Front Garage Solar		1,178,859
State Route 1/9 Intersection Impr		1,151,894
Total Commitments and Contracts	\$	30,853,893

City of Santa Cruz
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 15 – Net Position and Fund Balance

A. Net Investment in Capital Assets

At June 30, 2023, the net investment in capital assets category of net position consisted of the following:

	Governmental Activities	Business-Type Activities
Net investment in capital assets:		
Capital assets, nondepreciable	\$ 112,483,323	\$ 157,903,361
Capital assets, depreciable/amortizable, net	117,485,399	236,163,149
Long-term debt:		
2009 General Obligation Refunding Bonds	(3,529,603)	-
2017 Refunding 2007 Lease Revenue Bonds	(4,399,748)	-
2017 Refunding 2010 Refunding Lease Revenue Bonds, Series B	(1,770,157)	-
2012 Golf COP 13 Refunding	(1,284,836)	-
Public Works Loans Payable to PG&E - Direct Borrowing	(136,371)	-
2015 I-Bank Arterial Roads Loan - Direct Borrowing	(3,023,134)	-
2018 California Energy Commission Loan - Direct Borrowing	(1,020,378)	-
2023 California Energy Commission Loan - Direct Borrowing	(2,424,224)	-
2023 Site logiQ BofA Municipal Loan - Direct Borrowing	(3,721,000)	-
Leases Payable	(3,025,518)	(2,923,088)
Subscription liabilities	(1,142,001)	(205,361)
2014 Storm Water Refunding Revenue Bonds	-	(2,031,566)
2014 Water Revenue Bonds	-	(7,279,798)
2019 Water Revenue Bonds	-	(24,470,535)
2017 Refunding 2010 Parking Lease Revenue Bonds	-	(1,943,595)
2016 I-Bank Water Infrastructure Loan	-	(21,711,316)
2009 Refuse Refunding Loan	-	(144,400)
Refuse Loans Payable to PG&E	-	(5,743)
2020 Water CA State Water Resources Control Board Loan	-	(77,392,166)
2020 I-Bank Wastewater Loan	-	(3,338,563)
2021 Water CA State Water Resources Control Board Loan	-	(19,519,970)
Parking Loans Payable to PG&E	-	(19,962)
2021 Water Fund Bank of America Loan	-	(16,000,000)
2023 Water Infrastructure and Finance Innovation Act - Direct Borrowing	-	(4,641,930)
Deferred charge on refunding	204,365	491,724
Unspent bond proceeds	14,815,891	1,323,046
Total net investment in capital assets	\$ 219,512,008	\$ 214,253,287

B. Fund Balance Classifications

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.

City of Santa Cruz
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 15 – Net Position and Fund Balance (Continued)

B. Fund Balance Classifications (Continued)

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, 2023, the City had \$6,941,024 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.

The following table shows the classifications of the City’s fund balances at the end of June 30, 2023:

Fund Balance Category	General Fund	RDA Successor Agency - LMIH	General Capital Improvement	Other Governmental Funds	Total
Nonspendable:					
Interfund advances	\$ 4,309,687	\$ -	\$ -	\$ -	\$ 4,309,687
Noncurrent receivables	2,590,274	-	-	-	2,590,274
Prepaid items	6,431	-	-	-	6,431
Total nonspendable	6,906,392	-	-	-	6,906,392
Restricted:					
Clean rivers, oceans, and beaches	-	-	-	1,887,308	1,887,308
Debt service	-	-	-	1,523,656	1,523,656
Hardship grants	268,482	-	-	6,196,105	6,464,587
Housing programs	-	12,681,966	-	2,429,288	15,111,254
Parks and Recreation	-	-	-	3,515,176	3,515,176
Police programs	-	-	-	3,620,720	3,620,720
Streets and roads	-	-	-	2,662,886	2,662,886
Traffic impact	-	-	-	1,110,906	1,110,906
Retiree benefits	8,562,470	-	-	-	8,562,470
Total restricted	8,830,952	12,681,966	-	22,946,045	44,458,963
Committed	22,449,897	-	3,177,942	-	25,627,839
Assigned					
Stabilization policy	6,347,533	-	-	-	6,347,533
Total assigned	6,347,533	-	-	-	6,347,533
Unassigned	7,376,514	-	-	-	7,376,514
Total fund balances	\$ 51,911,288	\$ 12,681,966	\$ 3,177,942	\$ 22,946,045	\$ 90,717,241

City of Santa Cruz
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 15 – Net Position and Fund Balance (Continued)

C. Stewardship and Accountability

Deficit fund equity. At June 30, 2023, the following funds had deficit fund equity, which will be reduced through recognition of future available revenues and future program income.

Fund	Fund Type	Deficit
Equipment Operations	Internal Service Fund	\$ (2,316,788)

Excess Expenditures Above Appropriations. For the year ended June 30, 2023, the following funds had expenditures that exceeded appropriations:

Fund	Function	Excess Expenditures over Appropriations
General Fund	General government	
	City Manager	\$ 2,606,344
General Capital Improvement Capital Projects Fund	Interest and fiscal charges	17,322
State Highway Special Revenue Fund	Public works	3,182,715
Traffic Impact Fee Special Revenue Fund	Public works	6,069
Parks and Recreation Special Revenue Fund	Public works	12,143
General Obligation Bond Debt Service Fund	Interest and fiscal charges	7,000
Lease Revenue Bond Debt Service Fund	Interest and fiscal charges	3,014

Note 16 - Restatement

Beginning net position has been restated as follows in order to implement GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*:

	Governmental Activities	Business-Type Activities
Beginning of year, as previously reported fund balance/net position	\$ 166,194,225	\$ 234,315,735
Subscription assets - GASB 96	1,328,203	290,670
Subscription liabilities - GASB 96	(1,286,991)	(290,670)
Beginning of year, as restated fund balance/net position	\$ 166,235,437	\$ 234,315,735

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REQUIRED SUPPLEMENTARY INFORMATION

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City of Santa Cruz
Notes to Required Supplementary Information
For the Year Ended June 30, 2023

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, 2023. 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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City of Santa Cruz
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable/ (Unfavorable)
	Original	Final		
REVENUES:				
Taxes	\$ 87,295,601	\$ 87,295,604	\$ 89,795,560	\$ 2,499,956
Licenses and permits	1,597,200	1,597,200	1,684,201	87,001
Intergovernmental	403,000	4,034,623	2,121,784	(1,912,839)
Charges for services	19,834,050	20,192,337	21,121,206	928,869
Fines and forfeitures	1,126,090	1,126,090	1,341,043	214,953
Use of money and property	7,570,290	7,879,513	7,999,871	120,358
Other revenues	537,549	1,131,191	625,336	(505,855)
Total revenues	118,363,780	123,256,558	124,689,001	1,432,443
EXPENDITURES:				
Current:				
City Council	488,548	493,936	421,269	72,667
City Manager	1,139,674	1,761,932	4,368,276	(2,606,344)
City Attorney	1,571,454	2,119,290	2,116,838	2,452
Human Resources	1,714,697	1,766,196	1,749,005	17,191
Finance	4,554,002	4,848,159	4,282,082	566,077
Information Technology	5,780,412	5,928,969	5,211,395	717,574
Police	29,574,431	30,141,357	27,248,691	2,892,666
Fire	21,592,671	22,790,620	22,751,332	39,288
Parks and recreation	16,827,782	18,118,190	17,020,829	1,097,361
Library	1,814,751	1,976,853	1,976,853	-
Public Works	9,291,360	9,782,516	9,074,400	708,116
Planning and Community Development	7,582,345	8,400,966	6,961,951	1,439,015
Economic Development	3,410,999	4,135,080	3,483,646	651,434
Social Services	6,420,320	7,149,229	8,326,322	(1,177,093)
Capital outlay	5,271,716	8,190,979	2,023,965	6,167,014
Debt Service:				
Principal	1,967,398	2,049,896	2,800,014	(750,118)
Interest and fiscal charges	357,398	357,398	146,659	210,739
Total expenditures	119,359,958	130,011,566	119,963,527	10,048,039
REVENUES OVER (UNDER) EXPENDITURES	(996,178)	(6,755,008)	4,725,474	11,480,482
OTHER FINANCING SOURCES (USES):				
Proceeds from issuance of leases payable	-	-	2,066,330	2,066,330
Proceeds from issuance of subscription liabilities	-	-	142,376	142,376
Transfers in	11,166,025	13,841,617	6,774,164	(7,067,453)
Transfers out	(15,306,286)	(27,444,299)	(12,795,185)	14,649,114
Total other financing sources (uses)	(4,140,261)	(13,602,682)	(3,812,315)	9,790,367
Net change in fund balance	\$ (5,136,439)	\$ (20,357,690)	913,159	\$ 21,270,849
FUND BALANCE:				
Beginning of year			50,998,129	
End of year			<u>\$ 51,911,288</u>	

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City of Santa Cruz
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
RDA Successor Agency - LMIH Special Revenue Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable/ (Unfavorable)
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ 5,601	\$ 785	\$ (4,816)
Charges for services	25,000	25,000	28,750	3,750
Use of money and property	155,066	155,066	231,472	76,406
Total revenues	180,066	185,667	261,007	75,340
EXPENDITURES:				
Current:				
Community and economic development	117,247	394,805	300,842	93,963
Capital outlay	-	43,064	-	43,064
Total expenditures	117,247	437,869	300,842	137,027
Net change in fund balance	\$ 62,819	\$ (252,202)	(39,835)	\$ 212,367
FUND BALANCE:				
Beginning of year			12,721,801	
End of year			<u>\$ 12,681,966</u>	

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

Miscellaneous Plan					
Measurement period, year ended	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>
Total pension liability					
Service cost	\$ 9,012,357	\$ 8,396,388	\$ 7,885,876	\$ 7,900,459	\$ 7,783,394
Interest on total pension liability	32,660,579	31,498,485	30,039,327	28,954,157	27,583,659
Differences between expected and actual experience	1,537,155	3,840,186	(1,476,176)	2,306,451	93,822
Changes in assumptions	14,141,584	-	-	-	(2,696,137)
Benefit payments, including refunds of employee contributions	(23,862,469)	(22,293,785)	(20,931,911)	(19,455,950)	(17,672,540)
Net change in total pension liability	33,489,206	21,441,274	15,517,116	19,705,117	15,092,198
Total pension liability - beginning	465,088,047	443,646,773	428,129,657	408,424,540	393,332,342
Total pension liability - ending (a)	\$ 498,577,253	\$ 465,088,047	\$ 443,646,773	\$ 428,129,657	\$ 408,424,540
Plan fiduciary net position					
Contributions - employer	13,501,287	12,056,643	11,514,417	10,017,877	\$ 17,249,540
Contributions - employee	3,872,768	3,381,764	3,647,909	3,376,687	3,338,059
Net investment income (loss)	(31,080,817)	77,048,877	16,613,297	20,786,561	24,652,641
Plan to plan resource movement	-	-	(24,593)	12,275	(718)
Administrative expenses	(256,391)	(341,367)	(467,161)	(226,122)	(452,852)
Other miscellaneous income/expense	-	-	-	718	(859,975)
Benefit payments	(23,862,469)	(22,293,785)	(20,931,911)	(19,455,950)	(17,672,540)
Net change in plan fiduciary net position	(37,825,622)	69,852,132	10,351,958	14,512,046	26,254,155
Plan fiduciary net position - beginning	411,581,604	341,729,472	331,377,514	316,865,468	290,611,313
Plan fiduciary net position - ending (b)	\$ 373,755,982	\$ 411,581,604	\$ 341,729,472	\$ 331,377,514	\$ 316,865,468
Net pension liability - ending (a)-(b)	\$ 124,821,271	\$ 53,506,443	\$ 101,917,301	\$ 96,752,143	\$ 91,559,072
Plan fiduciary net position as a percentage of the total pension liability	74.96%	88.50%	77.03%	77.40%	77.58%
Covered payroll	\$ 50,546,029	\$ 52,313,945	\$ 48,498,624	\$ 48,199,981	\$ 47,026,728
Net pension liability as a percentage of covered payroll	246.95%	102.28%	210.14%	200.73%	194.70%
Significant changes in assumptions:					
Discount rate	6.90%	7.15%	7.15%	7.15%	7.15%
Inflation rate	2.50%	2.50%	2.50%	2.50%	2.50%

(Continued)

¹ Information only presented from the implementation year

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

Miscellaneous Plan				
Measurement period, year ended	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>
Total pension liability				
Service cost	\$ 7,610,704	\$ 6,591,034	\$ 6,361,790	\$ 6,509,468
Interest on total pension liability	26,530,096	25,672,408	24,481,828	23,328,077
Differences between expected and actual experience	(3,403,096)	(1,235,979)	(1,976,012)	-
Changes in assumptions	21,609,175	-	(5,898,908)	-
Benefit payments, including refunds of employee contributions	<u>(16,106,784)</u>	<u>(14,925,407)</u>	<u>(13,392,860)</u>	<u>(12,418,981)</u>
Net change in total pension liability	36,240,095	16,102,056	9,575,838	17,418,564
Total pension liability - beginning	<u>357,092,247</u>	<u>340,990,191</u>	<u>331,414,353</u>	<u>313,995,789</u>
Total pension liability - ending (a)	<u>\$ 393,332,342</u>	<u>\$ 357,092,247</u>	<u>\$ 340,990,191</u>	<u>\$ 331,414,353</u>
Plan fiduciary net position				
Contributions - employer	\$ 8,246,952	\$ 7,535,401	\$ 6,695,193	\$ 6,556,875
Contributions - employee	3,303,116	2,970,890	2,877,107	2,954,292
Net investment income (loss)	30,093,835	1,468,227	6,037,806	40,388,310
Plan to plan resource movement	244	1,381	(183,350)	-
Administrative expenses	(391,943)	(163,685)	(302,581)	-
Other miscellaneous income/expense	-	-	-	-
Benefit payments	<u>(16,106,784)</u>	<u>(14,925,407)</u>	<u>(13,392,860)</u>	<u>(12,418,981)</u>
Net change in plan fiduciary net position	25,145,420	(3,113,193)	1,731,315	37,480,496
Plan fiduciary net position - beginning	<u>265,465,893</u>	<u>268,579,086</u>	<u>266,847,771</u>	<u>229,367,275</u>
Plan fiduciary net position - ending (b)	<u>\$ 290,611,313</u>	<u>\$ 265,465,893</u>	<u>\$ 268,579,086</u>	<u>\$ 266,847,771</u>
Net pension liability - ending (a)-(b)	<u>\$ 102,721,029</u>	<u>\$ 91,626,354</u>	<u>\$ 72,411,105</u>	<u>\$ 64,566,582</u>
Plan fiduciary net position as a percentage of the total pension liability	73.88%	74.34%	78.76%	80.52%
Covered payroll	\$ 44,898,260	\$ 42,997,153	\$ 41,057,056	\$ 40,191,826
Net pension liability as a percentage of covered payroll	228.79%	213.10%	176.37%	160.65%
Significant changes in assumptions:				
Discount rate	7.15%	7.65%	7.65%	7.50%
Inflation rate	2.75%	2.75%	2.75%	2.75%

(Concluded)

¹ Information only presented from the implementation year

City of Santa Cruz
Schedule of Contributions - Miscellaneous Plan
For the Last Ten Fiscal Years

Fiscal Year:	Miscellaneous Plan				
	2022-23	2021-22	2020-21	2019-20	2018-19
Contractually determined contribution (actuarially determined)	\$ 15,017,115	\$ 13,501,287	\$ 12,514,417	\$ 11,511,262	\$ 10,017,851
Contributions in relation to the actuarially determined contributions	(15,017,115)	(13,501,287)	(12,514,417)	(11,511,262)	(10,017,851)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 51,936,045	\$ 50,546,029	\$ 52,313,945	\$ 48,498,624	\$ 48,199,981
Contributions as a percentage of covered payroll	28.91%	26.71%	23.92%	23.74%	20.78%

(Continued)

City of Santa Cruz
Schedule of Contributions - Miscellaneous Plan (Continued)
For the Last Ten Fiscal Years

Fiscal Year:	Miscellaneous Plan				
	2017-18	2016-17	2015-16	2014-15	2013-14
Contractually determined contribution (actuarially determined)	\$ 9,241,056	\$ 8,246,665	\$ 7,450,526	\$ 6,695,193	\$ 6,556,875
Contributions in relation to the actuarially determined contributions	(9,241,056)	(8,246,665)	(7,450,526)	(6,695,193)	(6,556,875)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 47,026,728	\$ 44,898,260	\$ 42,997,153	\$ 41,057,056	\$ 40,191,826
Contributions as a percentage of covered payroll	19.65%	18.37%	17.33%	16.31%	16.31%

(Concluded)

City of Santa Cruz
Schedule of Proportionate Share of the Net Pension Liability - Safety Plan
As of June 30, for the Last Ten Fiscal Years ¹

	Safety Plan				
Measurement period, year ended	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>
Plan's proportion of the net pension liability	1.3883%	1.4283%	1.2252%	1.2252%	1.1638%
Plan's proportionate share of the net pension liability	\$ 95,398,088	\$ 50,126,040	\$ 81,628,137	\$ 74,225,347	\$ 68,287,671
Plan's covered-employee payroll	\$ 16,407,119	\$ 15,967,999	\$ 16,204,876	\$ 16,620,902	\$ 18,450,275
Plan's proportionate share of the net pension liability as a percentage of covered-employee payroll	581.44%	313.92%	503.73%	446.58%	370.12%
Plan's fiduciary net position	\$ 238,058,667	\$ 257,997,571	\$ 212,136,105	\$ 205,395,045	\$ 197,077,754
Plan's fiduciary net position as a percentage of the total pension liability	71.39%	83.73%	72.21%	73.45%	74.27%
Plan's proportionate share of aggregate employer contributions	\$ 9,967,212	\$ 8,998,387	\$ 8,124,640	\$ 7,266,279	\$ 6,330,925
Significant changes in assumptions:					
Discount rate	6.90%	7.15%	7.15%	7.15%	7.15%
Inflation rate	2.50%	2.50%	2.50%	2.50%	2.50%

(Continued)

¹ Information only presented from the implementation year

City of Santa Cruz
Schedule of Proportionate Share of the Net Pension Liability - Safety Plan (Continued)
As of June 30, for the Last Ten Fiscal Years ¹

Safety Plan				
Measurement period, year ended	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014 ¹</u>
Plan's proportion of the net pension liability	112.8200%	1.1262%	1.0898%	1.0167%
Plan's proportionate share of the net pension liability	\$ 67,411,262	\$ 58,326,239	\$ 44,902,753	\$ 38,137,949
Plan's covered-employee payroll	\$ 19,321,503	\$ 18,222,345	\$ 17,578,572	\$ 16,480,683
Plan's proportionate share of the net pension liability as a percentage of covered-employee payroll	348.89%	320.08%	255.44%	231.41%
Plan's fiduciary net position	\$ 182,678,118	\$ 165,186,236	\$ 166,159,648	\$ 165,647,002
Plan's fiduciary net position as a percentage of the total pension liability	73.05%	73.90%	78.73%	81.29%
Plan's proportionate share of aggregate employer contributions	\$ 6,366,360	\$ 5,913,845	\$ 4,731,093	\$ 4,593,294
Significant changes in assumptions:				
Discount rate	7.15%	7.65%	7.65%	7.50%
Inflation rate	2.75%	2.75%	2.75%	2.75%
				(Concluded)

¹ Information only presented from the implementation year

City of Santa Cruz
Schedule of Contributions - Miscellaneous Plan
For the Last Ten Fiscal Years ¹

Safety Plan

Fiscal Year:	<u>2022-23</u>	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>
Contractually determined contribution (actuarially determined)	\$ 10,907,976	\$ 9,967,212	\$ 8,998,387	\$ 8,124,640	\$ 7,266,279
Contributions in relation to the actuarially determined contributions	(10,907,976)	(9,967,212)	(8,998,387)	(8,124,640)	(7,266,279)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 17,414,951	\$ 16,948,857	\$ 15,967,999	\$ 16,204,876	\$ 16,620,902
Contributions as a percentage of covered payroll	62.64%	58.81%	56.35%	50.14%	43.72%

(Continued)

Notes to Schedule:

¹ Information only presented from the implementation year

City of Santa Cruz
Schedule of Contributions - Miscellaneous Plan (Continued)
For the Last Ten Fiscal Years ¹

Safety Plan

Fiscal Year:	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15¹</u>
Contractually determined contribution (actuarially determined)	\$ 6,330,925	\$ 6,366,360	\$ 5,913,845	\$ 4,731,093
Contributions in relation to the actuarially determined contributions	(6,330,925)	(6,366,360)	(5,913,845)	(4,731,093)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 18,450,275	\$ 19,321,503	\$ 18,222,345	\$ 17,578,572
Contributions as a percentage of covered payroll	34.31%	32.95%	32.45%	26.91%

(Concluded)

Notes to Schedule:

¹ Information only presented from the implementation year

City of Santa Cruz
Schedule of Changes in the Net OPEB Liability and Related Ratios
As of June 30, for the Last Ten Fiscal Years ¹

Measurement period, year ending:	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>
Total OPEB liability			
Service cost	\$ 3,453,407	\$ 2,808,910	\$ 2,636,320
Interest	1,330,358	1,391,582	1,427,248
Changes of benefit terms	-	-	-
Differences between expected and actual experience	91,472	-	(4,007,945)
Changes of assumptions	(11,610,576)	3,291,972	1,104,915
Benefit payments, including refunds of member contributions	(1,383,760)	(1,387,130)	(1,226,765)
Net change in total OPEB liability	(8,119,099)	6,105,334	(66,227)
Total OPEB liability - beginning	49,610,425	43,505,091	43,571,318
Total OPEB liability - ending (a)	\$ 41,491,326	\$ 49,610,425	\$ 43,505,091
OPEB fiduciary net position			
Contributions - employer	\$ 1,383,760	\$ 1,387,130	\$ 1,226,765
Other income - recognition of OPEB trust	-	-	3,463,974
Net investment income	(589,020)	814,719	228,367
Administrative expenses	(3,533)	(3,534)	(3,431)
Benefit payments, including refunds of member contributions	(1,383,760)	(1,387,130)	(1,226,765)
Net change in plan fiduciary net position	(592,553)	811,185	3,688,910
Plan fiduciary net position - beginning	4,500,095	3,688,910	-
Plan fiduciary net position - ending (b)	\$ 3,907,542	\$ 4,500,095	\$ 3,688,910
Plan net OPEB liability - ending (a) - (b)	\$ 37,583,784	\$ 45,110,330	\$ 39,816,181
Plan fiduciary net position as a percentage of the total OPEB liability	9.42%	9.07%	8.48%
Covered-employee payroll	\$ 75,175,660	\$ 65,877,334	\$ 65,797,300
Plan net OPEB liability as a percentage of covered-employee payroll	55.19%	75.31%	66.12%

(Continued)

¹ Information only presented from the implementation year

City of Santa Cruz
Schedule of Changes in the Net OPEB Liability and Related Ratios (Continued)
As of June 30, for the Last Ten Fiscal Years ¹

Measurement period, year ending:	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017 ¹</u>
Total OPEB liability			
Service cost	\$ 2,357,686	\$ 2,602,431	\$ 1,758,129
Interest	1,448,770	1,214,282	1,156,132
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	(2,094,895)	-
Changes of assumptions	2,587,946	(1,793,250)	-
Benefit payments, including refunds of member contributions	(964,742)	(1,154,846)	(959,486)
Net change in total OPEB liability	<u>5,429,660</u>	<u>(1,226,278)</u>	<u>1,954,775</u>
Total OPEB liability - beginning	<u>38,141,658</u>	<u>39,367,936</u>	<u>37,413,161</u>
Total OPEB liability - ending (a)	<u><u>\$ 43,571,318</u></u>	<u><u>\$ 38,141,658</u></u>	<u><u>\$ 39,367,936</u></u>
OPEB fiduciary net position			
Contributions - employer	\$ -	\$ -	\$ -
Other income - recognition of OPEB trust	-	-	-
Net investment income	-	-	-
Administrative expenses	-	-	-
Benefit payments, including refunds of member contributions	-	-	-
Net change in plan fiduciary net position	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position - ending (b)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Plan net OPEB liability - ending (a) - (b)	<u><u>\$ 43,571,318</u></u>	<u><u>\$ 38,141,658</u></u>	<u><u>\$ 39,367,936</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%
Covered-employee payroll	\$ 62,330,109	\$ 65,699,401	\$ 62,434,938
Plan net OPEB liability as a percentage of covered-employee payroll	69.90%	58.05%	63.05%

(Concluded)

¹ Information only presented from the implementation year

City of Santa Cruz
Schedule of Contributions - OPEB Plan
For the Last Ten Fiscal Years ¹

	OPEB Plan					
Fiscal Year:	<u>2022-23</u>	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>
Actuarially determined contribution	\$ 1,556,203	\$ 1,209,418	\$ 1,387,130	\$ 1,226,765	\$ 964,742	\$ 1,154,846
Contributions in relation to the actuarially determined contribution	<u>(1,556,203)</u>	<u>(1,209,418)</u>	<u>(1,387,130)</u>	<u>(1,226,765)</u>	<u>(964,742)</u>	<u>(1,154,846)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$70,100,030	\$68,058,282	\$65,877,334	\$65,797,300	\$62,330,109	\$65,699,401
Contributions as a percentage of covered payroll	2.22%	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%
Annual money-weighted rate of return, net of investment expense		22.10%	n/a	n/a	n/a	n/a

¹ Information only presented from the implementation year

City of Santa Cruz
Other Postemployment Benefits Liability - Annual Money-Weighted Rate of Return
For the Last Ten Fiscal Years ¹

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Annual money-weighted rate of return net of investment expense	<u>-13.08%</u>	<u>22.10%</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Note: the City did not have plan assets for the years that are marked "N/A."

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SUPPLEMENTARY INFORMATION

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Non-Major Governmental Funds

Special Revenue Funds:

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

State Highway Fund - 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 Fund - 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 Fund - 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 Fund - This fund is used to account for tax and fee revenues restricted for parks and recreation use.

Housing and Community Development Fund - 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.

COVID Relief Emergency Account Fund - This fund accounts for receipts and expenditures of the Coronavirus State and Local Fiscal Recovery Fund 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.

Opioid Settlement Fund - This fund accounts for receipts and expenditures of the National Opioid Abatement Trust (NOAT) and Janssen Opioid settlement payments. These funds are restricted for use on activities to abate the opioid crisis.

Debt Service Funds:

General Obligation Bond Fund - 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 Bond Fund - 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, 2023

Special Revenue Funds

	Police	State Highway	Traffic Impact Fee	Clean River, Oceans, and Beaches	Parks and Recreation
ASSETS					
Cash and investments	\$ 1,685,186	\$ 3,403,386	\$ 1,074,691	\$ 1,968,942	\$ 3,508,385
Accounts receivable - net	2,024	86,795	33,716	-	-
Taxes receivable	-	141,414	-	31,189	-
Interest receivable	2,880	3,770	21,455	3,679	18,398
Grants receivable	-	129,650	-	-	-
Notes and loans receivable - net	-	-	148,697	-	134,340
Leases receivable	-	-	-	-	-
Total assets	\$ 1,690,090	\$ 3,765,015	\$ 1,278,559	\$ 2,003,810	\$ 3,661,123
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable and other current liabilities	\$ -	\$ 1,102,130	\$ -	\$ 116,502	\$ -
Unearned revenues	469,658	-	-	-	-
Advances from other funds	-	-	-	-	-
Total liabilities	469,658	1,102,130	-	116,502	-
Deferred inflows of resources:					
Deferred inflows related to leases	-	-	-	-	-
Unavailable revenue	-	-	167,653	-	145,947
Total deferred inflows of resources	-	-	167,653	-	145,947
Fund Balances:					
Restricted:					
Clean rivers, oceans, and beaches	-	-	-	1,887,308	-
Debt service	-	-	-	-	-
Hardship grants	-	-	-	-	-
Housing programs	-	-	-	-	-
Parks and recreation	-	-	-	-	3,515,176
Police programs	1,220,432	-	-	-	-
Streets and roads	-	2,662,885	-	-	-
Traffic impact	-	-	1,110,906	-	-
Total fund balances	1,220,432	2,662,885	1,110,906	1,887,308	3,515,176
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,690,090	\$ 3,765,015	\$ 1,278,559	\$ 2,003,810	\$ 3,661,123

(Continued)

City of Santa Cruz
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2023

Special Revenue Funds

	Housing and Community Development	Transportation Development Act	American Rescue Plan Act	COVID Relief Emergency Account	2016 Transportation Measure D
ASSETS					
Cash and investments	\$ 2,237,935	\$ 1	\$ 1,343,556	\$ 6,000,780	\$ 2,266,824
Accounts receivable - net	30,389	-	-	-	124,326
Taxes receivable	-	-	-	-	-
Interest receivable	2,218,772	-	8,205	20,867	9,138
Grants receivable	113,623	-	-	-	-
Notes and loans receivable - net	5,396,261	-	-	-	-
Leases receivable	-	-	-	-	-
Total assets	\$ 9,996,980	\$ 1	\$ 1,351,761	\$ 6,021,647	\$ 2,400,288
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable and other current liabilities	\$ 125,585	\$ -	\$ -	\$ -	\$ -
Unearned revenues	-	-	1,351,761	-	-
Advances from other funds	2,300,000	-	-	-	-
Total liabilities	2,425,585	-	1,351,761	-	-
Deferred inflows of resources:					
Deferred inflows related to leases	-	-	-	-	-
Unavailable revenue	5,142,107	-	-	-	-
Total deferred inflows of resources	5,142,107	-	-	-	-
Fund Balances:					
Restricted:					
Clean rivers, oceans, and beaches	-	-	-	-	-
Debt service	-	-	-	-	-
Hardship grants	-	-	-	6,021,647	-
Housing programs	2,429,288	-	-	-	-
Parks and recreation	-	-	-	-	-
Police programs	-	-	-	-	2,400,288
Streets and roads	-	1	-	-	-
Traffic impact	-	-	-	-	-
Total fund balances	2,429,288	1	-	6,021,647	2,400,288
Total liabilities, deferred inflows of resources, and fund balances	\$ 9,996,980	\$ 1	\$ 1,351,761	\$ 6,021,647	\$ 2,400,288

(Continued)

City of Santa Cruz
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2023

	Special Revenue	Debt Service Funds		Total Non-Major Governmental Funds
	Opioid Settlement	General Obligation Bond	Lease Revenue Bond	
ASSETS				
Cash and investments	\$ 174,430	\$ 1,346,512	\$ 523,851	\$ 25,534,479
Accounts receivable - net	-	-	-	277,250
Taxes receivable	-	30,235	-	202,838
Interest receivable	28	2,274	14,931	2,324,397
Grants receivable	-	-	-	243,273
Notes and loans receivable - net	-	-	-	5,679,298
Leases receivable	-	-	5,804,861	5,804,861
Total assets	\$ 174,458	\$ 1,379,021	\$ 6,343,643	\$ 40,066,396
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable and other current liabilities	\$ -	\$ -	\$ -	\$ 1,344,217
Unearned revenues	-	-	-	1,821,419
Advances from other funds	-	-	-	2,300,000
Total liabilities	-	-	-	5,465,636
Deferred inflows of resources:				
Deferred inflows related to leases	-	-	6,199,008	6,199,008
Unavailable revenue	-	-	-	5,455,707
Total deferred inflows of resources	-	-	6,199,008	11,654,715
Fund Balances:				
Restricted:				
Clean rivers, oceans, and beaches	-	-	-	1,887,308
Debt service	-	1,379,021	144,635	1,523,656
Hardship grants	174,458	-	-	6,196,105
Housing programs	-	-	-	2,429,288
Parks and recreation	-	-	-	3,515,176
Police programs	-	-	-	3,620,720
Streets and roads	-	-	-	2,662,886
Traffic impact	-	-	-	1,110,906
Total fund balances	174,458	1,379,021	144,635	22,946,045
Total liabilities, deferred inflows of resources, and fund balances	\$ 174,458	\$ 1,379,021	\$ 6,343,643	\$ 40,066,396

(Concluded)

City of Santa Cruz
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2023

Special Revenue Funds

	Police	State Highway	Traffic Impact Fee	Clean River Oceans and Beaches	Parks and Recreation
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ 630,263	\$ 1,085,778
Intergovernmental	156,499	5,643,576	-	333	-
Charges for services	30,105	-	-	-	-
Use of money and property	10,102	23,687	23,441	16,432	26,158
Other revenues	228,638	34,135	724,861	-	-
Total revenues	425,344	5,701,398	748,302	647,028	1,111,936
EXPENDITURES:					
Current:					
Public safety	104,590	-	-	-	-
Public works	-	3,912,890	163,263	608,132	12,143
Transit	-	-	-	-	-
Community and economic development	-	-	-	-	-
Capital outlay	-	550,527	-	-	-
Debt service:					
Principal	-	15,073	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	104,590	4,478,490	163,263	608,132	12,143
REVENUES OVER (UNDER) EXPENDITURES	320,754	1,222,908	585,039	38,896	1,099,793
OTHER FINANCING SOURCES (USES):					
Transfers in	-	570,620	-	-	-
Transfers out	-	(1,053,743)	(570,620)	(344)	(556,728)
Total other financing sources (uses)	-	(483,123)	(570,620)	(344)	(556,728)
NET CHANGES IN FUND BALANCES	320,754	739,785	14,419	38,552	543,065
FUND BALANCES:					
Beginning of year	899,678	1,923,100	1,096,487	1,848,756	2,972,111
End of year	\$ 1,220,432	\$ 2,662,885	\$ 1,110,906	\$ 1,887,308	\$ 3,515,176

(Continued)

City of Santa Cruz
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Non-Major Governmental Funds
For the Year Ended June 30, 2023

Special Revenue Funds

	Housing and Community Development	Transportation Development Act	American Rescue Plan Act	COVID Relief Emergency Account	2016 Transportation Measure D
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	1,630,883	1,335,583	3,899,361	-	1,534,321
Charges for services	16,676	-	-	-	-
Use of money and property	316,626	-	98,064	32,665	21,339
Other revenues	644,995	-	-	-	-
Total revenues	2,609,180	1,335,583	3,997,425	32,665	1,555,660
EXPENDITURES:					
Current:					
Public safety	-	-	-	-	-
Public works	-	-	-	-	84,745
Transit	-	1,335,582	-	-	-
Community and economic development	3,589,445	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	3,589,445	1,335,582	-	-	84,745
REVENUES OVER (UNDER) EXPENDITURES	(980,265)	1	3,997,425	32,665	1,470,915
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	(116,036)	-	(3,997,425)	(4,873,920)	(3,091,584)
Total other financing sources (uses)	(116,036)	-	(3,997,425)	(4,873,920)	(3,091,584)
NET CHANGES IN FUND BALANCES	(1,096,301)	1	-	(4,841,255)	(1,620,669)
FUND BALANCES:					
Beginning of year	3,525,589	-	-	10,862,902	4,020,957
End of year	\$ 2,429,288	\$ 1	\$ -	\$ 6,021,647	\$ 2,400,288

(Continued)

City of Santa Cruz
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Non-Major Governmental Funds
For the Year Ended June 30, 2023

	Special Revenue		Debt Service Funds		Total Non-Major Governmental Funds
	Opioid Settlement	General Obligation Bond	Lease Revenue Bond		
REVENUES:					
Taxes	\$ -	\$ 535,943	\$ -	\$ -	\$ 2,251,984
Intergovernmental	-	-	-	-	14,200,556
Charges for services	-	-	-	-	46,781
Use of money and property	(297)	11,424	50,807	-	630,448
Other revenues	174,755	-	-	-	1,807,384
Total revenues	174,458	547,367	50,807	-	18,937,153
EXPENDITURES:					
Current:					
Public safety	-	-	-	-	104,590
Public works	-	-	-	-	4,781,173
Transit	-	-	-	-	1,335,582
Community and economic development	-	-	-	-	3,589,445
Capital outlay	-	-	-	-	550,527
Debt service:					
Principal	-	385,000	190,000	-	590,073
Interest and fiscal charges	-	164,701	170,408	-	335,109
Total expenditures	-	549,701	360,408	-	11,286,499
REVENUES OVER (UNDER) EXPENDITURES					
	174,458	(2,334)	(309,601)	-	7,650,654
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	570,620
Transfers out	-	-	-	-	(14,260,400)
Total other financing sources (uses)	-	-	-	-	(13,689,780)
NET CHANGES IN FUND BALANCES					
	174,458	(2,334)	(309,601)	-	(6,039,126)
FUND BALANCES:					
Beginning of year	-	1,381,355	454,236	-	28,985,171
End of year	\$ 174,458	\$ 1,379,021	\$ 144,635	\$ -	\$ 22,946,045

(Concluded)

City of Santa Cruz
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
General Capital Improvement Capital Projects Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable/ (Unfavorable)
	Original	Final		
REVENUES:				
Taxes	\$ 1,955,611	\$ 1,955,611	\$ 2,118,853	\$ 163,242
Intergovernmental	25,270,000	63,923,627	8,303,400	(55,620,227)
Use of money and property	130,373	130,373	184,184	53,811
Other revenues	252,706	2,665,450	127,125	(2,538,325)
Total revenues	<u>27,608,690</u>	<u>68,675,061</u>	<u>10,733,562</u>	<u>(57,941,499)</u>
EXPENDITURES:				
Current:				
Public works	25,000	740,000	1,293,548	(553,548)
Community and economic development	84,422	65,102	1,509,995	(1,444,893)
Capital outlay	51,876,707	127,870,938	19,992,243	107,878,695
Debt Service:				
Principal	160,000	160,000	160,000	-
Interest and fiscal charges	115,394	115,394	132,716	(17,322)
Total expenditures	<u>52,261,523</u>	<u>128,951,434</u>	<u>24,524,157</u>	<u>104,427,277</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(24,652,833)</u>	<u>(60,276,373)</u>	<u>(13,790,595)</u>	<u>46,485,778</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from issuance of debt	-	6,997,971	6,145,224	(852,747)
Contributions from other entities	-	1,650,000	-	(1,650,000)
Proceeds from sale of property	-	-	112,245	112,245
Transfers in	29,846,399	51,894,965	18,491,146	(33,403,819)
Transfers out	(46,425)	(6,758,611)	-	6,758,611
Total other financing sources (uses)	<u>29,799,974</u>	<u>53,784,325</u>	<u>24,748,615</u>	<u>(29,035,710)</u>
Net change in fund balance	<u>\$ 5,147,141</u>	<u>\$ (6,492,048)</u>	<u>10,958,020</u>	<u>\$ 17,450,068</u>
FUND BALANCE (DEFICIT):				
Beginning of year			<u>(7,780,078)</u>	
End of year			<u>\$ 3,177,942</u>	

City of Santa Cruz
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
Police Special Revenue Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable/ (Unfavorable)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 470,497	\$ 470,497	\$ 156,499	\$ (313,998)
Charges for services	30,000	30,000	30,105	105
Use of money and property	11,583	11,583	10,102	(1,481)
Other revenues	525,000	525,000	228,638	(296,362)
Total revenues	<u>1,037,080</u>	<u>1,037,080</u>	<u>425,344</u>	<u>(611,736)</u>
EXPENDITURES:				
Current:				
Public safety	128,497	128,497	104,590	23,907
Total expenditures	<u>128,497</u>	<u>128,497</u>	<u>104,590</u>	<u>23,907</u>
Net change in fund balance	<u>\$ 908,583</u>	<u>\$ 908,583</u>	320,754	<u>\$ (587,829)</u>
FUND BALANCE:				
Beginning of year			<u>899,678</u>	
End of year			<u>\$ 1,220,432</u>	

City of Santa Cruz
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
State Highway Special Revenue Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable/ (Unfavorable)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 22,395,146	\$ 27,874,859	\$ 5,643,576	\$ (22,231,283)
Use of money and property	22,162	22,162	23,687	1,525
Other revenues	10,000	210,000	34,135	(175,865)
Total revenues	<u>22,427,308</u>	<u>28,107,021</u>	<u>5,701,398</u>	<u>(22,405,623)</u>
EXPENDITURES:				
Current:				
Public works	726,859	730,175	3,912,890	(3,182,715)
Capital outlay	20,850,000	32,849,354	550,527	32,298,827
Debt Service:				
Principal	22,809	22,809	15,073	7,736
Total expenditures	<u>21,599,668</u>	<u>33,602,338</u>	<u>4,478,490</u>	<u>29,123,848</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>827,640</u>	<u>(5,495,317)</u>	<u>1,222,908</u>	<u>6,718,225</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	150,000	2,820,958	570,620	(2,250,338)
Transfers out	(1,004,161)	(3,501,612)	(1,053,743)	2,447,869
Total other financing sources (uses)	<u>(854,161)</u>	<u>(680,654)</u>	<u>(483,123)</u>	<u>197,531</u>
Net change in fund balance	<u>\$ (26,521)</u>	<u>\$ (6,175,971)</u>	739,785	<u>\$ 6,915,756</u>
FUND BALANCE:				
Beginning of year			<u>1,923,100</u>	
End of year			<u>\$ 2,662,885</u>	

City of Santa Cruz
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
Traffic Impact Fee Special Revenue Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable/ (Unfavorable)
	Original	Final		
REVENUES:				
Use of money and property	\$ 66,103	\$ 66,103	\$ 23,441	\$ (42,662)
Other revenues	500,000	500,000	724,861	224,861
Total revenues	<u>566,103</u>	<u>566,103</u>	<u>748,302</u>	<u>182,199</u>
EXPENDITURES:				
Current:				
Public works	157,194	157,194	163,263	(6,069)
Total expenditures	<u>157,194</u>	<u>157,194</u>	<u>163,263</u>	<u>(6,069)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>408,909</u>	<u>408,909</u>	<u>585,039</u>	<u>176,130</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(100,000)	(2,770,958)	(570,620)	2,200,338
Total other financing sources (uses)	<u>(100,000)</u>	<u>(2,770,958)</u>	<u>(570,620)</u>	<u>2,200,338</u>
Net change in fund balance	<u>\$ 308,909</u>	<u>\$ (2,362,049)</u>	14,419	<u>\$ 2,376,468</u>
FUND BALANCE:				
Beginning of year			<u>1,096,487</u>	
End of year			<u>\$ 1,110,906</u>	

City of Santa Cruz
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
Clean Rivers, Oceans, and Beaches Special Revenue Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable/ (Unfavorable)
	Original	Final		
REVENUES:				
Taxes	\$ 636,000	\$ 636,000	\$ 630,263	\$ (5,737)
Intergovernmental	-	-	333	333
Use of money and property	22,967	22,967	16,432	(6,535)
Total revenues	<u>658,967</u>	<u>658,967</u>	<u>647,028</u>	<u>(11,939)</u>
EXPENDITURES:				
Current:				
Public works	813,972	837,610	608,132	229,478
Capital outlay	400,000	604,601	-	604,601
Total expenditures	<u>1,213,972</u>	<u>1,442,211</u>	<u>608,132</u>	<u>834,079</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(555,005)</u>	<u>(783,244)</u>	<u>38,896</u>	<u>822,140</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(344)	(344)	(344)	-
Total other financing sources (uses)	<u>(344)</u>	<u>(344)</u>	<u>(344)</u>	<u>-</u>
Net change in fund balance	<u>\$ (555,349)</u>	<u>\$ (783,588)</u>	<u>38,552</u>	<u>\$ 822,140</u>
FUND BALANCE:				
Beginning of year			<u>1,848,756</u>	
End of year			<u>\$ 1,887,308</u>	

City of Santa Cruz
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
Parks and Recreation Special Revenue Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable/ (Unfavorable)
	Original	Final		
REVENUES:				
Taxes	\$ 515,000	\$ 515,000	\$ 1,085,778	\$ 570,778
Use of money and property	30,989	30,989	26,158	(4,831)
Total revenues	<u>545,989</u>	<u>545,989</u>	<u>1,111,936</u>	<u>565,947</u>
EXPENDITURES:				
Current:				
Public works	-	-	12,143	(12,143)
Total expenditures	<u>-</u>	<u>-</u>	<u>12,143</u>	<u>(12,143)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>545,989</u>	<u>545,989</u>	<u>1,099,793</u>	<u>553,804</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(331,716)	(1,505,876)	(556,728)	949,148
Total other financing sources (uses)	<u>(331,716)</u>	<u>(1,505,876)</u>	<u>(556,728)</u>	<u>949,148</u>
Net change in fund balance	<u>\$ 214,273</u>	<u>\$ (959,887)</u>	543,065	<u>\$ 1,502,952</u>
FUND BALANCE:				
Beginning of year			<u>2,972,111</u>	
End of year			<u>\$ 3,515,176</u>	

City of Santa Cruz
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
Housing and Community Development Special Revenue Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable/ (Unfavorable)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 9,377,398	\$ 15,338,234	\$ 1,630,883	\$ (13,707,351)
Charges for services	15,000	15,000	16,676	1,676
Use of money and property	74,867	74,867	316,626	241,759
Other revenues	125,000	306,119	644,995	338,876
Total revenues	<u>9,592,265</u>	<u>15,734,220</u>	<u>2,609,180</u>	<u>(13,125,040)</u>
EXPENDITURES:				
Current:				
Community and economic development	1,502,644	13,550,722	3,589,445	9,961,277
Total expenditures	<u>1,502,644</u>	<u>13,550,722</u>	<u>3,589,445</u>	<u>9,961,277</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>8,089,621</u>	<u>2,183,498</u>	<u>(980,265)</u>	<u>(3,163,763)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(10,875,894)	(4,086,308)	(116,036)	3,970,272
Total other financing sources (uses)	<u>(10,875,894)</u>	<u>(4,086,308)</u>	<u>(116,036)</u>	<u>3,970,272</u>
Net change in fund balance	<u>\$ (2,786,273)</u>	<u>\$ (1,902,810)</u>	<u>(1,096,301)</u>	<u>\$ 806,509</u>
FUND BALANCE:				
Beginning of year			<u>3,525,589</u>	
End of year			<u>\$ 2,429,288</u>	

City of Santa Cruz
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
Transportation Development Act Special Revenue Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable/ (Unfavorable)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 1,023,884	\$ 1,335,583	\$ 1,335,583	\$ -
Total revenues	<u>1,023,884</u>	<u>1,335,583</u>	<u>1,335,583</u>	<u>-</u>
EXPENDITURES:				
Current:				
Transit	1,023,884	1,335,583	1,335,582	1
Total expenditures	<u>1,023,884</u>	<u>1,335,583</u>	<u>1,335,582</u>	<u>1</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1	<u>\$ 1</u>
FUND BALANCE:				
Beginning of year			<u>-</u>	
End of year			<u>\$ 1</u>	

City of Santa Cruz
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
American Rescue Plan Act Special Revenue Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable/ (Unfavorable)
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 3,899,361	\$ 3,899,361
Use of money and property	-	-	98,064	98,064
Total revenues	-	-	3,997,425	3,997,425
REVENUES OVER (UNDER) EXPENDITURES	-	-	3,997,425	3,997,425
OTHER FINANCING SOURCES (USES):				
Transfers out	(486,000)	(4,397,665)	(3,997,425)	400,240
Total other financing sources (uses)	(486,000)	(4,397,665)	(3,997,425)	400,240
Net change in fund balance	<u>\$ (486,000)</u>	<u>\$ (4,397,665)</u>	-	<u>\$ 4,397,665</u>
FUND BALANCE:				
Beginning of year			-	
End of year			<u>\$ -</u>	

City of Santa Cruz
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
COVID Relief Emergency Account Special Revenue Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable/ (Unfavorable)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 32,665	\$ 32,665
Total revenues	<u>-</u>	<u>-</u>	<u>32,665</u>	<u>32,665</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(10,840,000)	(11,190,000)	(4,873,920)	6,316,080
Total other financing sources (uses)	<u>(10,840,000)</u>	<u>(11,190,000)</u>	<u>(4,873,920)</u>	<u>6,316,080</u>
Net change in fund balance	<u>\$ (10,840,000)</u>	<u>\$ (11,190,000)</u>	(4,841,255)	<u>\$ 6,348,745</u>
FUND BALANCE:				
Beginning of year			<u>10,862,902</u>	
End of year			<u>\$ 6,021,647</u>	

City of Santa Cruz
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
2016 Transportation Measure D Special Revenue Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable/ (Unfavorable)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 1,587,401	\$ 1,587,401	\$ 1,534,321	\$ (53,080)
Use of money and property	20,178	20,178	21,339	1,161
Total revenues	<u>1,607,579</u>	<u>1,607,579</u>	<u>1,555,660</u>	<u>(51,919)</u>
EXPENDITURES:				
Current:				
Public works	88,184	88,184	84,745	3,439
Total expenditures	<u>88,184</u>	<u>88,184</u>	<u>84,745</u>	<u>3,439</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>1,519,395</u>	<u>1,519,395</u>	<u>1,470,915</u>	<u>(48,480)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(3,095,000)	(6,723,337)	(3,091,584)	3,631,753
Total other financing sources (uses)	<u>(3,095,000)</u>	<u>(6,723,337)</u>	<u>(3,091,584)</u>	<u>3,631,753</u>
Net change in fund balance	<u>\$ (1,575,605)</u>	<u>\$ (5,203,942)</u>	<u>(1,620,669)</u>	<u>\$ 3,583,273</u>
FUND BALANCE:				
Beginning of year			<u>4,020,957</u>	
End of year			<u>\$ 2,400,288</u>	

City of Santa Cruz
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
General Obligation Bond Debt Service Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable/ (Unfavorable)
	Original	Final		
REVENUES:				
Taxes	\$ -	\$ -	\$ 535,943	\$ 535,943
Use of money and property	18,005	18,005	11,424	(6,581)
Total revenues	<u>18,005</u>	<u>18,005</u>	<u>547,367</u>	<u>529,362</u>
EXPENDITURES:				
Current:				
Debt Service:				
Principal	385,000	385,000	385,000	-
Interest and fiscal charges	157,701	157,701	164,701	(7,000)
Total expenditures	<u>542,701</u>	<u>542,701</u>	<u>549,701</u>	<u>(7,000)</u>
Net change in fund balance	<u>\$ (524,696)</u>	<u>\$ (524,696)</u>	(2,334)	<u>\$ 522,362</u>
FUND BALANCE:				
Beginning of year			<u>1,381,355</u>	
End of year			<u>\$ 1,379,021</u>	

City of Santa Cruz
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
Lease Revenue Bond Debt Service Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable/ (Unfavorable)
	Original	Final		
REVENUES:				
Use of money and property	\$ 433,967	\$ 433,967	\$ 50,807	\$ (383,160)
Total revenues	<u>433,967</u>	<u>433,967</u>	<u>50,807</u>	<u>(383,160)</u>
EXPENDITURES:				
Debt Service:				
Principal	190,000	190,000	190,000	-
Interest and fiscal charges	167,394	167,394	170,408	(3,014)
Total expenditures	<u>357,394</u>	<u>357,394</u>	<u>360,408</u>	<u>(3,014)</u>
Net change in fund balance	<u>\$ 76,573</u>	<u>\$ 76,573</u>	(309,601)	<u>\$ (386,174)</u>
FUND BALANCE:				
Beginning of year			<u>454,236</u>	
End of year			<u>\$ 144,635</u>	

Internal Service Funds

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

Risk Management - This fund is used to account for 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, 2023

	Equipment Operations	Risk Management	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ -	\$ 13,161,685	\$ 13,161,685
Accounts receivable - net	36,018	51,976	87,994
Interest receivable	-	23,993	23,993
Inventories	102,452	-	102,452
Deposits	-	4,922,068	4,922,068
Due from other funds	-	2,016,294	2,016,294
Total current assets	138,470	20,176,016	20,314,486
Noncurrent assets:			
Advances to other funds	-	7,844,531	7,844,531
Capital assets:			
Machinery and equipment	3,813,723	8,160	3,821,883
Right-to-use leased assets	206,301	-	206,301
Software	-	76,232	76,232
Less: accumulated depreciation and amortization	(2,707,751)	(28,343)	(2,736,094)
Total capital assets	1,312,273	56,049	1,368,322
Total noncurrent assets	1,312,273	7,900,580	9,212,853
Total assets	1,450,743	28,076,596	29,527,339
DEFERRED OUTFLOW OF RESOURCES			
Deferred outflows related to OPEB	49,668	46,602	96,270
Deferred outflows related to pension	591,138	613,874	1,205,012
Total deferred outflow of resources	640,806	660,476	1,301,282

City of Santa Cruz
Combining Statement of Net Position (Continued)
All Internal Service Funds
June 30, 2023

	Equipment Operations	Risk Management	Total
LIABILITIES			
Current liabilities:			
Accounts payable and other current liabilities	209,029	1,033,251	1,242,280
Interest payable	70	849	919
Deposits payable	-	90	90
Due to other funds	2,016,294	-	2,016,294
Claims and judgments payable - due within one year	-	5,113,675	5,113,675
Compensated absences payable - due within one year	18,740	-	18,740
Long-term debt - due within one year.	-	50,368	50,368
Total current liabilities	2,244,133	6,198,233	8,442,366
Noncurrent liabilities:			
Claims and judgments payable - due in more than one year	-	13,448,965	13,448,965
Compensated absences payable - due in more than one year	9,370	-	9,370
Long-term debt - due in more than one year	114,393	-	114,393
Total OPEB liability	304,429	285,637	590,066
Net pension liability	1,622,677	1,685,087	3,307,764
Total noncurrent liabilities	2,050,869	15,419,689	17,470,558
Total liabilities	4,295,002	21,617,922	25,912,924
DEFERRED INFLOWS OF RESOURCES			
Related to OPEB	113,335	106,340	219,675
Total deferred inflows of resources	113,335	106,340	219,675
NET POSITION			
Net investment in capital assets	1,197,880	5,681	1,203,561
Unrestricted (deficit)	(3,514,668)	7,007,129	3,492,461
Total net position	\$ (2,316,788)	\$ 7,012,810	\$ 4,696,022

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City of Santa Cruz
Combining Statement of Revenues, Expenses, and Changes in Net Position
All Internal Service Funds
For the Year Ended June 30, 2023

	Equipment Operations	Risk Management	Total
OPERATING REVENUES:			
Charges for services	\$ 3,967,276	\$ 27,043,673	\$ 31,010,949
Other revenues	42,031	-	42,031
Total operating revenues	4,009,307	27,043,673	31,052,980
OPERATING EXPENSES:			
Personnel services	880,023	1,431,326	2,311,349
Services, supplies, and other charges	2,850,797	29,226,495	32,077,292
Depreciation/amortization	435,024	20,183	455,207
Total operating expenses	4,165,844	30,678,004	34,843,848
OPERATING INCOME (LOSS)	(156,537)	(3,634,331)	(3,790,868)
NONOPERATING REVENUES (EXPENSES):			
Investment earnings	-	322,956	322,956
Interest expense and fiscal charges	(890)	(849)	(1,739)
Gain (loss) on sale of capital assets	16,492	-	16,492
Total nonoperating revenues (expenses)	15,602	322,107	337,709
INCOME (LOSS) BEFORE TRANSFERS	(140,935)	(3,312,224)	(3,453,159)
TRANSFERS:			
Transfers in	-	2,316,906	2,316,906
Transfers out	(1,628)	(162,748)	(164,376)
Total transfers	(1,628)	2,154,158	2,152,530
Changes in net position	(142,563)	(1,158,066)	(1,300,629)
NET POSITION (DEFICIT):			
Beginning of year	(2,174,225)	8,170,876	5,996,651
End of year	<u>\$ (2,316,788)</u>	<u>\$ 7,012,810</u>	<u>\$ 4,696,022</u>

City of Santa Cruz
Combining Statement of Cash Flows
All Internal Service Funds
For the Year Ended June 30, 2023

	Equipment Operations	Risk Management	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers and users	\$ 3,950,343	\$ 26,994,133	\$ 30,944,476
Cash payments to suppliers for goods and services	(2,832,586)	(28,701,328)	(31,533,914)
Cash payments to employees for services	(991,038)	(1,390,610)	(2,381,648)
Cash received from others	42,031	-	42,031
Net cash provided by (used in) operating activities	168,750	(3,097,805)	(2,929,055)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Due from other funds	-	(2,016,294)	(2,016,294)
Due to other funds	2,016,294	-	2,016,294
Transfers from other funds	-	2,316,906	2,316,906
Transfers to other funds	(1,628)	(162,748)	(164,376)
Net cash provided by (used in) noncapital financing activities	2,014,666	137,864	2,152,530
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(234,297)	(76,232)	(310,529)
Cash effect of disposal of capital assets	16,492	-	16,492
Principal paid on debt	(4,946)	50,368	45,422
Interest paid on debt	(520)	-	(520)
Net cash (used in) capital and related financing activities	(223,271)	(25,864)	(249,135)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest income received	-	319,150	319,150
Net cash provided by investing activities	-	319,150	319,150
Net change in cash and cash equivalents	1,960,145	(2,666,655)	(706,510)
CASH AND CASH EQUIVALENTS:			
Beginning of year	(1,960,145)	15,828,340	13,868,195
End of year	<u>\$ -</u>	<u>\$ 13,161,685</u>	<u>\$ 13,161,685</u>

(Continued)

City of Santa Cruz
Combining Statement of Cash Flows (Continued)
All Internal Service Funds
For the Year Ended June 30, 2023

	Equipment Operations	Risk Management	Total Internal Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Operating income (loss)	\$ (156,537)	\$ (3,634,331)	\$ (3,790,868)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation/amortization	435,024	20,183	455,207
Changes in operating assets and liabilities, and deferred outflows and inflows of resources:			
Accounts receivable, net	(16,933)	(49,540)	(66,473)
Prepaid items	-	-	-
Inventories	(28,360)	-	(28,360)
Deposits	-	(437,786)	(437,786)
Pension-related deferred outflows	(362,009)	(396,040)	(758,049)
OPEB-related deferred outflows	13,497	3,622	17,119
Accounts payable and other current liabilities	46,571	(278,489)	(231,918)
Compensated absences	8,172	-	8,172
Claims and judgments payable	-	1,241,442	1,241,442
Total OPEB liability	(144,139)	(71,032)	(215,171)
Net pension liability	862,886	962,750	1,825,636
Pension-related deferred inflows	(550,569)	(523,428)	(1,073,997)
OPEB-related deferred inflows	61,147	64,844	125,991
Total adjustments	<u>325,287</u>	<u>536,526</u>	<u>861,813</u>
Net cash provided by (used in) operating activities	<u>\$ 168,750</u>	<u>\$ (3,097,805)</u>	<u>\$ (2,929,055)</u>

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Private Purpose Trust Funds

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

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

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City of Santa Cruz
Combining Statement of Fiduciary Net Position
Private Purpose Trust Funds
June 30, 2023

	Library Trust Fund	Redevelopment Successor Agency Trust	Total Private - Purpose Trust Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 578,385	\$ 14,150,641	\$ 14,729,026
Restricted cash and equivalents	-	1,870,377	1,870,377
Accounts receivable	-	10,093	10,093
Interest receivable	1,147	26,252	27,399
Notes receivable	-	11,811	11,811
Non-current assets:			
Notes receivable	-	270,241	270,241
Nondepreciable capital assets	-	902,621	902,621
Depreciable capital assets	-	6,245,636	6,245,636
Total current assets	<u>579,532</u>	<u>23,487,672</u>	<u>24,067,204</u>
LIABILITIES			
Current liabilities:			
Interest payable	-	55,573	55,573
Non-current liabilities:			
Bonds, notes, loans and leases payable - due in one year	-	1,045,000	1,045,000
Bonds, notes, loans and leases payable - due in more than one year	-	3,070,000	3,070,000
Total liabilities	<u>-</u>	<u>4,170,573</u>	<u>4,170,573</u>
NET POSITION			
Restricted for library programs	579,532	-	579,532
Restricted for RDA Successor Agency	-	19,317,099	19,317,099
Total held in trust	<u>\$ 579,532</u>	<u>\$ 19,317,099</u>	<u>\$ 19,896,631</u>

City of Santa Cruz
Combining Statement of Changes in Fiduciary Net Position
Private Purpose Trust Funds
For the Year Ended June 30, 2023

	Library Trust Fund	Redevelopment Successor Agency Trust	Total Private - Purpose Trust Funds
ADDITIONS			
Taxes	\$ -	\$ 2,028,779	\$ 2,028,779
Use of money and property	5,713	192,454	198,167
Total additions	<u>5,713</u>	<u>2,221,233</u>	<u>2,226,946</u>
DEDUCTIONS			
Library programs	4,555	-	4,555
Interest expense	-	241,574	241,574
Contractual services	-	86,989	86,989
Depreciation expense	-	353,795	353,795
Miscellaneous	-	657,368	657,368
Total deductions	<u>4,555</u>	<u>1,339,726</u>	<u>1,344,281</u>
Changes in net position	1,158	881,507	882,665
NET POSITION:			
Beginning of year	<u>578,374</u>	<u>18,435,592</u>	<u>19,013,966</u>
End of year	<u>\$ 579,532</u>	<u>\$ 19,317,099</u>	<u>\$ 19,896,631</u>

STATISTICAL SECTION
(Unaudited)

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STATISTICAL SECTION

(Unaudited)

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

Contents

Financial Trends

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

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Revenue Capacity

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

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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.

188 - 201

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.

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Operating Information

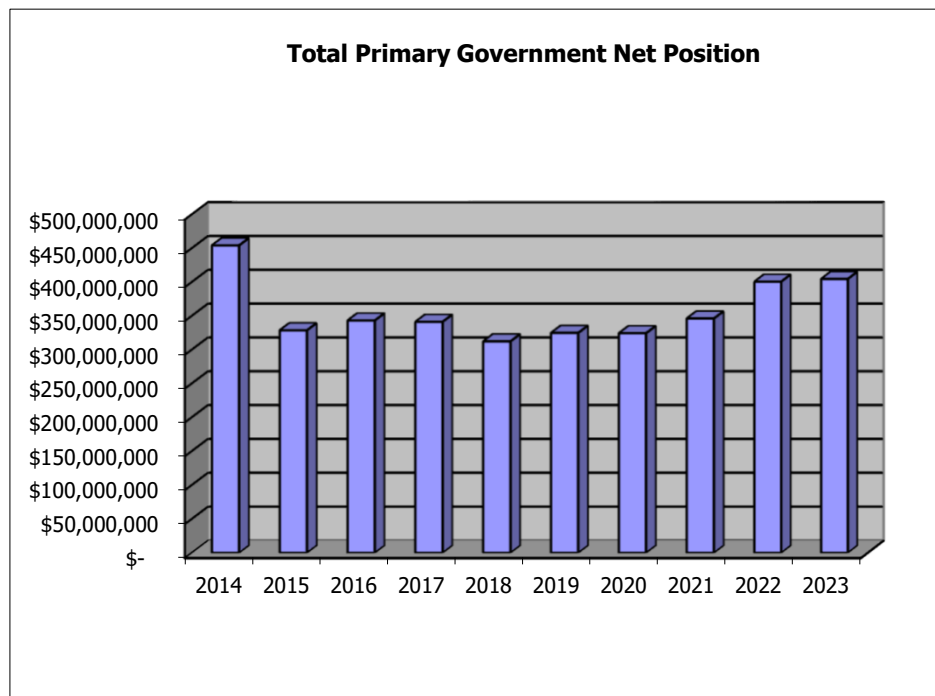
These tables contain service and infrastructure data to help the reader understand how the information in the city's financial report relates to the services the city provides and the activities it performs.

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

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

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



Source: City of Santa Cruz Finance Department

City of Santa Cruz
Net Position By Component (Continued)
Last Ten Fiscal Years

	Fiscal Year Ended June 30				
	2019	2020	2021	2022	2023
Governmental activities:					
Net investment in capital assets	\$ 175,095,083	\$ 179,686,573	\$ 184,585,738	\$ 199,711,083	\$ 219,512,008
Restricted	32,044,904	33,807,828	40,776,314	48,870,533	46,834,138
Unrestricted (deficit)	(98,607,199)	(107,641,856)	(105,109,136)	(82,387,391)	(91,599,035)
Total governmental activities net position	\$ 108,532,788	\$ 105,852,545	\$ 120,252,916	\$ 166,194,225	\$ 174,747,111
Business-type activities:					
Net investment in capital assets	\$ 191,291,517	\$ 205,455,757	\$ 215,604,468	\$ 215,993,915	\$ 214,253,287
Unrestricted	24,962,438	13,005,526	10,236,647	18,321,820	15,454,978
Total business-type activities net position	\$ 216,253,955	\$ 218,461,283	\$ 225,841,115	\$ 234,315,735	\$ 229,708,265
Primary government:					
Net investment in capital assets	\$ 366,386,600	\$ 385,142,330	\$ 400,190,206	\$ 415,704,998	\$ 433,765,295
Restricted	32,044,904	33,807,828	40,776,314	48,870,533	46,834,138
Unrestricted (deficit)	(73,644,761)	(94,636,330)	(94,872,489)	(64,065,571)	(76,144,057)
Total primary government net position	\$ 324,786,743	\$ 324,313,828	\$ 346,094,031	\$ 400,509,960	\$ 404,455,376

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

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

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

	Fiscal Year Ended June 30				
	2014	2015	2016	2017	2018
Expenses					
Governmental activities:					
General government	\$ 16,103,854	\$ 17,104,364	\$ 12,974,400	\$ 18,898,202	\$ 19,350,479
Public safety	37,597,008	40,273,833	42,167,371	47,939,341	51,394,586
Parks and recreation	13,981,398	12,854,772	13,509,643	16,516,857	17,650,040
Library	1,354,687	1,347,161	1,207,356	1,552,010	1,559,242
Public works	12,182,288	16,430,725	13,408,682	18,578,171	15,609,565
Transit	686,510	707,736	701,935	748,134	745,940
Community and economic development	3,240,446	3,431,560	6,108,539	4,627,227	10,516,746
Social services	1,485,470	1,378,574	1,371,129	1,436,421	2,159,544
Interest and fiscal charges on long-term debt	2,042,943	1,975,129	2,354,508	1,950,851	1,581,810
Total governmental activities expenses	<u>88,674,604</u>	<u>95,503,854</u>	<u>93,803,563</u>	<u>112,247,214</u>	<u>120,567,952</u>
Business-type activities:					
Water	27,020,304	25,219,745	25,319,800	28,375,996	33,284,532
Wastewater	18,349,702	19,164,660	18,426,042	20,760,433	21,785,697
Refuse	15,715,226	15,991,886	15,360,501	17,099,090	18,451,537
Parking	4,232,851	4,344,177	4,231,893	4,853,232	5,226,564
Storm Water	1,512,850	1,782,683	1,990,558	1,761,243	1,673,093
Golf course	2,096,483	2,259,995	1,983,470	-	-
Total business-type activities expenses	<u>68,927,416</u>	<u>68,763,146</u>	<u>67,312,264</u>	<u>72,849,994</u>	<u>80,421,423</u>
Total primary government expenses	<u>\$ 157,602,020</u>	<u>\$ 164,267,000</u>	<u>\$ 161,115,827</u>	<u>\$ 185,097,208</u>	<u>\$ 200,989,375</u>

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

	Fiscal Year Ended June 30				
	2019	2020	2021	2022	2023
Expenses					
Governmental activities:					
General government	\$ 20,614,327	\$ 20,322,085	\$ 23,476,418	\$ 21,935,750	\$ 9,764,269
Public safety	56,513,231	57,811,196	54,785,622	53,197,958	49,997,725
Parks and recreation	17,529,459	17,067,868	15,098,626	17,025,262	21,200,478
Library	1,553,115	1,474,896	1,888,881	213,503	281,736
Public works	16,471,190	17,352,820	14,170,843	19,034,665	23,398,921
Transit	798,782	1,013,564	797,240	1,063,500	1,335,582
Community and economic development	4,185,767	6,268,475	4,199,540	4,112,247	18,261,414
Social services	2,027,873	2,005,337	2,191,401	2,601,450	14,025,049
Interest and fiscal charges on long-term debt	1,456,449	1,152,581	972,836	791,598	659,450
Total governmental activities expenses	<u>121,150,193</u>	<u>124,468,822</u>	<u>117,581,407</u>	<u>119,975,933</u>	<u>138,924,624</u>
Business-type activities:					
Water	36,562,160	37,405,164	38,078,715	36,703,987	34,814,510
Wastewater	20,933,694	24,170,115	23,392,966	21,004,203	31,063,751
Refuse	19,253,241	21,556,523	19,809,687	18,538,166	25,256,080
Parking	5,530,210	6,199,876	5,527,325	6,261,166	6,388,710
Storm Water	1,368,656	1,565,293	1,664,018	2,551,066	2,480,885
Golf course	-	-	-	-	-
Total business-type activities expenses	<u>83,647,961</u>	<u>90,896,971</u>	<u>88,472,711</u>	<u>85,058,588</u>	<u>100,003,936</u>
Total primary government expenses	<u>\$ 204,798,154</u>	<u>\$ 215,365,793</u>	<u>\$ 206,054,118</u>	<u>\$ 205,034,521</u>	<u>\$ 238,928,560</u>

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

	Fiscal Year Ended June 30				
	2014	2015	2016	2017	2018
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 8,755,621	\$ 10,347,805	\$ 9,110,127	\$ 10,188,422	\$ 10,985,577
Public safety	2,241,926	3,711,308	5,785,089	5,492,880	6,583,350
Parks and recreation	3,601,559	3,538,225	3,376,136	5,384,041	5,294,923
Library	631,305	623,334	518,681	440,100	462,438
Public works	5,088,698	5,291,833	6,699,865	5,126,400	6,023,639
Transit	-	-	-	-	-
Community and economic development	455,537	377,862	514,499	336,016	980,009
Operating grants and contributions	4,317,013	4,112,975	3,495,313	6,029,003	4,239,889
Capital grants and contributions	6,663,071	6,157,091	3,109,623	2,099,106	8,697,888
Total governmental activities program revenues	31,754,730	34,160,433	32,609,333	35,095,968	43,267,713
Business-type activities:					
Charges for services:					
Water	25,327,920	24,560,507	27,798,717	30,920,646	41,061,955
Wastewater	17,676,130	17,244,371	18,558,775	20,100,738	21,018,559
Refuse	15,816,452	16,944,604	18,642,441	19,750,388	20,664,437
Parking	3,990,041	4,444,322	4,950,879	5,102,475	5,456,159
Storm Water	857,649	899,925	896,171	897,693	895,130
Golf course	1,562,952	1,570,590	1,486,366	-	-
Operating grants and contributions	1,218,151	1,314,782	1,211,419	613,711	1,543,354
Capital grants and contributions	440,849	-	-	-	-
Total business-type activities program revenues	66,890,144	66,979,101	73,544,768	77,385,651	90,639,594
Total primary government program revenues	98,644,874	101,139,534	106,154,101	112,481,619	133,907,307
Net (expense)/revenue:					
Governmental activities	(56,919,874)	(61,343,421)	(61,194,230)	(77,151,246)	(77,300,239)
Business-type activities	(2,037,272)	(1,784,045)	6,232,504	4,535,657	10,218,171
Total primary government net (expense)/revenue	\$ (58,957,146)	\$ (63,127,466)	\$ (54,961,726)	\$ (72,615,589)	\$ (67,082,068)

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

	Fiscal Year Ended June 30				
	2019	2020	2021	2022	2023
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 11,626,464	\$ 11,076,557	\$ 11,333,060	\$ 11,641,708	\$12,169,415
Public safety	7,580,577	6,016,418	7,647,791	7,305,973	7,759,280
Parks and recreation	5,018,462	3,760,139	4,140,970	5,683,150	5,694,661
Library	462,438	462,444	485,560	509,838	527,783
Public works	5,745,566	4,819,236	4,345,088	4,998,217	6,174,299
Transit	-	-	-	-	-
Community and economic development	2,970,700	654,022	454,492	622,922	367,372
Operating grants and contributions	5,702,440	9,264,260	7,780,766	5,748,324	5,786,226
Capital grants and contributions	5,032,786	6,041,232	13,972,656	37,975,187	9,004,393
Total governmental activities program revenues	<u>44,139,433</u>	<u>42,094,308</u>	<u>50,160,383</u>	<u>74,485,319</u>	<u>47,483,429</u>
Business-type activities:					
Charges for services:					
Water	40,503,745	41,982,726	41,992,539	41,608,957	41,901,402
Wastewater	19,750,169	21,296,244	21,647,635	22,847,859	25,245,183
Refuse	21,166,912	20,769,432	21,324,222	22,561,510	22,849,214
Parking	6,215,875	5,378,070	3,910,682	4,371,755	4,649,621
Storm Water	891,611	1,036,569	2,869,033	894,520	915,663
Golf course	-	-	-	-	-
Operating grants and contributions	929,175	1,459,564	2,136,000	3,169,427	3,985,312
Capital grants and contributions	-	-	-	-	-
Total business-type activities program revenues	<u>89,457,487</u>	<u>91,922,605</u>	<u>93,880,111</u>	<u>95,454,028</u>	<u>99,546,395</u>
Total primary government program revenues	<u>133,596,920</u>	<u>134,016,913</u>	<u>144,040,494</u>	<u>169,939,347</u>	<u>147,029,824</u>
Net (expense)/revenue:					
Governmental activities	(77,010,760)	(82,374,514)	(67,421,024)	(45,490,614)	(91,441,195)
Business-type activities	<u>5,809,526</u>	<u>1,025,634</u>	<u>5,407,400</u>	<u>10,395,440</u>	<u>(5,053,475)</u>
Total primary government net (expense)/revenue	<u>\$ (71,201,234)</u>	<u>\$ (81,348,880)</u>	<u>\$ (62,013,624)</u>	<u>\$ (35,095,174)</u>	<u>\$ (96,494,670)</u>

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

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

Source: City of Santa Cruz Finance Department

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

	Fiscal Year Ended June 30				
	2019	2020	2021	2022	2023
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes					
Property taxes	\$ 23,135,942	\$ 23,836,366	\$ 24,152,410	\$ 25,804,829	\$ 27,444,537
Sales and use taxes	21,860,332	21,376,655	23,578,620	27,223,493	26,310,460
Franchise taxes	4,025,643	4,014,250	3,953,531	4,089,489	4,240,753
Transient occupancy taxes	10,985,786	8,035,134	9,121,782	12,066,476	12,633,022
Utility users taxes	11,517,468	11,459,173	11,600,692	12,264,890	13,433,448
Admission taxes	2,646,472	1,721,753	663,919	8,586,123	7,400,296
Other taxes	6,219,024	6,911,076	7,696,545	2,131,088	2,703,881
Unrestricted grants and contributions	-	-			
Unrestricted Investment earnings	1,383,144	1,836,583	2,112,366	(1,275,802)	4,111,368
Gain (loss) on sale of assets	-	7,479	-	36,199	128,737
Miscellaneous	-	-	-	-	613,492
Transfers	526,098	495,802	(1,058,506)	505,138	932,875
Total governmental activities	82,299,909	79,694,271	81,821,359	91,431,923	99,952,869
Business-type activities:					
Taxes					
Property taxes	68,080	-	240,815	274,750	288,972
Unrestricted Investment earnings	1,916,038	1,677,496	563,557	(1,711,880)	1,044,421
Gain (loss) on sale of assets	32,551	-	109,554	21,448	45,487
Transfers	(526,098)	(495,802)	1,058,506	(505,138)	(932,875)
Special Item	-	-	-	-	
Total business-type activities	1,490,571	1,181,694	1,972,432	(1,920,820)	446,005
Total primary government	\$ 83,790,480	\$ 80,875,965	\$ 83,793,791	\$ 89,511,103	\$ 100,398,874
Change in Net Position					
Governmental activities	\$ 5,289,149	\$ (2,680,243)	\$ 14,400,335	\$ 45,941,309	\$ 8,511,674
Business-type activities	7,300,097	2,207,328	7,379,832	8,474,620	(4,607,470)
Total primary government	\$ 12,589,246	\$ (472,915)	\$ 21,780,167	\$ 54,415,929	\$ 3,904,204

Source: City of Santa Cruz Finance Department

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

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

Source: City of Santa Cruz Finance Department

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

	Fiscal Year Ended June 30				
	2019	2020	2021	2022	2023
General Fund					
Non-spendable	\$ 5,788,162	\$ 5,066,943	\$ 5,498,946	\$ 5,168,665	\$ 6,906,392
Restricted	11,215,594	11,928,524	10,001,975	7,787,634	8,830,952
Committed	4,082,699	3,709,804	9,895,162	25,640,741	22,449,897
Assigned	3,603,735	3,668,540	4,356,223	5,259,744	6,347,533
Unassigned (deficit)	7,199,928	4,116,415	6,264,915	7,141,345	7,376,514
Total General Fund	\$ 31,890,118	\$ 28,490,226	\$ 36,017,221	\$ 50,998,129	\$ 51,911,288
All Other Governmental Funds					
Non-spendable					
Redevelopment Agency fund	\$ -	\$ -	\$ -	\$ -	\$ -
General Capital Improvement fund	-	-	-	-	-
Special revenue funds	940	-	-	-	-
Restricted					
Redevelopment Agency fund	12,025,370	12,249,579	12,449,485	12,721,801	12,681,966
Special revenue funds	17,556,668	17,787,809	22,364,037	27,149,578	21,422,390
Capital projects funds	-	(6,183,533)	-	-	-
Debt service funds	1,729,413	1,748,363	1,814,621	1,835,591	1,523,655
Committed					
Capital projects funds	-	-	-	-	3,177,942
Unassigned (deficit)					
Special revenue funds	-	-	(4,685,290)	-	-
Capital projects funds	(2,564,118)	-	-	(7,780,078)	-
Total all other governmental funds	\$ 28,748,273	\$ 25,602,218	\$ 31,942,853	\$ 33,926,892	\$ 38,805,953

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

	Fiscal Year Ended June 30				
	2014	2015	2016	2017	2018
Revenues					
Taxes	\$ 57,551,029	\$ 61,670,739	\$ 66,322,593	\$ 68,828,889	\$ 73,781,043
Licenses and permits	846,682	956,587	1,237,340	1,059,040	1,449,842
Intergovernmental	9,766,514	6,415,667	6,464,559	6,086,088	8,344,392
Charges for services	12,279,247	13,873,068	15,759,647	16,765,767	18,415,749
Fines and forfeitures	1,985,697	1,947,157	1,943,034	1,821,418	1,723,744
Use of money and property	5,473,973	5,774,210	6,063,555	5,768,075	6,889,627
Other revenues	2,008,232	4,914,494	3,177,854	1,829,894	7,678,476
Total revenues	<u>89,911,374</u>	<u>95,551,922</u>	<u>100,968,582</u>	<u>102,159,171</u>	<u>118,282,873</u>
Expenditures					
General government	15,486,989	16,772,766	16,422,406	18,118,532	18,706,083
Public safety	36,713,253	40,423,564	43,100,322	45,715,309	46,445,392
Parks and recreation/library	10,874,354	11,371,378	12,009,683	14,270,030	15,045,740
Public works	6,939,421	8,255,477	8,677,836	7,858,508	8,383,175
Transit	686,510	707,736	701,935	748,134	745,940
Community and economic development	2,379,854	4,389,168	5,071,783	3,417,657	4,670,681
Social services	1,485,470	1,378,574	1,371,129	1,436,421	2,159,544
Capital outlay	10,637,976	14,394,876	4,253,195	12,332,342	18,603,906
Debt service:					
Principal	2,135,072	2,299,080	3,779,157	4,042,493	4,158,166
Interest and fiscal charges	1,693,341	1,647,830	1,935,405	1,695,100	1,594,081
Bond issuance costs	-	-	-	135,322	-
Total expenditures	<u>90,426,991</u>	<u>103,035,200</u>	<u>98,717,602</u>	<u>111,234,599</u>	<u>122,047,489</u>
Excess of revenues over (under) expenditures	<u>(515,617)</u>	<u>(7,483,278)</u>	<u>2,250,980</u>	<u>(9,075,428)</u>	<u>(3,764,616)</u>
Other financing sources (uses)					
Proceeds from asset dispositions	831,539	16,446	1,762,040	33,487	584,367
Proceeds from long-term debt issued	-	14,130,000	-	7,685,000	483,697
Payment to refunded bond escrow agent	-	-	-	(8,665,624)	-
Premiums on bonds sold	-	-	-	384,292	-
Transfers in	9,448,854	6,321,861	1,715,874	4,484,501	4,954,350
Transfers out	<u>(9,464,343)</u>	<u>(6,649,588)</u>	<u>(2,087,561)</u>	<u>(4,980,445)</u>	<u>(3,019,463)</u>
Total other financing sources (uses)	<u>816,050</u>	<u>13,818,719</u>	<u>1,390,353</u>	<u>(1,058,789)</u>	<u>3,002,951</u>
Net change in fund balances	<u>\$ 300,433</u>	<u>\$ 6,335,441</u>	<u>\$ 3,641,333</u>	<u>\$ (10,134,217)</u>	<u>\$ (761,665)</u>
Total expenditures	\$ 90,426,991	\$ 103,035,200	\$ 98,717,602	\$ 111,234,599	\$ 122,047,489
Capitalized portion of capital outlay	<u>6,756,244</u>	<u>12,362,613</u>	<u>1,560,817</u>	<u>4,039,289</u>	<u>9,630,958</u>
Total non-capitalized expenditures	\$ 83,670,747	\$ 90,672,587	\$ 97,156,785	\$ 107,195,310	\$ 112,416,531
Debt service: principal & interest	\$ 3,828,413	\$ 3,946,910	\$ 5,714,562	\$ 5,737,593	\$ 5,752,247
Debt service as a percentage of noncapital expenditures	4.6%	4.4%	5.9%	5.4%	5.1%

Source: City of Santa Cruz Finance Department

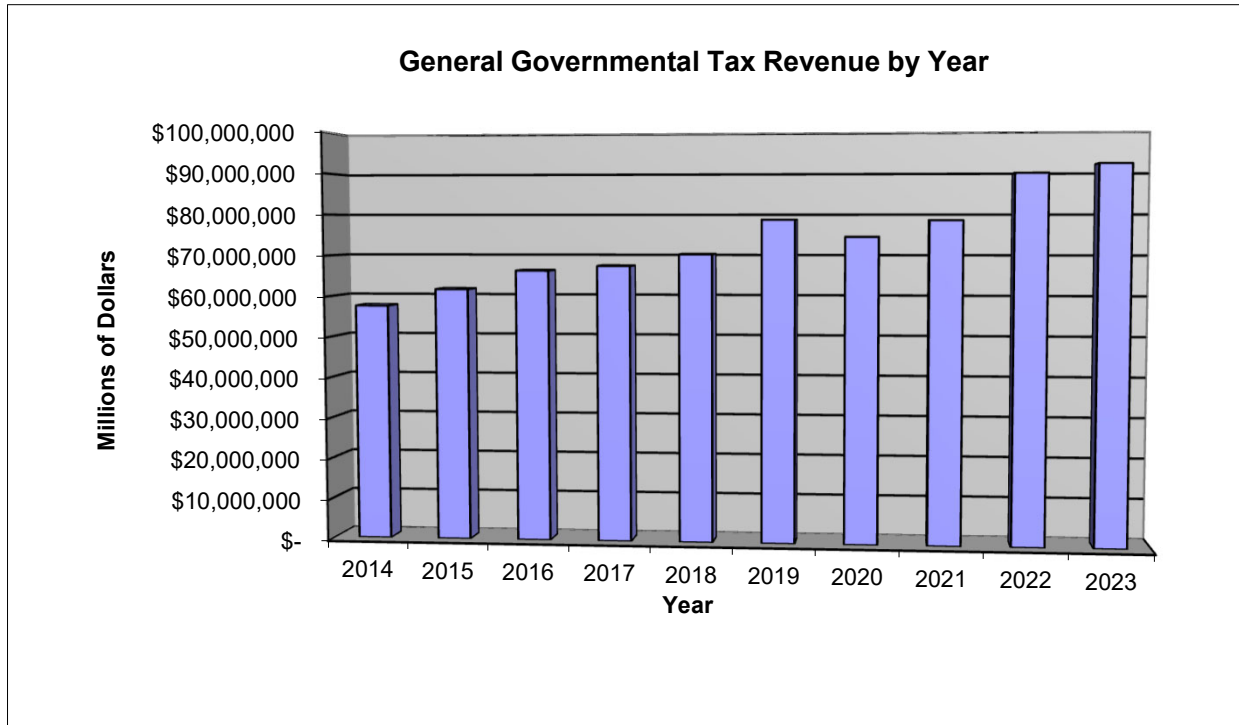
City of Santa Cruz
Changes in Fund Balances of Governmental Funds (Continued)
Last Ten Fiscal Years

	Fiscal Year Ended June 30				
	2019	2020	2021	2022	2023
Revenues					
Taxes	\$ 80,390,667	\$ 77,354,407	\$ 80,873,029	\$ 92,166,387	\$ 94,166,397
Licenses and permits	1,617,733	1,492,276	1,497,268	1,370,582	1,684,201
Intergovernmental	8,785,444	10,181,715	19,173,004	37,445,652	24,626,525
Charges for services	19,221,412	16,376,880	18,597,007	20,183,511	21,196,737
Fines and forfeitures	1,753,002	1,535,295	1,105,221	1,165,243	1,341,043
Use of money and property	8,863,017	8,151,370	8,840,372	4,869,041	9,045,975
Other revenues	3,455,888	1,557,853	1,575,984	1,733,051	2,559,845
Total revenues	<u>124,087,163</u>	<u>116,649,796</u>	<u>131,661,885</u>	<u>158,933,467</u>	<u>154,620,723</u>
Expenditures					
General government	20,548,575	19,495,392	22,560,800	21,139,517	18,906,929
Public safety	50,084,320	49,920,365	48,712,588	52,163,701	50,104,613
Parks and recreation/library	15,969,852	14,417,269	13,513,957	17,174,643	19,381,672
Public works	14,685,689	14,521,880	10,391,455	16,156,788	15,149,121
Transit	798,782	1,013,564	797,240	1,063,500	1,335,582
Community and economic development	2,787,499	4,480,675	3,396,495	3,935,690	16,139,480
Social services	2,027,873	2,005,337	2,191,401	2,601,450	8,326,322
Capital outlay	5,557,262	9,766,959	10,968,458	21,737,119	22,566,735
Debt service:					
Principal	4,610,644	4,992,514	5,298,916	6,075,609	3,550,087
Interest and fiscal charges	1,427,030	1,257,449	1,002,144	814,340	614,484
Bond issuance costs	-	-	-	-	-
Total expenditures	<u>120,102,277</u>	<u>123,546,155</u>	<u>120,578,205</u>	<u>142,862,357</u>	<u>156,075,025</u>
Excess of revenues over (under) expenditures	<u>3,984,886</u>	<u>(6,896,359)</u>	<u>11,083,680</u>	<u>16,071,110</u>	<u>(1,454,302)</u>
Other financing sources (uses)					
Proceeds from asset dispositions	629,237	20,528	68,513	36,199	112,245
Proceeds from long-term debt issued	854,614	-	222,500	-	8,353,930
Payment to refunded bond escrow agent	-	-	-	-	-
Premiums on bonds sold	-	-	-	-	-
Transfers in	4,393,946	5,751,315	5,261,804	18,311,436	25,835,930
Transfers out	(4,026,253)	(5,421,431)	(2,700,389)	(17,471,323)	(27,055,585)
Total other financing sources (uses)	<u>1,851,544</u>	<u>350,412</u>	<u>2,852,428</u>	<u>876,312</u>	<u>7,246,520</u>
Net change in fund balances	<u>\$ 5,836,430</u>	<u>\$ (6,545,947)</u>	<u>\$ 13,936,108</u>	<u>\$ 16,947,422</u>	<u>\$ 5,792,218</u>
Total expenditures	\$ 120,102,277	\$ 123,546,155	\$ 120,578,205	\$ 142,862,357	\$ 156,075,025
Capitalized portion of capital outlay	5,557,262	10,604,396	10,968,458	21,737,119	23,060,903
Total non-capitalized expenditures	\$ 114,545,015	\$ 112,941,759	\$ 109,609,747	\$ 121,125,238	\$ 133,014,122
Debt service: principal & interest	\$ 6,037,674	\$ 6,249,963	\$ 6,301,060	\$ 6,889,949	\$ 4,164,571
Debt service as a percentage of noncapital expenditures	5.3%	5.5%	5.7%	5.7%	3.1%

Source: City of Santa Cruz Finance Department

City of Santa Cruz
General Governmental Tax Revenues by Source¹
Last Ten Fiscal Years

Fiscal Year Ended June 30	Property	Sales and Use	Franchise	Transient Occupancy	Utility Users	Admission	Clean River, Beaches & Ocean
2014	\$ 16,481,343	\$ 15,679,768	\$ 2,875,933	\$ 7,096,947	\$ 10,465,335	\$ 2,274,117	\$ 625,544
2015	17,432,244	16,572,267	3,148,619	8,255,379	10,671,804	2,394,716	627,144
2016	18,720,421	17,934,333	3,369,016	9,027,506	11,028,860	2,523,654	628,787
2017	19,890,236	17,361,753	3,538,252	9,282,551	11,314,374	2,483,608	629,206
2018	20,681,464	17,400,320	3,678,560	10,185,738	11,568,654	2,679,859	629,045
2019	23,135,942	21,860,332	4,025,643	10,985,786	11,517,468	2,646,472	629,191
2020	23,836,366	21,376,655	4,014,250	8,035,134	11,459,173	1,721,753	629,680
2021	24,152,410	23,684,149	3,483,705	9,121,782	12,070,520	663,919	659,854
2022	25,804,829	27,223,493	4,089,489	12,066,476	12,264,890	2,648,394	632,654
2023	27,444,537	26,310,460	4,240,753	12,633,022	13,433,448	2,726,453	630,263



Source: City of Santa Cruz Finance Department

City of Santa Cruz
General Governmental Tax Revenues by Source¹ (Continued)
Last Ten Fiscal Years

Fiscal Year Ended June 30	Parking	Business Improvement	Property Transfer	Business License	Parks and Recreation Facilities	Tourism Marketing District Assessment (Less payout)	Cannabis	Total
2014	\$ 489,792	\$ 390,025	\$ 261,343	\$ 885,892	\$ 285,743	\$ (155,436)	\$ -	\$57,656,346
2015	563,399	458,073	272,855	871,672	259,307	56,144	155,186 ²	61,738,809
2016	633,183	456,562	279,942	856,783	493,034	60,918	309,596	66,322,595
2017	615,555	464,879	327,391	885,021	291,940	57,801	354,205	67,496,772
2018	685,552	459,033	362,690	848,580	540,356	(33,504)	669,080	70,355,427
2019	699,715	464,868	306,256	902,226	457,973	163,345	943,832	78,739,049
2020	509,965	486,099	319,874	867,252	233,342	(304,202)	1,410,175	74,595,516
2021	484,660	459,837	490,874	810,313	837,416	-	1,689,100	78,608,539
2022	898,560	218,222	553,703	744,162	536,050	-	2,133,575	89,814,497
2023	840,026	215,208	351,310	772,632	1,085,778	-	1,363,654	92,047,543

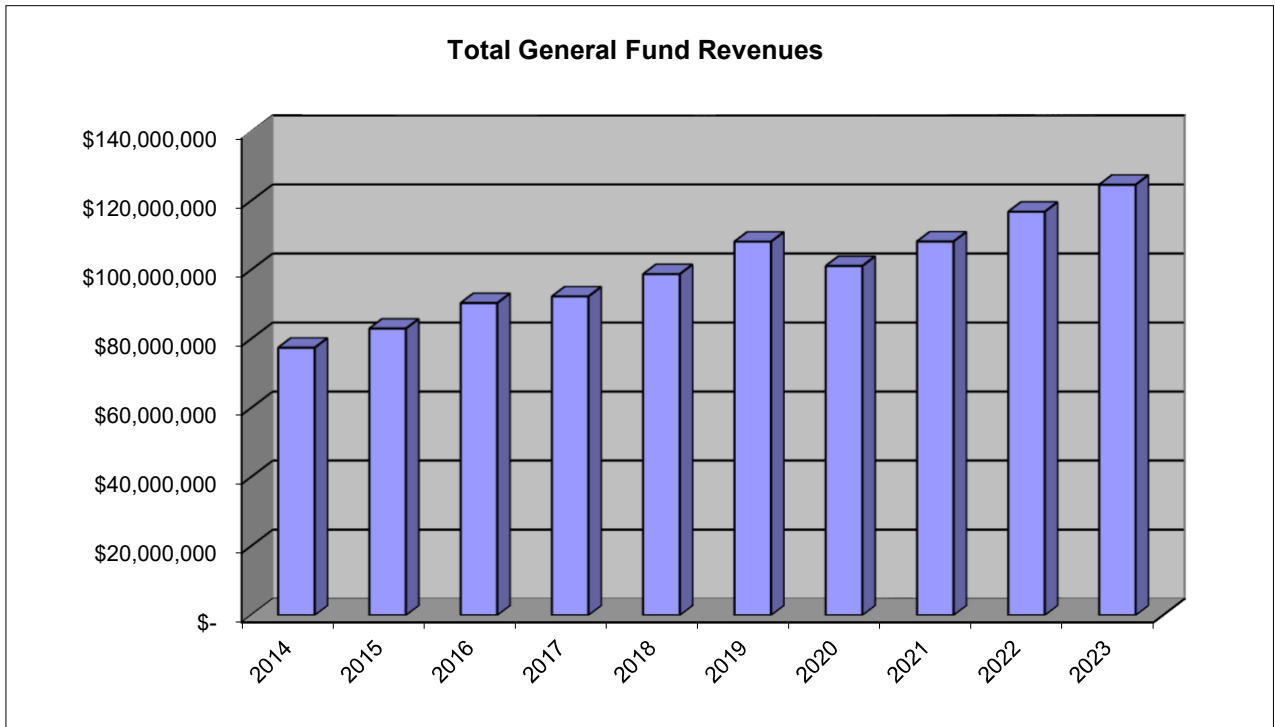
Notes:

- 1 This table includes all governmental fund types.
- 2 Cannabis tax was 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**

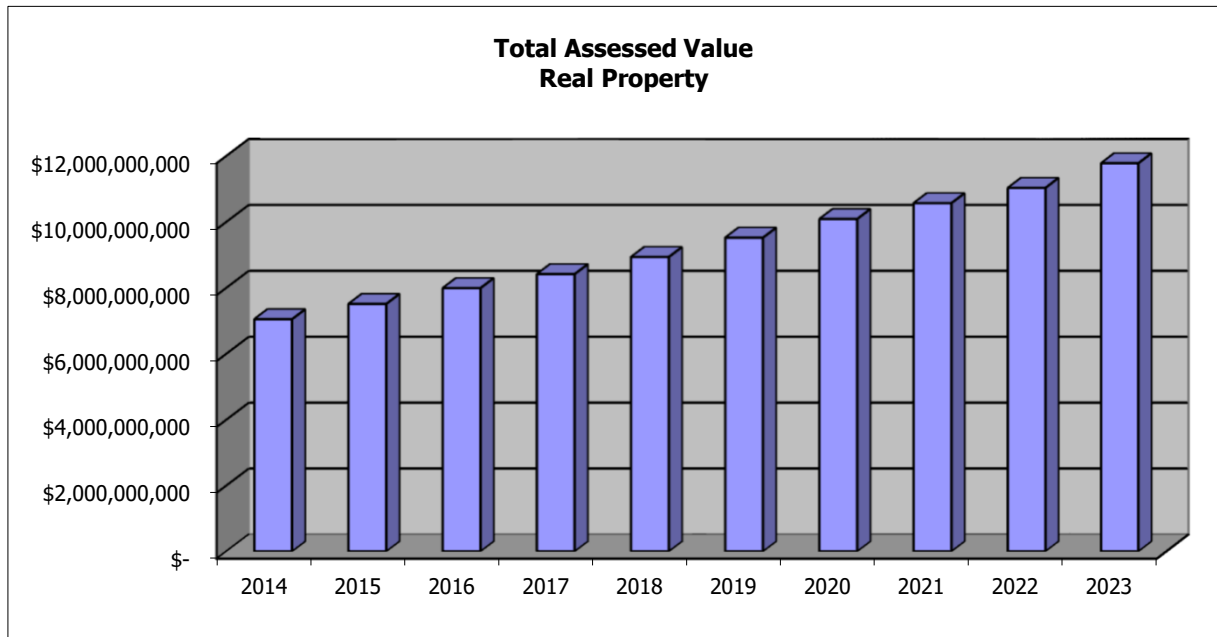
Fiscal Year Ended June 30	Taxes	Licenses and Permits	Inter-Governmental	Charges for Services	Fines and Forfeitures	Use of Money and Property	Other Revenues	Total
2014	\$ 56,196,870	\$ 846,682	\$ 989,769	\$ 12,214,540	\$ 1,985,697	\$ 4,810,654	\$ 441,432	\$77,485,644
2015	60,325,657	956,587	346,773	13,818,324	1,947,157	5,106,451	535,425	83,036,374
2016	64,729,972	1,237,340	588,460	15,705,991	1,943,034	5,216,813	1,002,839	90,424,449
2017	66,079,290	1,059,040	354,279	16,673,446	1,820,941	5,090,589	1,264,153	92,341,738
2018	69,841,882	1,449,842	492,888	18,351,158	1,689,605	5,943,664	1,046,712	98,815,751
2019	77,141,459	1,617,733	589,336	19,152,126	1,750,058	7,270,160	680,469	108,201,341
2020	73,226,236	1,492,276	1,261,048	16,315,020	1,535,295	6,810,672	529,933	101,170,480
2021	76,602,978	1,497,268	1,953,282	18,546,386	1,105,221	8,194,469	360,421	108,260,025
2022	88,124,347	1,370,582	1,277,145	20,097,878	1,165,243	4,338,175	508,307	116,881,677
2023	89,795,560	1,684,201	2,121,784	21,121,206	1,341,043	7,999,871	625,336	124,689,001



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				Unsecured	Total Assessed Value	Total Direct Tax Rate
	Residential	Commercial	Other	Total			
2014	\$5,807,549,689	\$ 886,173,344	\$356,652,877	\$7,050,375,910	\$ 193,487,470	\$7,243,863,380	0.006%
2015	6,263,167,155	895,240,618	355,088,792	7,513,496,565	212,839,210	7,726,335,775	0.006%
2016	6,679,113,621	949,045,750	364,381,608	7,992,540,979	260,412,664	8,252,953,643	0.006%
2017	7,008,164,159	1,017,940,619	391,194,339	8,417,299,117	253,665,905	8,670,965,022	0.005%
2018	7,449,222,934	1,104,556,139	383,212,771	8,936,991,844	263,601,080	9,200,592,924	0.005%
2019	7,927,418,102	1,196,069,243	400,653,617	9,524,140,962	275,180,236	9,799,321,198	0.005%
2020	8,408,918,190	1,244,844,880	436,735,058	10,090,498,128	301,488,477	10,391,986,605	0.005%
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%
2023	9,833,245,042	1,480,213,796	467,850,614	11,781,309,452	315,692,855	12,097,002,307	0.004%



Notes:

This table has been adjusted to reflect fiscal year assessed values.

With the passage of a constitutional amendment (Proposition 13) and subsequently enacted State legislation, property is assessed according to a base year rather than on a percentage of market value. Accordingly, a reliable estimate of actual value of taxable property within the City is not possible.

Source: California Municipal Statistics, Inc.
 County of Santa Cruz Auditor-Controller's Office
 County of Santa Cruz Assessor's Office

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Direct Rates:										
General Obligation Bonds	\$ 0.006	\$ 0.006	\$ 0.006	\$ 0.005	\$ 0.005	\$ 0.005	\$ 0.005	\$ 0.005	\$ 0.004	\$ 0.004
Total Direct Rate	0.006	0.006	0.006	0.005	0.005	0.005	0.005	0.005	0.004	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	0.037	0.037	0.033	0.024	0.021	0.021	0.021	0.024	0.024
Santa Cruz Schools	0.047	0.042	0.040	0.038	0.090	0.086	0.078	0.076	0.074	0.077
Bonny Doon Schools	0.025	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Live Oak Schools	0.054	0.053	0.046	0.036	0.020	0.021	0.021	0.021	0.021	0.020
Scotts Valley Schools	0.046	0.041	0.075	0.051	0.084	0.069	0.086	0.078	0.076	0.072
Total Overlapping Rate	1.212	1.172	1.198	1.157	1.218	1.197	1.206	1.195	1.195	1.192
Total Direct and Overlapping Rate	\$ 1.218	\$ 1.178	\$ 1.203	\$ 1.162	\$ 1.223	\$ 1.202	\$ 1.211	\$ 1.199	\$ 1.200	\$ 1.197

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	2023 ¹			2014 ²		
	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Santa Cruz Seaside Co. Inc.	\$ 130,552,727	1	1.08%	\$ 49,827,331	1	0.69%
Regency Hilltop LLC	117,750,000	2	0.97%			
Cypress Point RE Investors LLC	51,204,468	3	0.42%	41,220,400	3	0.57%
Selby Development Group LLC	44,547,619	4	0.37%			
Santa Cruz Shaffer Road Investors	41,486,497	5	0.34%	35,173,514	4	0.49%
BHOV Santa Cruz LLC	41,135,785	6	0.34%			
BRFII Santa Cruz LLC	35,700,000	7	0.30%			
SC Beach Holding Co. LLC	31,428,506	8	0.26%	42,521,437	2	0.59%
Roaring Park Pacific LLC	31,278,186	9	0.26%			
555 Pacific LLC	29,035,538	10	0.24%			
Harmony Food Corporation						
Essex Chestnut Apartments LP				20,959,524	9	0.29%
1010 Pacific Investors				24,010,575	5	0.33%
222 Columbia St. LLC				22,331,109	6	0.31%
University Business Park LLC				21,805,459	7	0.30%
Canfiels Laurel & Pacific Ltd Partnership				21,004,550	8	0.29%
Harmony Partners LLC				19,974,345	10	0.28%
Totals	<u>\$ 554,119,326</u>		<u>4.58%</u>	<u>\$ 298,828,244</u>		<u>4.13%</u>
Total assessed value	<u>\$ 12,097,002,307</u>			<u>\$ 7,243,863,380</u>		

Sources:

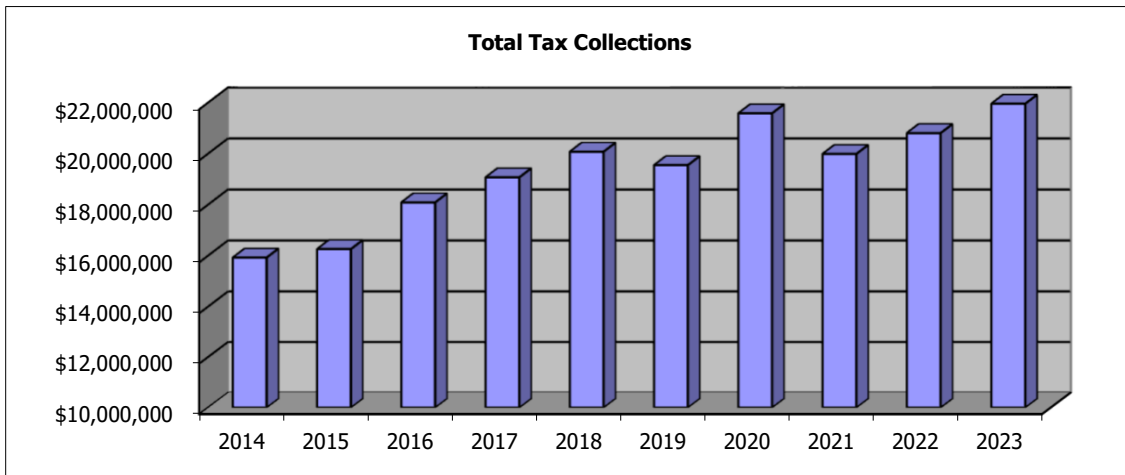
¹ County of Santa Cruz

² HDL Coren & Cone

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

Fiscal Year Ended June 30	Total Tax Levy ²	Current Tax Collections ²	Percent of Levy Collected	Delinquent Tax Collections ³	Total Tax Collections	Total Collections as Percent of Current Levy	Outstanding Delinquent Taxes ³	Outstanding Delinquent Taxes as Percent of Current Levy
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%	-	-
2023	21,965,114	21,965,114	100.0%	-	21,965,114	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				
	2014	2015	2016	2017	2018
Governmental Activities:					
General obligation bonds	\$ 6,185,000	\$ 5,965,000	\$ 5,730,000	\$ 5,475,000	\$ 5,205,000
Pension obligation bonds	18,860,000	17,160,000	15,310,000	13,295,000	11,100,000
Revenue bonds payable	9,300,000	8,995,000	8,680,000	7,685,000	7,560,000
Certificates of participation	-	-	-	-	-
Capital leases (pre-GASB 87)	344,427	297,379	249,630	201,170	152,536
Notes	215,735	14,318,705	12,987,297	13,920,402	12,871,003
Lease liability (post GASB 87)	-	-	-	-	-
Subscription liability (post GASB 96)	-	-	-	-	-
Other	-	-	-	-	-
Premiums	28,832	26,565	24,747	399,607	376,258
Total Governmental Activities	34,933,993	46,762,649	42,981,674	40,976,180	37,264,797
Business-type Activities:					
Wastewater revenue bonds	18,701,778	15,359,178	11,925,013	8,433,487	4,888,944
Storm water revenue bonds	4,620,000	4,520,000	4,245,000	3,945,000	3,640,000
Water revenue bonds	10,400,000	10,670,000	10,235,000	9,835,000	9,425,000
Refuse revenue bonds	2,870,000	2,545,000	2,215,000	1,875,000	1,525,000
Parking Revenue bonds	4,445,000	4,190,000	3,930,000	3,350,000	3,065,000
Golf course revenue bonds	-	-	-	-	-
Certificates of Participation	-	-	-	-	-
Notes	5,286,731	4,653,748	4,277,317	26,632,000	29,407,533
Leases	171,096	-	-	-	-
Lease liability (post GASB 87)	-	-	-	-	-
Subscription liability (post GASB 96)	-	-	-	-	-
Premiums	94,123	99,035	87,363	359,289	322,811
Total Business-type Activities	46,323,509	42,036,961	36,914,693	54,429,776	52,274,288
Successor Agency Trust:					
Tax allocation bonds	35,760,000	33,855,000	31,835,000	29,690,000	27,415,000
Premiums	9,372	7,873	6,374	4,874	3,374
Total Successor Agency Trust	35,769,372	33,862,873	31,841,374	29,694,874	27,418,374
Total Primary Government	\$ 117,026,875	\$ 122,662,483	\$ 111,737,741	\$ 125,100,830	\$ 116,957,459
Personal income ¹	\$ 3,326,920,480	\$ 3,334,888,920	\$ 3,700,634,424	\$ 3,934,137,350	\$ 4,254,916,712
Debt as percentage of personal income	3.52%	3.68%	3.02%	3.18%	2.75%
Population ²	63,440	63,789	64,632	66,170	66,454
Debt per capita	1,845	1,923	1,729	1,891	1,760
Assessed value ³	\$ 7,243,863,380	\$ 7,726,335,775	\$ 8,252,953,643	\$ 8,670,965,022	\$ 9,200,592,924
Debt as percentage of assessed value	1.62%	1.59%	1.35%	1.44%	1.27%

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 Outstanding Debt By Type (Continued)
Last Ten Fiscal Years

	Fiscal Year Ended June 30				
	2019	2020	2021	2022	2023
Governmental Activities:					
General obligation bonds	\$ 4,915,000	\$ 4,600,000	\$ 4,265,000	\$ 3,905,000	\$ 3,520,000
Pension obligation bonds	8,685,000	6,040,000	3,150,000	-	-
Revenue bonds payable	7,255,000	6,940,000	6,615,000	6,270,000	5,920,000
Certificates of participation	-	-	-	-	-
Capital leases (pre-GASB 87)	102,813	42,813	-	-	-
Notes	12,162,137	10,504,623	9,021,020	7,252,736	11,609,943
Lease liability (post GASB 87)	-	-	-	-	3,025,518
Subscription liability (post GASB 96)	-	-	-	-	1,142,001
Other	-	-	-	-	-
Premiums	352,908	329,558	306,208	282,858	259,508
Total Governmental Activities	33,472,857	28,456,994	23,357,228	17,710,594	25,476,970
Business-type Activities:					
Wastewater revenue bonds	1,272,570	967,858	653,339	329,605	-
Storm water revenue bonds	3,330,000	3,015,000	2,690,000	2,360,000	2,020,000
Water revenue bonds	9,015,000	29,450,000	28,685,000	27,895,000	27,075,000
Refuse revenue bonds	1,160,000	785,000	400,000	-	-
Parking Revenue bonds	2,830,000	2,590,000	2,340,000	2,080,000	1,805,000
Golf course revenue bonds	-	-	-	-	-
Certificates of Participation	-	-	-	-	-
Notes	35,655,891	24,376,046	197,461,242	115,255,699	142,774,050
Leases	-	-	-	-	-
Lease liability (post GASB 87)	-	-	-	-	2,923,088
Subscription liability (post GASB 96)	-	-	-	-	205,361
Premiums	286,332	5,466,295	5,247,847	5,035,632	4,825,494
Total Business-type Activities	53,549,793	66,650,199	237,477,428	152,955,936	181,627,993
Successor Agency Trust:					
Tax allocation bonds	25,000,000	22,435,000	6,035,000	5,105,000	4,115,000
Premiums	1,875	375	-	-	-
Total Successor Agency Trust	25,001,875	22,435,375	6,035,000	5,105,000	4,115,000
Total Primary Government	\$ 112,024,525	\$ 117,542,568	\$ 266,869,656	\$ 175,771,530	\$ 211,219,963
Personal income ¹	\$ 4,564,044,485	\$ 4,612,243,008	\$ 4,265,441,292	\$ 5,481,872,550	\$ 5,460,340,760
Debt as percentage of personal income	2.45%	2.55%	6.26%	3.21%	3.87%
Population ²	65,807	64,424	56,156	64,075	63,224
Debt per capita	1,702	1,825	4,752	2,743	3,341
Assessed value ³	\$ 9,799,321,198	\$ 10,391,986,605	\$ 10,873,802,074	\$ 11,322,012,220	\$ 12,097,002,307
Debt as percentage of assessed value	1.14%	1.13%	2.45%	1.55%	1.75%

Notes:

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

Source:

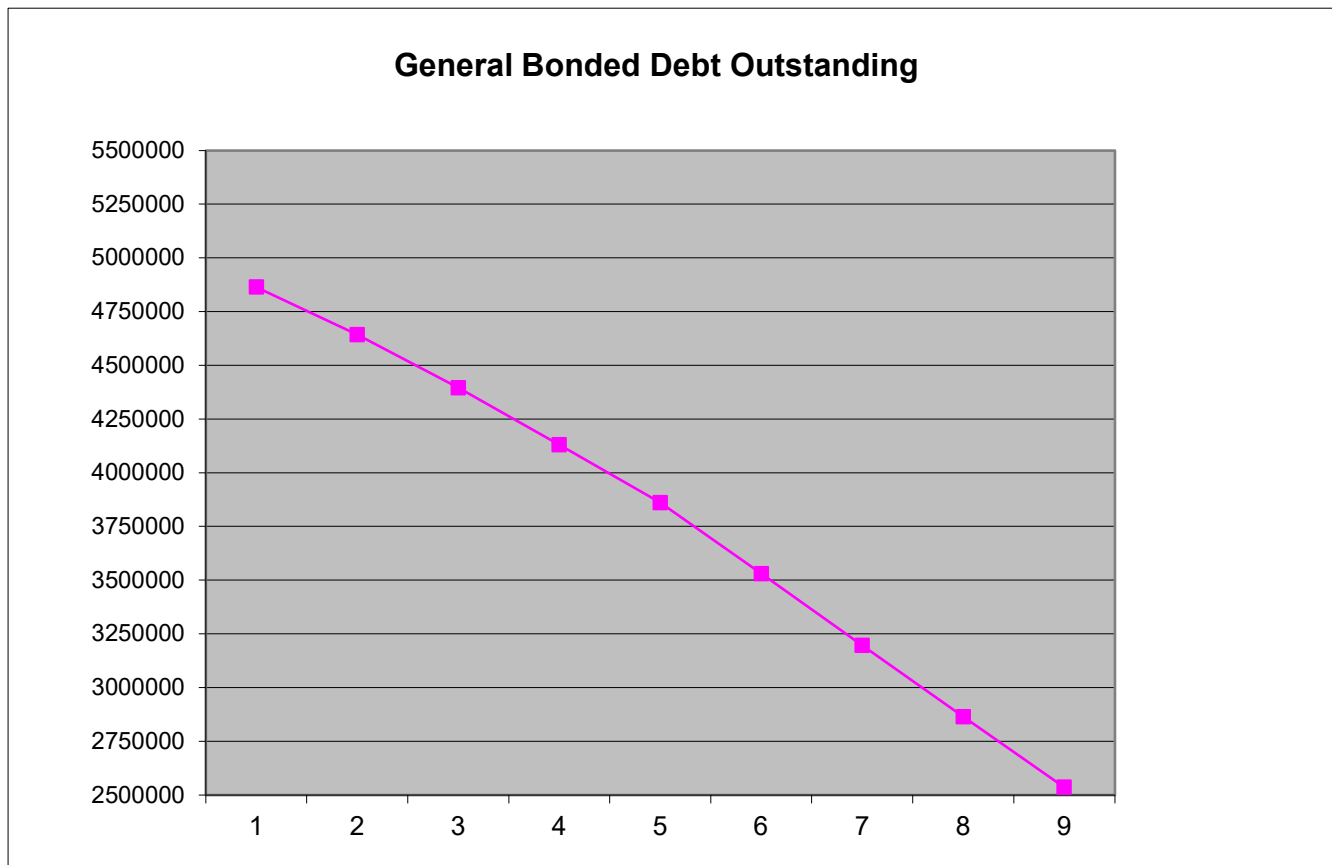
² California Department of Finance

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
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%	66	8,252,953,643	66,170
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%	55	9,799,321,198	64,424
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
2023	3,529,603	1,523,656	2,005,947	0.02%	32	12,097,002,307	63,224



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, 2023

2022-2023 Assessed Valuation \$ 12,097,002,307

	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	\$ 98,100,393	21.609%	\$ 21,198,514
Santa Cruz High School District	139,771,729	46.502%	64,996,649
Santa Cruz Elementary School District	68,451,268	95.312%	65,242,273
Live Oak School District	17,422,000	0.759%	132,233
City of Santa Cruz	3,520,000	100.000%	3,520,000
Santa Cruz Libraries FA Community Facilities District No. 2016-1	36,780,000	24.036%	8,840,441
Total Direct and Overlapping Tax and Assessment Debt	\$ 364,045,390		\$ 163,930,110
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Santa Cruz County General Fund Obligations	99,248,719	21.792%	21,628,281
Santa Cruz County Office of Education Certificates of Participation	7,017,192	21.792%	1,529,186
Santa Cruz City Schools Certificates of Participation	580,000	46.502%	269,712
Live Oak School District Certificates of Participation	11,518,973	0.759%	87,429
Santa Cruz High School District Certificates of Participation	1,036,783	46.502%	482,125
City of Santa Cruz General Fund Obligations	12,706,042	100.000%	12,706,042
City of Santa Cruz Share of County Emergency Center	548,640	100.000%	548,640
Total Direct and Overlapping General Fund Debt	132,656,349		37,251,415
<u>OVERLAPPING TAX INCREMENT DEBT</u>	4,115,000	100.000%	4,115,000
TOTAL DIRECT DEBT			16,774,682
TOTAL OVERLAPPING DEBT			188,521,843
Combined Total Debt	\$ 496,701,739		\$ 205,296,525 ⁽²⁾

Notes:

- (1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.
- (2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Ratios to 2021-22 Assessed Valuation:

Direct Debt (\$3,520,000)	0.03%
Total Direct and Overlapping Tax and Assessment Debt	1.36%
Total Direct Debt (\$16,774,682)	0.14%
Combined Total Debt	1.70%

Ratios to Incremental Valuation (\$2,384,923,670)

Total Overlapping Tax Increment Debt	0.17%
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Source: California Municipal Statistics, Inc.

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

	Fiscal Year Ended June 30				
	2014	2015	2016	2017	2018
Debt limit	\$1,086,579,507	\$1,158,950,366	\$1,237,943,046	\$1,300,644,753	\$ 1,380,088,939
Total net debt applicable to limit	4,862,058	4,640,565	4,393,854	4,128,281	3,840,859
Legal debt margin	<u>\$1,081,717,449</u>	<u>\$1,154,309,801</u>	<u>\$1,233,549,192</u>	<u>\$1,296,516,472</u>	<u>\$ 1,376,248,080</u>
Total net debt applicable to the limit as a percentage of debt limit	0.45%	0.40%	0.35%	0.32%	0.28%

Notes:

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

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

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

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

	Fiscal Year Ended June 30				
	2019	2020	2021	2022	2023
Debt limit	\$1,469,898,180	\$1,558,797,991	\$1,631,070,311	\$1,698,301,833	\$ 1,814,550,346
Total net debt applicable to limit	<u>3,512,152</u>	<u>3,181,195</u>	<u>2,850,761</u>	<u>2,523,645</u>	<u>1,996,344</u>
Legal debt margin	<u>\$1,466,386,028</u>	<u>\$1,555,616,796</u>	<u>\$1,628,219,550</u>	<u>\$1,695,778,188</u>	<u>\$ 1,812,554,002</u>
Total net debt applicable to the limit as a percentage of debt limit	0.24%	0.20%	0.17%	0.15%	0.11%

Legal Debt Margin Calculation For Fiscal Year 2022-23

Total assessed value	\$ 12,097,002,307
Debt limit (15% of total assessed value)	\$ 1,814,550,346
Debt applicable to limit:	
General obligation bonds (reported at accreted value)	\$ 3,520,000
Less: Amount available in debt service fund for repayment of bonds	\$ 1,523,656
Total net debt applicable to limit	\$ 1,996,344
Legal debt margin	\$ 1,812,554,002

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

	Fiscal Year Ended June 30				
	2014	2015	2016	2017	2018
Wastewater Revenue Bonds:					
Wastewater charges and other	\$ 17,351,944	\$ 17,702,332	\$ 18,638,430	\$ 20,294,352	\$ 21,239,594
Less: operating expenses	13,770,395	13,317,173	13,543,016	14,269,230	15,535,701
Net available revenue	<u>3,581,549</u>	<u>4,385,160</u>	<u>5,095,414</u>	<u>6,025,121</u>	<u>5,703,892</u>
Debt service:					
Principal	240,000	1,709,898	3,434,164	3,491,526	3,544,544
Interest	44,491	48,609	234,324	176,024	116,764
Total	<u>284,491</u>	<u>1,758,507</u>	<u>3,668,488</u>	<u>3,667,550</u>	<u>3,661,308</u>
Coverage	1259.00%	249.00%	139.00%	164.00%	156.00%
Water Revenue Bonds:					
Water charges and other	\$ 24,635,604	\$ 24,654,059	\$ 26,676,455	\$ 31,120,650	\$ 41,515,458
Less: operating expenses	23,821,485	21,279,237	21,949,166	22,464,366	27,393,908
Net available revenue	<u>814,119</u>	<u>3,374,822</u>	<u>4,727,289</u>	<u>8,656,284</u>	<u>14,121,550</u>
Debt service:					
Principal	311,368	-	348,000	320,000	328,000
Interest	386,783	72,733	279,705	242,057	235,603
Total	<u>698,151</u>	<u>72,733</u>	<u>627,705</u>	<u>562,057</u>	<u>563,603</u>
Coverage	117.00%	4640.00%	753.00%	1540.00%	2506.00%
Storm Water Revenue Bonds:					
Storm Water charges and other	\$ 856,893	\$ 889,617	\$ 1,025,705	\$ 915,299	\$ 920,052
Less: operating expenses	505,896	312,574	576,609	726,257	709,824
Net available revenue	<u>350,997</u>	<u>577,043</u>	<u>449,096</u>	<u>189,042</u>	<u>210,228</u>
Debt service:					
Principal	197,815	275,000	275,000	300,000	305,000
Interest	100,175	26,109	100,313	94,438	88,363
Total	<u>297,990</u>	<u>301,109</u>	<u>375,313</u>	<u>394,438</u>	<u>393,363</u>
Coverage	118.00%	192.00%	120.00%	48.00%	53.00%

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
Pledged-Revenue Coverage (Continued)
Last Ten Fiscal Years

	Fiscal Year Ended June 30				
	2019	2020	2021	2022	2023
Wastewater Revenue Bonds:					
Wastewater charges and other	\$ 20,020,688	\$ 21,534,439	\$ 24,218,993	\$ 24,535,867	\$ 25,578,768
Less: operating expenses	15,666,972	17,807,641	16,827,091	16,454,197	18,794,927
Net available revenue	4,353,716	3,726,798	7,391,902	8,081,670	6,783,841
Debt service:					
Principal	3,616,374	304,712	314,519	323,734	329,605
Interest	43,118	35,177	23,044	14,839	4,268
Total	3,659,492	339,889	337,563	338,573	333,873
Coverage	119.00%	1096.00%	2190.00%	2387.00%	2032.00%
Water Revenue Bonds:					
Water charges and other	\$ 41,036,708	\$ 42,647,198	\$ 41,820,438	\$ 41,782,686	\$ 42,585,631
Less: operating expenses	26,631,004	28,641,586	27,750,088	29,236,693	29,540,218
Net available revenue	14,405,704	14,005,612	14,070,349	12,545,993	13,045,413
Debt service:					
Principal	328,000	406,000	765,000	790,000	820,000
Interest	229,043	799,607	1,315,188	1,289,838	1,263,538
Total	557,043	1,205,607	2,080,188	2,079,838	2,083,538
Coverage	2586.00%	1162.00%	676.00%	603.00%	626.00%
Storm Water Revenue Bonds:					
Storm Water charges and other	\$ 911,553	\$ 912,701	\$ 899,419	\$ 905,203	\$ 943,862
Less: operating expenses	229,031	626,822	583,215	848,058	750,067
Net available revenue	682,522	285,879	316,204	57,145	193,795
Debt service:					
Principal	310,000	315,000	325,000	330,000	340,000
Interest	82,188	75,912	71,088	64,538	57,838
Total	392,188	390,912	396,088	394,538	397,838
Coverage	174.00%	73.00%	80.00%	14.00%	49.00%

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
Pledged-Revenue Coverage (Continued)
Last Ten Fiscal Years

	Fiscal Year Ended June 30				
	2014	2015	2016	2017	2018
Refuse Loan Agreement:					
Refuse charges and other	\$ 15,160,656	\$ 16,771,121	\$ 18,011,931	\$ 19,965,814	\$ 21,031,042
Less: operating expenses	13,705,783	14,006,805	13,960,753	15,011,430	16,485,296
Net available revenue	<u>1,454,873</u>	<u>2,764,316</u>	<u>4,051,178</u>	<u>4,954,384</u>	<u>4,545,746</u>
Debt service:					
Principal	214,033	98,300	232,333	208,700	219,100
Interest	112,997	24,833	94,517	84,591	74,176
Total	<u>327,031</u>	<u>123,133</u>	<u>326,850</u>	<u>293,291</u>	<u>293,276</u>
Coverage	445%	2245%	1239%	1689%	1550%
Refuse Revenue Bonds:					
Refuse charges and other	\$ 15,160,656	\$ 16,771,121	\$ 18,011,931	\$ 19,965,814	\$ 21,031,042
Less: operating expenses	13,705,783	14,006,805	13,960,753	15,011,430	16,485,296
Net available revenue	<u>1,454,873</u>	<u>2,764,316</u>	<u>4,051,178</u>	<u>4,954,384</u>	<u>4,545,746</u>
Debt service:					
Principal	315,000	330,000	330,000	340,000	350,000
Interest	98,163	21,513	78,625	68,500	58,075
Total	<u>413,163</u>	<u>351,513</u>	<u>408,625</u>	<u>408,500</u>	<u>408,075</u>
Coverage	352%	786%	991%	1213%	1114%
Parking Lease Revenue Bonds:					
Parking charges and other	\$ 4,046,835	\$ 4,542,711	\$ 5,049,171	\$ 5,250,820	\$ 5,645,434
Less: operating expenses	3,407,113	3,568,439	3,740,393	4,073,705	4,557,291
Net available revenue	<u>639,721</u>	<u>974,272</u>	<u>1,308,778</u>	<u>1,177,116</u>	<u>1,088,143</u>
Debt service:					
Principal	250,000	-	260,000	-	285,000
Interest	2,300	54,055	160,866	97,038	101,134
Total	<u>252,300</u>	<u>54,055</u>	<u>420,866</u>	<u>97,038</u>	<u>386,134</u>
Coverage	254%	1802%	311%	1213%	282%

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
Pledged-Revenue Coverage (Continued)
Last Ten Fiscal Years

	Fiscal Year Ended June 30				
	2019	2020	2021	2022	2023
Refuse Loan Agreement:					
Refuse charges and other	\$ 21,539,115	\$ 21,161,698	\$ 21,340,183	\$ 22,659,568	\$ 23,071,233
Less: operating expenses	17,406,827	19,399,515	17,987,201	15,507,881	22,667,379
Net available revenue	4,132,288	1,762,183	3,352,982	7,151,687	403,854
Debt service:					
Principal	229,900	241,200	253,100	265,600	278,000
Interest	63,243	51,775	42,822	30,345	13,889
Total	293,143	292,975	295,922	295,945	291,889
Coverage	1410%	601%	1133%	2417%	138%
Refuse Revenue Bonds:					
Refuse charges and other	\$ 21,539,115	\$ 21,161,698	\$ 21,340,183	\$ 22,659,568	\$ 23,071,233
Less: operating expenses	17,406,827	19,399,515	17,987,201	15,507,881	22,667,379
Net available revenue	4,132,288	1,762,183	3,352,982	7,151,687	403,854
Debt service:					
Principal	365,000	375,000	385,000	400,000	278,000
Interest	46,553	34,447	23,700	8,000	17,282
Total	411,553	409,447	408,700	408,000	295,282
Coverage	1004%	430%	820%	1753%	137%
Parking Lease Revenue Bonds:					
Parking charges and other	\$ 6,354,197	\$ 5,489,968	\$ 4,177,266	\$ 4,604,672	\$ 4,929,718
Less: operating expenses	4,724,064	5,463,240	4,748,504	5,396,157	5,445,472
Net available revenue	1,630,133	26,728	(571,238)	(791,485)	(515,754)
Debt service:					
Principal	235,000	240,000	250,000	260,000	275,000
Interest	112,750	104,000	100,800	90,800	76,733
Total	347,750	344,000	350,800	350,800	351,733
Coverage	469%	8%	-163%	-226%	-147%

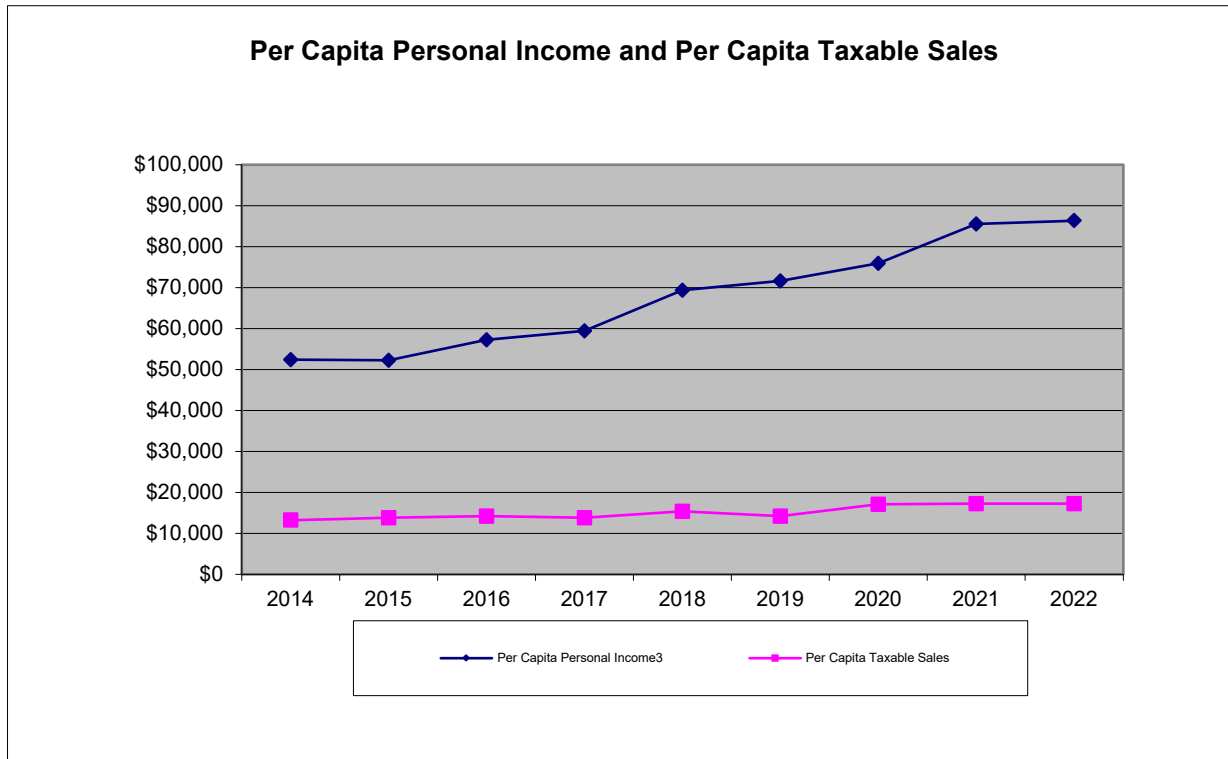
Notes:

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 Personal Income ³	Taxable Sales ⁴	Per Capita Taxable Sales
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
2023	63,224	4.8%	5,460,341	86,365	1,091,180	17,259



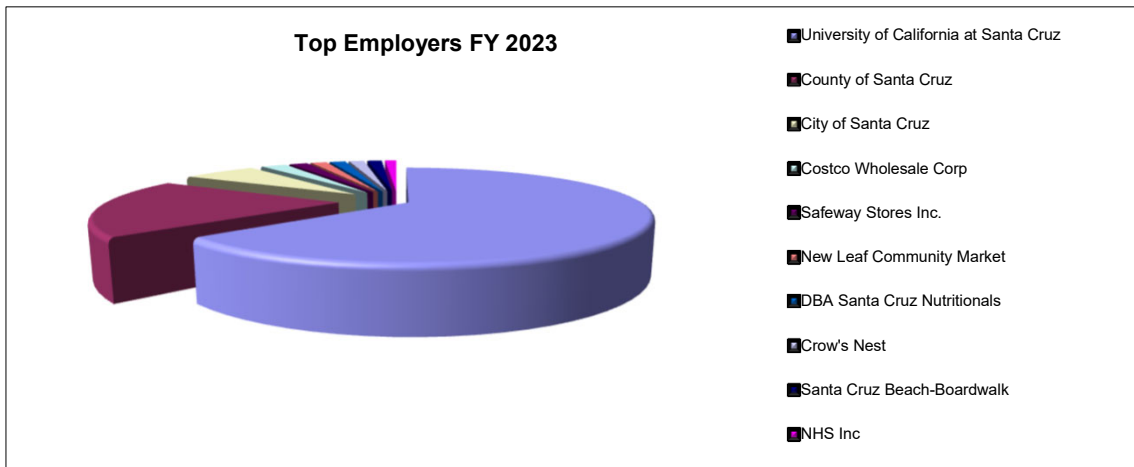
Notes:

- 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					
	2023			2014		
	Number of Employees	Rank	Percentage of Total Employment	Number of Employees	Rank	Percentage of Total Employment
University of California at Santa Cruz	9,105	1	29.277%	7,693	1	23.966%
County of Santa Cruz	2,804	2	9.016%	2,351	2	7.324%
City of Santa Cruz	914	3	2.939%	776	3	2.417%
Costco Wholesale Corp	314	4	1.010%	247	6	0.769%
Safeway Stores Inc.	224	5	0.720%			
New Leaf Community Market	202	6	0.650%	-	-	-
DBA Santa Cruz Nutritionals	200	7	0.643%	-	-	-
Crow's Nest	194	8	0.624%	-	-	-
Santa Cruz Beach-Boardwalk	186	9	0.598%	347	5	1.081%
NHS Inc	148	10	0.476%			
Plantronics				529	4	1.648%
Women, Infants, Children (WIC)	-	-	-	223	7	0.695%
Nuevo Dia Child Development CTR	-	-	-	219	8	0.682%
Sycamore St Child Development Center	-	-	-	219	9	0.682%
Threshold Enterprises, Ltd	-	-	-	213	10	0.664%
Totals	14,291		45.952%	12,817		39.928%
Total employment	31,100			32,100		

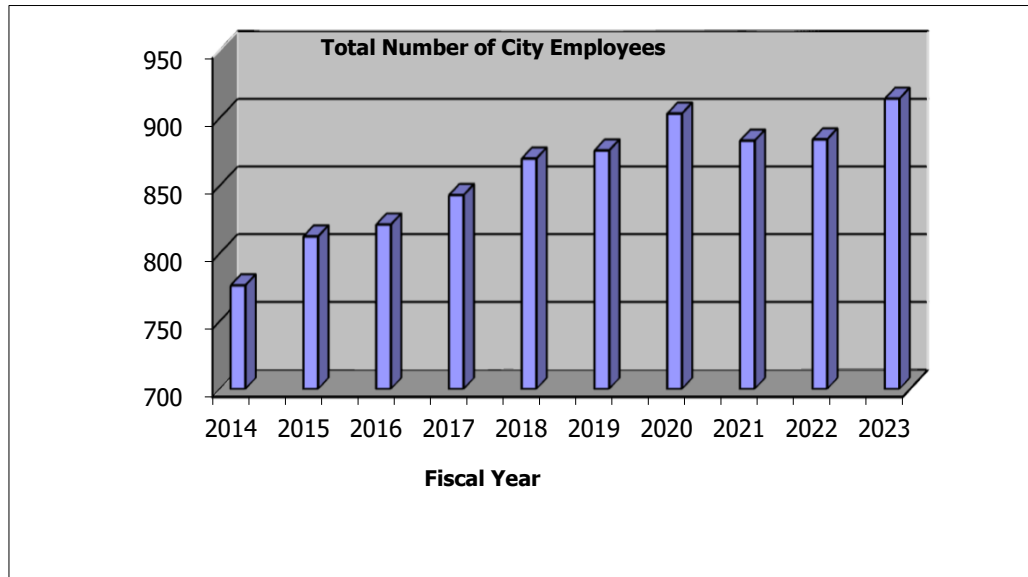


Source: California Employment Development Department
City of Santa Cruz Business License database
City of Santa Cruz Finance Department

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

	Fiscal Years									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Departments:										
City Manager	12	12	12	12	12	12	13	13	15	18
Administrative Services	28	30	31	31	32	32	34	32	32	34
Finance	29	30	30	30	30	32	32	30	30	29
Police	117	124	124	124	127	136	144	133	134	134
Fire	54	65	65	65	66	66	66	66	66	69
Parks and Recreation	82	84	88	94	96	87	86	84	83	84
Library	80	83	84	90	93	93	98	100	101	111
Public Works	233	234	235	240	250	251	258	258	258	264
Planning and Community Development	35	37	38	39	39	39	38	34	33	35
Economic Development/Redevelopment	9	11	12	12	12	14	15	14	15	15
Water	98	102	102	107	113	114	119	119	117	121
Total	776	812	821	843	870	876	903	883	884	914



Notes:

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

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				
	2014	2015	2016	2017	2018
City Clerk					
Hours for creating the agenda for posting	300	500	500	500	300
Advisory body hours	575	300	300	300	300
Election hours	450	-	-	450	450
Initiative/referendum petitions processing hours	-	-	-	200	200
Human Resources					
Number of recruitments	76	101	118	129	127
Number of applications	3,384	3,438	4,087	3,885	3,613
Workers compensation claim payments	\$ 1,770,711	\$ 2,059,341	\$ 1,368,840	\$ 1,725,200	\$ 2,339,551
Police					
Calls for service	104,709	102,592	103,645	100,877	101,181
Cases	10,675	10,759	11,119	10,733	10,129
Fire					
Emergency calls	7,483	8,264	8,741	8,596	9,133
Inspections	1,934	1,946	2,951	1,475	1,165
Parks and Recreation					
Number of classes	889	901	962	903	843
Facility rentals:					
Parks (Picnic Areas)	1,033	598	2,506	791	1,478
Louden Nelson	5,044	5,218	6,504	5,430	5,856
Civic Auditorium	138	142	124	148	163
Swimming pool	77	80	85	975	276
Special events produced	12	30	12	10	13
Library (all locations)					
Items checked out	2,367,679	1,961,846	1,785,427	1,756,741	1,809,648
Queries handled	326,612	263,308	287,505	302,958	287,256
Open hours/week	359	359	359	359	425
Public Works					
Overlay (square footage)	1,856	633,386	349,245	461,961	856,680
Seal coat (square footage)	1,910,000	-	817,506	2,234,457	-
Sewer					
New connections	52	66	57	72	40
Average daily flow (MGD)	8	8	8	10	10
Annual total flow (MG)	3,011	2,767	3,077	3,687	3,650
Water					
Active accounts	24,429	24,511	24,514	24,517	24,518
Average daily consumption (MGD)	8	8	6	6	7
Annual consumption (MG)	2,959	2,979	2,234	2,342	2,437
Average monthly residential bill	\$ 45	\$ 41	\$ 48	\$ 50	\$ 66

Source: City of Santa Cruz Departments

City of Santa Cruz
Operating Indicators By Function (Continued)
Last Ten Fiscal Years

Function:	Fiscal Year Ended June 30				
	2019	2020	2021	2022	2023
City Clerk					
Hours for creating the agenda for posting	500	500	500	500	500
Advisory body hours	300	100	300	300	300
Election hours	-	450	200	450	500
Initiative/referendum petitions processing hours	300	400	200	400	200
Human Resources					
Number of recruitments	128	120	82	134	145
Number of applications	3,619	3,983	2,184	3,071	3,819
Workers compensation claim payments	\$ 2,635,482	\$ 2,437,257	\$ 2,825,590	\$ 3,443,478	\$ 4,193,610
Police					
Calls for service	96,231	100,055	96,252	86,634	75,226
Cases	12,295	11,409	11,268	7,931	7,230
Fire					
Emergency calls	8,891	8,121	8,033	9,386	10,480
Inspections	1,282	943	815	1,215	885
Parks and Recreation					
Number of classes	752	972	148	805	987
Facility rentals:					
Parks (Picnic Areas)	526	238	130	999	431
Louden Nelson	5,272	3,281	596	2,456	2,801
Civic Auditorium	238	141	2	81	144
Swimming pool	340	62	358	171	-
Special events produced	12	8	2	3	5
Library (all locations)					
Items checked out	1,544,328	1,252,509	785,261	672,684	1,616,673
Queries handled	149,431	114,318	25,000	25,000	n/a
Open hours/week	384	355	104	224	414
Public Works					
Overlay (square footage)	149,600	445,352	196,180	98,100	124,281
Seal coat (square footage)	718,902	-	547,917	73,944	-
Sewer					
New connections	37	25	28	21	15
Average daily flow (MGD)	8	8	8	7	7
Annual total flow (MG)	2,920	2,920	2,920	2,409	2,373
Water					
Active accounts	24,550	24,545	24,626	24,674	24,697
Average daily consumption (MGD)	7	6	6	6	6
Annual consumption (MG)	2,416	2,345	2,247	2,219	2,219
Average monthly residential bill	\$ 68	\$ 74	\$ 76	\$ 67	\$ 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				
	2014	2015	2016	2017	2018
Public Safety					
Police					
Stations	1	1	1	1	1
Vehicular patrol units	69	69	69	69	70
Fire stations	3	4	4	4	4
Lifeguard Headquarters	1	1	1	1	1
Public Parking					
Lots	26	26	24	23	25
Spaces	5,301	5,514	5,244	5,174	5,357
Parking meters	1,945	1,931	1,922	1,920	1,906
Parks and Recreation					
Parks	31	31	31	31	31
Parks acreage	1,706	1,706	1,706	1,706	1,706
Playgrounds	17	17	18	18	18
Swimming pools	1	1	1	1	1
Tennis courts	6	6	6	6	6
Golf course	1	1	1	1	1
Libraries					
Headquarters	-	-	1	1	1
Central library	1	1	1	1	1
Branch libraries within city	2	2	2	2	2
Streets					
Miles of paved streets	136	136	136	136	136
Miles of alleys	13	13	13	13	13
Street lights	3,094	3,096	3,136	2,926	3,136
Sewer					
Miles of sanitary sewers	155	155	155	155	155
Miles of storm drains	49	49	49	49	50
Water					
Miles of water mains	296	298	296	294	296
Fire hydrants	2,024	2,031	2,031	2,028	2,033

Source: City of Santa Cruz Departments

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

Function:	Fiscal Year Ended June 30				
	2019	2020	2021	2022	2023
Public Safety					
Police					
Stations	1	1	1	1	1
Vehicular patrol units	70	70	72	72	79
Fire stations	4	4	4	4	4
Lifeguard Headquarters	1	1	1	1	1
Public Parking					
Lots	24	24	24	23	23
Spaces	5,470	5,460	5,454	5,239	5,225
Parking meters	1,906	1,906	1,900	1,900	1,890
Parks and Recreation					
Parks	31	31	46	46	46
Parks acreage	1,706	1,706	1,700	1,700	1,700
Playgrounds	18	18	21	21	21
Swimming pools	1	1	1	1	1
Tennis courts	6	6	6	6	6
Golf course	1	1	1	1	1
Libraries					
Headquarters	1	1	1	1	1
Central library	1	1	1	1	1
Branch libraries within city	2	2	2	2	2
Streets					
Miles of paved streets	136	136	136	136	136
Miles of alleys	13	13	13	13	13
Street lights	2,904	2,861	3,000	300	3,065
Sewer					
Miles of sanitary sewers	155	155	155	155	155
Miles of storm drains	50	50	50	50	50
Water					
Miles of water mains	294	294	294	294	294
Fire hydrants	2,034	2,039	2,038	2,041	2,044

Source: City of Santa Cruz Departments

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