



# City of Santa Monica

## California



KEN GENSER SQUARE

## Comprehensive Annual Financial Report

### Year ended June 30, 2014

# City of Santa Monica California

**Comprehensive Annual Financial Report**

**Year ended June 30, 2014**

Prepared by the Finance Department

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**City of Santa Monica, California**  
**Year Ended June 30, 2014**

**INTRODUCTORY SECTION**

# CITY OF SANTA MONICA, CALIFORNIA

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Finance Department  
1717 Fourth Street, Suite 250  
Santa Monica, CA 90401

February 27, 2015

Dear Honorable Mayor and Members of the City Council, Interim City Manager, and Citizens of Santa Monica:

Attached is the Comprehensive Annual Financial Report (CAFR) for the City of Santa Monica for the fiscal year ended June 30, 2014 (FY 2013-14).

The CAFR has been prepared by Finance Department staff in conformance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB), the authoritative body establishing U.S. generally accepted accounting principles for local governments.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls established for that purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The CAFR has been compiled in a manner designed to fairly set forth the financial positions and results of operations of the City. The CAFR includes disclosures designed to enable the reader to gain an understanding of the City's financial affairs.

In accordance with generally accepted accounting principles, a narrative overview and analysis of the basic financial statements in the form of Management's Discussion and Analysis (MD&A) is provided and can be found immediately following the independent auditor's report. This letter of transmittal complements the MD&A and should be read in conjunction with it.

Macias Gini & O'Connell LLP has issued an unmodified (clean) opinion on the City of Santa Monica's basic financial statements for FY 2013-14. Their report is located at the front of the financial section of this report.

## **PROFILE OF THE CITY OF SANTA MONICA**

The City of Santa Monica, bordered by the City of Los Angeles on three sides and by the Pacific Ocean on the west, encompasses an area slightly greater than eight square miles and serves a residential population of 92,185 making it the 19th largest of the 88 cities in Los Angeles County.

The City of Santa Monica, incorporated in 1886, adopted its City Charter in 1945, and established a council-manager form of government in 1947. Elections are held every two years for either three or four Council members elected to serve four-year terms on the seven-member City Council. Elected Council members select a Mayor and a Mayor Pro-Tempore to preside over Council meetings.



The City Council appoints a City Manager, a City Attorney and a City Clerk. The City Manager, responsible for supervising day-to-day operations of the City and for carrying out policies set by the Council, appoints Department directors.

The City provides a full range of services, including police and fire protection, water and wastewater utilities, street maintenance, public transportation, parking, parks and recreation, planning, and building and safety. Elementary and secondary education is provided by the Santa Monica Malibu Unified School District, and community college education is provided by the Santa Monica Community College District. Court, health, and social services are provided by the County of Los Angeles. Gas, electric and telephone services are provided by private utility companies.

Financial data for all funds through which services are provided by the City have been included in this report based on the criteria adopted by GASB.

## **FINANCIAL CONDITION AND OUTLOOK**

The national economy continues to recover modestly. After annual growth of just over 2% for the last four years, many economists are projecting growth in the 3% range annually over the 2014-2016 time period. Unemployment, which has been dropping for more than five years, fell to 5.8% in November. The strong recovery in the housing market has begun to level off, while inflation is expected to remain relatively low through at least 2016.

The State economy is also showing steady improvement. Assisted by the passage of Proposition 30 in November 2012, which has provided new revenue from a temporary sales tax increase and a temporary income tax increase for California's top three percent of income earners, as well as higher than anticipated revenues coming from a recovering economy, the State no longer faces a deficit. According to the Legislative Analyst's Office, the State budget is expected to continue to have surpluses even after the complete phase-out of the Proposition 30 tax increases in 2019.

In November 2014, State voters passed Proposition 2, which will require the State to maintain a rainy day reserve fund. The State is expected to have \$4.2 billion in reserves by June 2016 although only \$2 billion of this amount would be mandated to go to the rainy day fund. This reserve will offer greater stability to the State's fiscal health.

Unemployment continues to fall as more private sector jobs have now been added than were lost during the recession, housing sales and median prices have been strong, and the commercial real estate market continues to show lower vacancy rates and higher asking rents. Personal income and taxable sales are expected to continue to show consistent moderate growth, assisting in the continued stabilization of the State's budget. The Governor's January Proposed FY 2014-15 Budget provides the second consecutive balanced budget and contains plans to maintain long-term stability.

Santa Monica tends to weather economic downturns better and recover faster than other jurisdictions, due in large part to its geographic location and to its diversified tax revenue base, which generally protects the City from downturns that impact one or a limited number of sectors of the economy. The City's major tax revenues have recovered significantly and have exceeded pre-recession levels. As outlined below, most of the City's revenues are expected to show moderate to strong growth in FY 2014-15.

Property values in the City remain the third highest in Los Angeles County. The FY 2013-14 assessed value increase was approximately 7% as a result of several temporarily reassessed properties recovering their base year value and some large property sales leading to reassessments; values are expected to increase another 5.6% in FY 2014-15.

Sales Tax receipts, like Property Taxes, are projected to show modest growth in the near future, growing approximately 3.5% per year. Overall FY 2013-14 sales tax receipts were 3% more than in FY 2012-13.

Tourism, which provides a major stimulus to the local economy by creating jobs and producing revenues, continues to exhibit strength; Transient Occupancy Taxes ended FY 2013-14 with an 8% increase after two consecutive years of double digit growth as the economy recovered, and another 7-8% increase is projected for FY 2014-15 and FY 2015-16 before rate growth moderates in future years.

Business License Taxes are expected to show a modest 3% growth in baseline revenues in FY 2014-15. Utility Users Tax revenues are projected to increase by approximately 4% in FY 2014-15 primarily due to increased electricity rates. Additionally, discovery efforts have resulted in new taxes from several telecommunication companies providing service in the City that had not previously been remitting the tax. Parking Facility Taxes are expected to grow by approximately 2% in FY 2014-15. And interest rates, which fell to historically low levels over the last five years, significantly impacting the City's investment income, have begun to increase but are expected to remain at historically low levels for at least two more years.

Included in the sales tax numbers above are revenues from Measure Y. Santa Monica voters passed Measure Y, establishing a ½ cent transaction and use tax, in November 2010. This tax, which is assessed similarly to a sales tax, has no sunset. Along with Measure Y, voters passed Measure YY, an advisory measure that recommends that Council allocate half of the revenue from Measure Y for school purposes. The \$15.0 million in transaction and use tax revenues generated in FY 2013-14 were shared equally with the Santa Monica Malibu Unified School District according to the Program Agreement approved by Council on May 26, 2011.

Overall, the City's fund balances continued to benefit from a number of cost saving measures approved by Council and implemented since FY 2010-11. The most noteworthy changes relate to compensation structure changes approved by employees during the collective bargaining process, including annual incremental increases to public safety employee pension contributions and a second tier of reduced retirement benefits for new miscellaneous employees, and decreased pension costs as a result of \$25.1 million in pay downs of the City's unfunded pension liability beginning in FY 2010-11 through the end of FY 2013-14. In February 2014, the City Council adopted a policy that, provided that there are sufficient funds, the annual budget would include a minimum set-aside of \$1 million in the General Fund, and commensurate set-aside amounts in all other funds, to be used towards payments to CalPERS. These payments would be in addition to the Annual Required Contribution and would serve to reduce the City's unfunded retirement liability. If any additional funds are available, staff would also annually assess the set-aside of any additional funds for CalPERS payments against other unfunded needs, and present the City Council with a recommendation. This policy would remain in effect until such time as there is no remaining unfunded retirement liability. Council has given staff direction to make an additional \$5 million payment before July 1, 2015 using FY 2013-14 savings, bringing the total amount pay down amount to \$30.1 million.

The City plans to continue to prepay its contributions to CalPERS, the City's pension fund, as it has done at the beginning of each year since FY 2007-08, and to set aside the discount received from such prepayments for future pension costs or further pay downs of unfunded liability. Despite these mitigating steps taken by the City, CalPERS has made a number of changes to actuarial demographic assumptions that have increased contribution rates. It is important for the City to continue to work with its employees to identify measures that will ensure that increases in ongoing compensation costs do not outstrip those of revenue growth. The passage of the Public Employees' Pension Reform Act, or PEPR, in September 2012 is working to further control cost increases in the future, as new employees are receiving reduced retirement benefits and cities will be encouraged to increase employees' share of contribution costs. In the coming year, the City will take steps to begin prefunding its Other Postemployment Benefits (OPEB) liability and has set aside funds to do so.

In addition to pension costs, health insurance costs are also increasing significantly and that trend is expected to continue in the near future. In FY 2009-10, to mitigate the impacts of increasing health insurance costs, the City reached an agreement with miscellaneous and Fire Department employees to share in the cost. Beginning in FY 2011-12, members of the Police Officers Association began contributing to their health insurance costs. In FY 2014-15, members from all of the City's collective bargaining groups increased their annual contribution to healthcare; these increases will continue to escalate for three years. The implementation of the Patient Protection and Affordable Care Act (PPACA) on January 1, 2015 will impose an additional cost burden on the City in the form of new taxes that will be levied on employers (the City) and health insurance companies. Additionally, the City is required to monitor all as-needed staff working an average of 30 hours or more per week and ensure that this staff is offered health insurance benefits. The City had planned for these increases in its budget.

As part of the FY 2013-15 biennial budget development process, City departments were asked to find ways to offset their current budgets by 5%. By focusing on core services, departments identified expenditure savings of \$5.5 million in FY 2013-14, increasing to \$6.2 million in FY 2014-15. Departments also put in place enhanced cost recovery efforts, which yielded \$4 million in FY 2013-14, and will increase to \$5.6 million in FY 2014-15. A portion of the cost recovery increases were identified in the fee study, discussed below. Finally, \$3 million in FY 2014-15 projects previously included in the CIP plan were rescheduled to reflect updated project timing. In combination, these changes achieve the 5% target in FY 2014-15. In FY 2013-14, staff determined that, based on stronger than anticipated revenue growth, the City would be able to restore the cuts made to the CIP program.

To achieve expenditure savings, staff first reduced operating budgets to eliminate recurrent savings. Staff also established more efficient staffing structures by eliminating positions that are vacant and reducing overtime budgets. Streamlining operations and new methods of providing services also resulted in savings.

To ensure that City staff are able to provide the highest level of services to the public, community members must contribute their fair share, be it through taxes, fees or permits, for services ranging from the general to those providing individualized benefits that are fee-supported. In FY 2014-15, Finance staff is strengthening the compliance, audit and collections program to ensure taxes and fees owed to the City are identified and collected.

On June 27, 2012, as part of the FY 2012-13 State budget package, the State Legislature passed and the Governor signed AB 1484, a measure meant to clarify existing legislation related to the dissolution of redevelopment. The Successor Agency submitted to the California Department of Finance (DOF) an inventory of all housing assets and an accounting of all available cash and cash-equivalent housing assets (the Housing Due Diligence Review) and non-housing assets (the Non-Housing Due Diligence Review), and held meet and confer sessions with the DOF on both of the Due Diligence Reviews and the ROPS to appeal a number of DOF denials. Despite the appeals, the DOF maintained its decisions with one exception and the City, as Successor Agency, filed a lawsuit against the DOF protesting these terms. On October 21, 2013, the Successor Agency reached a settlement agreement with the DOF to pay \$56.7 million as full remittance and payment of all uncommitted or unobligated cash and cash-equivalent balances previously held by the Redevelopment Agency and identified in the Due Diligence Reviews. Under the terms of the agreement, the Successor Agency would make four equal payments through July 2015. The Successor Agency paid the settlement in full on January 14, 2015, accelerating the final payment by six months. On January 16, 2015, the DOF issued a Finding of Completion to the Agency, allowing the Agency to apply for repayment of previously-denied City/Agency agreements, and starting the process for the preparation of a Long Range Property Management Plan (LRPMP), which details disposition of the various Successor Agency properties.

The Successor Agency has received Final and Conclusive Determinations on its tax allocation bonded indebtedness and its bank loans, ensuring that the DOF will continue to approve the use of tax increment funds for debt service payments. The Successor Agency's continued strong financial position, backed by a

healthy property tax base, contributed to Santa Monica's Earthquake Redevelopment debt receiving the highest rating offered to redevelopment debt in California by Moody's on May 21, 2013, and an affirmation of strong debt ratings by Standard & Poor's and Fitch. In addition, the State Department of Finance has declared that a number of the City's assets that were formerly owned by the Redevelopment Agency, such as the City's eight Downtown parking structures, are indeed governmental purpose assets and are therefore exempt from disposition as required under RDA dissolution law.

The State Controller's Office completed its review of assets transferred from the Redevelopment Agency to the City, and staff is waiting for the draft report on the findings. Pending the outcome of the audit, the City's budgeting strategy is to anticipate the worst until there is confirmation that assets are safe. In the meantime, the known effects of the dissolution of redevelopment are many. Two major projects, the Civic Center Joint Use Project with the Santa Monica-Malibu Unified School District (SMMUSD) and the rehabilitation of the Civic Auditorium, were suspended.

Despite the negative impacts of redevelopment dissolution, the City ended the fiscal year with a positive operating balance and a General Fund fund balance of \$366.0 million. Large reserves provide flexibility and resources for capital projects, future expenditures, retirement contribution increases and economic uncertainty, and Santa Monica continues to be a top destination for visitors and a high demand location for employers.

While the cost saving measures and unanticipated revenue growth are assisting the City in maintaining a balanced budget over the next several years, an additional safeguard lies in the economic uncertainty reserve, which Council created in FY 2008-09 at \$8.2 million, and increased in FY 2010-11 by \$1.5 million for a \$9.7 million balance at June 30, 2014. The reserve will be used as a buffer, if needed, to allow the City to bring its budget into balance in a measured way, minimizing the impact to our employees and residents to the greatest extent possible. As stated previously, corrective actions to date have allowed the City to avoid the need to use any of the reserve so far.

### **Citywide Budget**

On June 25, 2013, Council adopted the first year and approved the second year of the FY 2013-15 Biennial Budget, and adopted the second year of the FY 2012-14 Biennial Capital Improvement Program Budget. On October 22, 2013 and February 11, 2014, Council approved revisions to the FY 2013-14 Adopted Budget that adjusted revenue and expenditure budgets, including modifying staffing levels and classifications. On June 24, 2014, Council adopted the FY 2014-15 Budget as the second year of the FY 2013-15 Biennial Budget; and adopted the first year and approved the second year of the FY 2014-16 Biennial Capital Improvement Program Budget.

The FY 2014-15 Adopted Budget includes \$575.6 million in expenditures, net of reimbursements and transfers, for all funds. This represents an increase of 7.5% over the revised FY 2013-14 Budget. Citywide revenues, net of reimbursements and transfers, are estimated at \$530.9 million, a decrease of \$12.0 million or 2.2%, from the FY 2013-14 estimated actual.

The General Fund operating budget for FY 2014-15, net of reimbursements and transfers, is estimated at \$298.4 million and Capital Improvement Projects add an additional \$30.8 million for a total General Fund budget of \$329.2 million. Capital expenditures are offset by \$7.5 million in savings resulting from the zero-based budgeting approach that is applied to the capital budget every two years and use of \$3.2 million in water pollution remediation funds. Operating expenditures are anticipated to increase \$11.6 million, or 4.0%, as compared to the revised budget for FY 2013-14. General Fund revenues for FY 2014-15, net of reimbursements and transfers, are budgeted at \$324.7 million, an increase of \$4.5 million or 1.4% from the FY 2013-14 estimated actual revenues.

The FY 2013-15 Budget reflects self-supporting funds in generally sound financial condition. The Wastewater Fund remains healthy following multi-year rate increases approved by Council in FY 2008-09. In May 2014, following a rate study, Council adopted new rates for the Resource Recovery and Recycling Fund that took effect on July 1, 2014. And in December, 2014 Council approved new rates for the Water Fund, to be considered at a public hearing in accordance with Proposition 218 at a later date. Water rate increases are driven by the need to augment conservation plans, offset reduced revenues due to declining water sales (due to city-wide mandatory water conservation), and increase capital program funding to address the needs for continued infrastructure investment and Sustainable Water Master Plan requirements.

The Big Blue Bus Fund is now poised to operate with a balanced budget and maintain its reserve levels through the next five years. The Beach Fund will also generate adequate revenues to sustain its operations throughout the next five years; the FY 2013-15 Biennial Budget merges the Beach House Fund into the Beach Fund for more efficient tracking. A realignment of capital projects, streamlined expenditures and a greater focus on revenues, including updated landing fees approved by Council in April 2013, present a balanced fund picture for the Airport Fund going forward.

The Housing Authority Fund has a projected operating structural deficit of approximately \$0.5 million in FY 2014-15 due to the loss of Redevelopment funding for the administration of the senior voucher program, and the reduction of U.S. Department of Housing and Urban Development (HUD) allocations.

## **Major Projects**

The planned Expo Light Rail Phase 2 project between Culver City and Santa Monica is a significant transit alternative that will connect to the regional rail system and provide new transit options for Santa Monica residents, employees, and visitors. The project will provide relief for the tremendous and growing congestion on the I-10/Santa Monica Freeway, one of the busiest travel corridors in the country. City staff is currently working to ensure rail line and stations are integrated into streets, neighborhoods and districts, provide high-quality service, and connect to major destinations. Phase 2 construction began in 2012 and service is anticipated to commence in 2016.

Tongva Park and Ken Genser Square, opened in October 2013 created seven acres of park space bounded by Interstate 10 and Olympic Drive, City Hall and Ocean Avenue. Envisioned as a central component of the Civic Center Specific Plan, these new parks provide a critical link between the Civic Center, Palisades Park, the Pier and downtown.

The Pico Library, opened in June 2014, is an 8,300 square foot neighborhood library in the Pico neighborhood at Virginia Avenue Park enhancing existing park amenities, including the weekly Farmers Market, Community Center, Teen Center, and Park Center Building.

Parking Structure 6 was completed in December 2013. The new structure, with over 700 spaces, doubled the spaces offered in the previous structure. The facility has three subterranean and eight above-ground parking levels. The design includes space for up to 90 bicycles in racks and 19 motorcycles, and approximately 7,000 square feet of retail space fronting on 2nd Street. The overall design of this structure is unique in that the pedestrian experience continues up along the entire building face, where patrons would ascend and descend on an exterior diagonal stair that weaves in and out of the plane of the façade. This increases public safety by its high visibility and offers patrons unique ocean views.

The Village Santa Monica, also completed in 2014, is a mixed-income, mixed-use community in the heart of Santa Monica's Civic Center revitalization area. This unique public/private partnership leverages City-owned land to provide for important public benefits. The 3.7 acre site has 160 affordable rental residences, 164 market-rate condominium residences, a pedestrian-oriented "Living Street" with arts, retail and restaurant activities, public open space, public art and an extension of Olympic Drive. Environmentally

sustainable features include LEED Silver Certified design, alternative energy programs, bicycle stalls, shared parking and financial contributions to the City's transit programs. Community space for residents includes a computer lab, family garden, barbeque area and outdoor and indoor children's play areas. The affordable units were funded by a \$19.4 million loan from the City utilizing proceeds related to the land lease of the property.

The California Incline Bridge Replacement project will reconstruct the California Incline roadway/structures with a new bridge and roadway adjacent to Palisades Bluffs. The widened bridge will improve access for pedestrians as well as bicyclists and will meet current seismic codes and design standards. This project will also enhance the stability of the bluff above the roadway and bridge. The project will utilize Special Revenue Source funding and federal Highway Bridge Program and Transportation Equity Act (TEA-21) funds. Water funds will be used to replace the existing 100-year old water line under the roadway section of the project. The project is expected to start construction in March 2015 and be completed in May 2016.

The Colorado Esplanade is a multi-modal streetscape and circulation infrastructure project that fully integrates the downtown Light Rail station by providing optimal access for pedestrians, bicycles and vehicles in and around the station area. The project also implements the Civic Center Specific Plan circulation improvements for Main/Second Street. The improvements will integrate the Civic Center, Downtown, and Pier/Oceanfront districts, and create a gateway to Downtown Santa Monica. Funds will include improvements for vehicles, pedestrians, bikes and transit. \$5.7 million will be funded out of the General Fund and \$3.2 million, will be funded through a Metro Pedestrian Improvement Grant. The project started construction in January 2015 and is expected to be completed in December 2015.

The EXPO Maintenance Yard Buffer Park will create a 2.35 acre neighborhood park located within a buffer zone between the EXPO Maintenance Facility and the neighboring residential area. The project utilized funding from the General Fund, California Department of Housing and Community Development Housing-Related Parks (HRP) Grant, Prop A Local Return Rail Reserve and park mitigation funds. The project is expected to start construction in summer 2015 and be completed in summer 2016.

### **Long-Term Financial Planning**

The City is dedicated to financial planning in all areas of the organization. Financial planning takes the form of continuous review and refinement of fiscal policies, development of five-year forecasts, and an understanding of the initiatives being undertaken by the entire organization.

### **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 for its CAFR for the fiscal year ended June 30, 2013. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of State and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Santa Monica has received a Certificate of Achievement for each of the last thirty years. We believe our current CAFR also conforms to the Certificate of Achievement program requirements.

In keeping with past practice, a copy of this CAFR will be placed on file in the City libraries and sent to City management personnel, bond rating agencies, and other agencies which have expressed an interest in the financial affairs of the City. It is also available at [www.smgov.net/finance](http://www.smgov.net/finance).

## ACKNOWLEDGEMENTS

The preparation and development of this report would not have been possible without the year-round work of the Finance Department staff and their special efforts, working in conjunction with the City's independent auditors, to produce this report.

I would like to take this opportunity to compliment and thank the staff members of the City who were associated with the preparation of this report. I would also like to thank the City Council for their continued interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Gigi Decavalles-Hughes".

Gigi Decavalles-Hughes  
Director of Finance/City Treasurer

## **OFFICIALS OF THE CITY OF SANTA MONICA**

**As of February 27, 2015**

### City Council

Kevin McKeown, Mayor

Tony Vazquez, Mayor Pro Tempore

Gleam Davis

Sue Himmelrich

Pam O'Connor

Terry O'Day

Ted Winterer

### Administration and Department Heads

Interim City Manager

Assistant City Manager (Acting)

Deputy City Manager

City Attorney

City Clerk (Director of Records and Election Services)

Director of Finance/City Treasurer

Director of Human Resources

Chief Information Officer

Chief of Police

Fire Chief

Director of Planning and Community Development

City Librarian

Director of Community and Cultural Services

Director of Transit Services

Director of Housing and Economic Development

Director of Public Works (Acting)

Elaine M. Polachek

Martin Pastucha

Danielle Noble

Marsha Jones Moutrie

Sarah Gorman

Gigi Decavalles-Hughes

Donna Peter

Jory Wolf

Jacqueline Seabrooks

Scott Ferguson

David Martin

Maria Carpenter

Karen Ginsberg

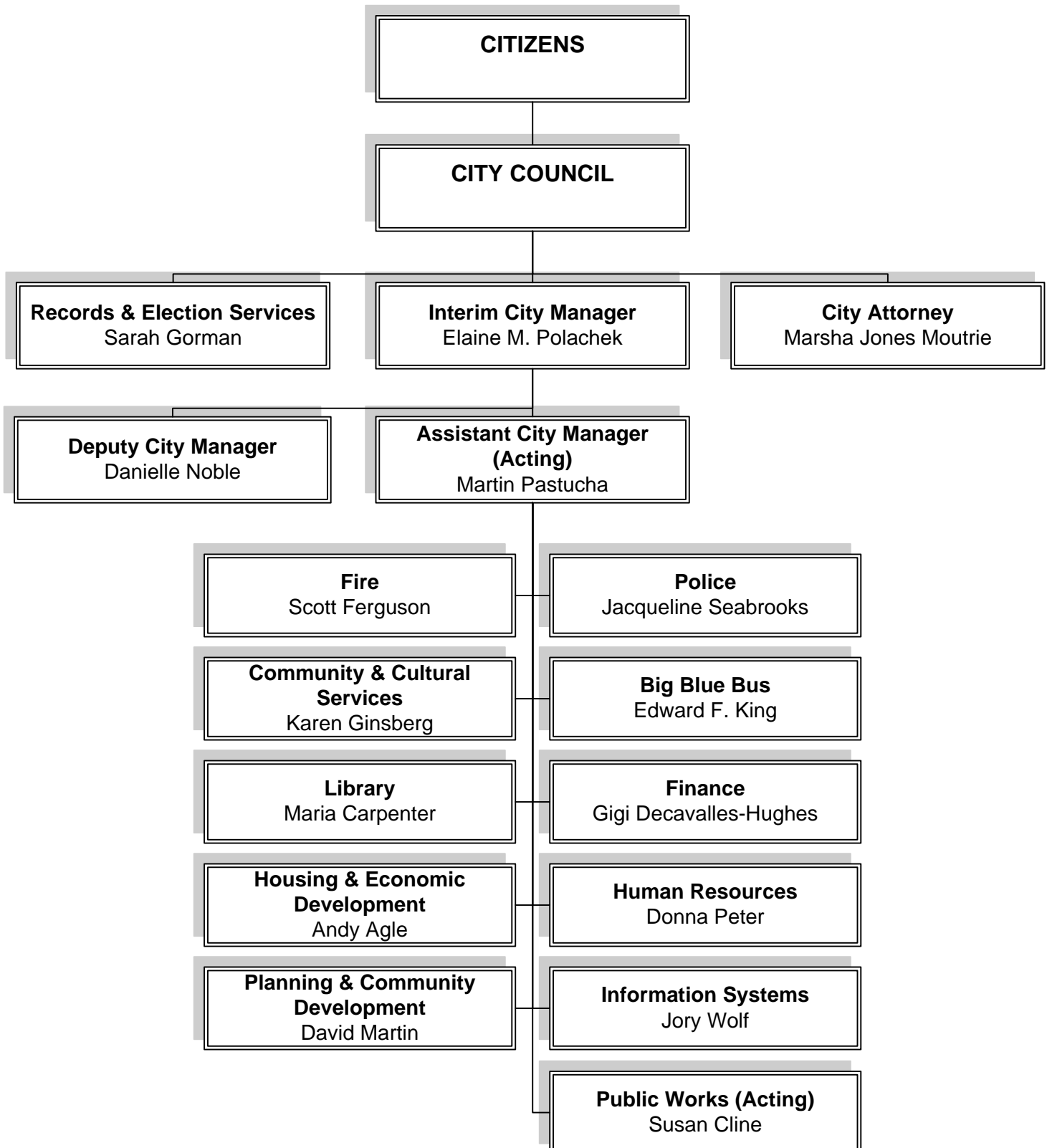
Edward F. King

Andy Agle

Susan Cline



**ORGANIZATION OF THE  
CITY OF SANTA MONICA**  
*as of February 27, 2015*





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
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Reporting**

Presented to

**City of Santa Monica  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

Executive Director/CEO

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**City of Santa Monica, California**  
**Year Ended June 30, 2014**

**FINANCIAL SECTION**



## Independent Auditor's Report

The Honorable City Council  
City of Santa Monica, California:

### Report on the Financial Statements

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 Monica, California (City) as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

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

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the General Fund and Special Revenue Source Fund for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 22 and the pension and OPEB funding information on pages 107 and 108 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, flowing style.

Los Angeles, California  
February 27, 2015

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## **CITY OF SANTA MONICA, CALIFORNIA**

### **Management's Discussion and Analysis For the fiscal year ended June 30, 2014 (Unaudited)**

As management of the City of Santa Monica, California (City), we offer readers of the City's Comprehensive Annual Financial Report (CAFR) this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the City's basic financial statements, which immediately follow this section, and the CAFR transmittal letter in the preceding Introductory Section.

### **FINANCIAL HIGHLIGHTS**

- The total assets and deferred outflows of the City for its governmental and business-type activities exceeded its liabilities as of June 30, 2014 by \$1.8 billion. Of this amount, \$1.2 billion is net investment in capital assets, \$148.2 million is for restricted uses as specified by entities outside of the City government, and \$492.6 million is for unrestricted uses in accordance with finance-related legal requirements reflected in the City's fund structure.
- The City's total net position increased \$19.4 million during the current fiscal year due to an increase in governmental activities net position of \$10.2 million and an increase in business-type activities net position of \$9.2 million. The increase in governmental activities net position was primarily due to increases in tax revenues of \$12.0 million, increases in capital grants and contributions of \$7.5 million and decreases in expenses of \$11.9 million. This was offset by a one-time recognition of revenue in the previous fiscal year related to settlement income of \$9.6 million. The increase in business-type activities was primarily due to an increase in capital grant revenue of the Big Blue Bus of \$7.0 million, an increase in investment income of \$1.6 million and an increase in charges for services of \$1.5 million offset by an increase in expenses of \$5.7 million.
- At the end of the current fiscal year, the City's governmental funds reported total ending fund balances of \$547.0 million, a decrease of \$11.9 million compared to the prior fiscal year. This decrease in fund balance is primarily due to increases in tax revenues of \$14.9 million offset by a one-time recognition of revenue in the previous fiscal year related to settlement funds of \$49.9 million, a decrease of \$35.7 million in housing and community development expense, an increase in extraordinary loss of \$19.1 million to account for a payment due the Successor Agency, and a net decrease in transfers of \$11.7 million.
- At the end of the current fiscal year, the General Fund fund balance was \$366.0 million, a decrease of \$18.2 million from the previous fiscal year. Restricted and assigned General Fund fund balances decreased by \$11.4 and \$7.7 million, respectively. This was offset by an increase in unassigned General Fund fund balance of \$0.9 million. Restricted General Fund fund balance decreased primarily due to a reduction of \$13.7 million in the bond proceeds used to build Parking Structure 6. Assigned General Fund fund balance decreased primarily due to reductions in the Redevelopment Agency (RDA) assignment, which consists of obligations from unfinished RDA capital projects and any remaining liability due to the dissolution of the RDA, of \$40.5 million offset by an increase of \$12.2 million in Workers' Compensation assignment, \$5.0 million in PERS assignment, \$2.0 million in OPEB assignment, \$1.5 million in cost of living assignment and \$11.4 million of capital projects assignment.

## CITY OF SANTA MONICA, CALIFORNIA

### Management's Discussion and Analysis, Continued For the fiscal year ended June 30, 2014 (Unaudited)

- The City's capital assets increased by \$15.6 million or 1.2%. Please see the table on page 20 and for further detail of capital assets in note 7.
- The City's long-term debt decreased by \$15.8 million or 13.5% during the current fiscal year. Please see the table on page 21 and for further detail of long-term debt see note 9.

## OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements include three components: government-wide financial statements, fund financial statements, and notes to the basic financial statements.

**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 statements of a private-sector business.

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

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include public safety (police and fire), streets, library, cultural and recreation, parks, planning and zoning, housing and community development, and general administrative support. The business-type activities of the City include water, wastewater, stormwater, resource recovery and recycling, pier, airport, cemetery, municipal transit and parking structures and lots.

Component units are included in the basic financial statements and consist of legally separate entities for which the City is financially accountable and that have either the same governing board as the City or a governing board appointed by the City of Santa Monica City Council. The blended component units include the Santa Monica Public Financing Authority, the Parking Authority of the City of Santa Monica and the Housing Authority of the City of Santa Monica.

The government-wide financial statements can be found on pages 23 and 24 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 the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

## CITY OF SANTA MONICA, CALIFORNIA

### Management's Discussion and Analysis, Continued For the fiscal year ended June 30, 2014 (Unaudited)

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial 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 the City's near-term financing requirements.

Because 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. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances are accompanied by a reconciliation to the government-wide financial statements in order to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 19 individual governmental funds for financial reporting purposes. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General and Special Revenue Source Funds, which are considered to be major funds. Data for the other 17 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the nonmajor funds supplementary section of this report.

The City Council adopts an annual appropriated budget for its General Fund and 7 special revenue funds (no budget is adopted for the Rent Control Fund and Asset Seizure Fund) and 6 capital project funds. The City Council does not adopt budgets for the two permanent funds or the one debt service fund. A budgetary comparison statement has been provided for the General Fund and the Special Revenue Source Fund in the basic financial statements.

The governmental funds financial statements can be found on pages 26 through 32 of this report.

**Proprietary funds.** Proprietary funds provide the same type of information as the government-wide financial statements, but in more detail. The proprietary fund financial statements provide separate information for water, wastewater, airport, and bus operations, which are considered to be major funds of the City. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its vehicle operations, risk management program and information technology and communications operations. The vehicle operations and insurance services for bus operations primarily benefit business-type activities and are included within *business-type activities* in the government-wide financial statements. All other risk management functions, information technology and communication services primarily benefit governmental funds and are included within *governmental activities* in the government-wide financial statements. Individual fund data for the internal service funds is provided in the supplementary information section of this report.

The proprietary funds financial statements can be found at pages 34 through 37 of this report.

**Fiduciary funds.** Fiduciary funds consist of a private-purpose trust fund and agency funds. A private-purpose trust fund was created in 2012 and is used to pay enforceable obligations of the former Redevelopment Agency (Former Agency). Agency funds are used to account for resources held for the

## **CITY OF SANTA MONICA, CALIFORNIA**

### **Management's Discussion and Analysis, Continued For the fiscal year ended June 30, 2014 (Unaudited)**

benefit of parties outside of the City. The fiduciary funds are *not* included in the government-wide financial statements because the resources are *not* available to support the City's operations.

The fiduciary funds financial statements can be found on pages 40 through 41 of this report.

**Notes to the basic financial statements.** The notes to the basic financial statements 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 basic financial statements begin on page 43 of this report.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1.8 billion at the close of the current fiscal year.

As shown on the next page, the largest portion of the City's net position, \$1.2 billion or 64.6%, reflects the City's investment in capital assets less any related outstanding debt and associated deferred outflows of resources used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt and associated deferred outflows of resources, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate liabilities.

An additional portion of the City's net position, \$148.2 million or 8.2%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$492.6 million or 27.2%, may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City reports positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

# CITY OF SANTA MONICA, CALIFORNIA

## Management's Discussion and Analysis, Continued For the fiscal year ended June 30, 2014 (Unaudited)

A summary of the government-wide statement of net position follows:

### CITY OF SANTA MONICA Summary of Net Position (in millions)

	Governmental activities		Business-type activities		Total	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Current and other assets	\$ 799.0	796.3	185.2	193.2	984.2	989.5
Capital assets	786.5	784.4	483.7	470.2	1,270.2	1,254.6
Total assets	1,585.5	1,580.7	668.9	663.4	2,254.4	2,244.1
Deferred outflow of resources	0.4	—	0.6	—	1.0	—
Current and other liabilities	49.6	59.8	31.4	23.9	81.0	83.7
Long-term liabilities	324.6	319.4	38.0	48.6	362.6	368.0
Total liabilities	374.2	379.2	69.4	72.5	443.6	451.7
Net position:						
Net investment in capital assets	698.2	702.4	472.8	450.3	1,171.0	1,152.7
Restricted	136.5	126.8	11.7	13.8	148.2	140.6
Unrestricted	377.0	372.3	115.6	126.8	492.6	499.1
Total net position	\$ 1,211.7	1,201.5	600.1	590.9	1,811.8	1,792.4

Current and other assets decreased \$5.3 million or 0.5% for the current year. This decrease is primarily due to a \$14.2 million payment related to the dissolution of the Former Agency settlement agreement and cash used to fund capital projects such as the Pico Library and Parking Structure 6. Additionally, bond issuance costs of \$1.6 million were expensed in FY 2013-14 in order to comply with a new GASB pronouncement.

Current and other liabilities decreased \$2.7 million or 3.2% mostly due to a decrease in contracts payable given the winding down and completion of several large projects such as Tongva Park, the Pico Library and Parking Structure 6. Long-term liabilities decreased \$5.4 million or 1.5% from the prior year primarily due to the redemption of the 2005 Wastewater Revenue bonds.

**CITY OF SANTA MONICA, CALIFORNIA**  
**Management's Discussion and Analysis, Continued**  
**For the fiscal year ended June 30, 2014**  
**(Unaudited)**

A summary of the government-wide statement of changes in net position follows:

<b>CITY OF SANTA MONICA</b>						
<b>Summary of Changes in Net Position</b>						
<b>(in millions)</b>						
	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	<b>2013-14</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2012-13</b>
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 121.2	121.5	98.3	96.8	219.50	218.3
Operating grants and contributions	27.8	25.8	40.7	38.2	68.5	64.0
Capital grants and contributions	12.6	5.1	28.5	21.5	41.1	26.6
General revenues:						
Sales and use taxes	49.2	47.9	—	—	49.2	47.9
Business license	30.8	28.5	—	—	30.8	28.5
Property taxes	47.7	43.5	—	—	47.7	43.5
Transient occupancy	44.4	41.0	—	—	44.4	41.0
Utility users	32.8	31.4	—	—	32.8	31.4
Real property transfer	6.3	6.0	—	—	6.3	6.0
Parking facility	9.2	10.0	—	—	9.2	10.0
Other taxes	2.9	2.9	—	—	2.9	2.9
Settlement income	—	9.6	—	—	—	9.6
Investment income	6.6	1.4	1.6	—	8.2	1.4
Other general revenues	18.1	19.9	5.2	12.6	23.3	32.5
Total revenues	<u>409.6</u>	<u>394.5</u>	<u>174.3</u>	<u>169.1</u>	<u>583.9</u>	<u>563.6</u>
<b>Expenses</b>						
General government	73.2	56.3	—	—	73.2	56.3
Public safety	113.9	103.6	—	—	113.9	103.6
General services	69.6	64.7	—	—	69.6	64.7
Cultural and recreation	54.3	94.6	—	—	54.3	94.6
Library	13.3	16.2	—	—	13.3	16.2
Housing and community development	53.7	54.5	—	—	53.7	54.5
Interest on long-term debt	3.9	3.9	—	—	3.9	3.9
Water	—	—	24.7	20.2	24.7	20.2
Resource recovery and recycling	—	—	24.1	22.7	24.1	22.7
Pier	—	—	6.3	6.2	6.3	6.2
Wastewater	—	—	20.5	16.9	20.5	16.9
Civic auditorium (1)	—	—	—	4.7	—	4.7
Airport	—	—	5.4	5.2	5.4	5.2
Storm water management	—	—	0.7	0.4	0.7	0.4
Cemetery	—	—	2.1	1.9	2.1	1.9
Big Blue Bus	—	—	79.2	79.2	79.2	79.2
Parking authority	—	—	0.4	0.3	0.4	0.3
Total expenses	<u>381.9</u>	<u>393.8</u>	<u>163.4</u>	<u>157.7</u>	<u>545.3</u>	<u>551.5</u>
Excess (deficiency) of revenues over expenses before extraordinary items and transfers	27.7	0.7	10.9	11.4	38.6	12.1
Extraordinary loss	(19.2)	(48.2)	—	—	(19.2)	(48.2)
Transfers	1.7	(10.9)	(1.7)	10.9	—	—
Change in net position	<u>10.2</u>	<u>(58.4)</u>	<u>9.2</u>	<u>22.3</u>	<u>19.4</u>	<u>(36.1)</u>
Beginning net position	<u>1,201.5</u>	<u>1,259.9</u>	<u>590.9</u>	<u>568.6</u>	<u>1,792.4</u>	<u>1,828.5</u>
Ending net position	<u>\$ 1,211.7</u>	<u>1,201.5</u>	<u>600.1</u>	<u>590.9</u>	<u>1,811.8</u>	<u>1,792.4</u>

(1) Civic Auditorium was closed in FY 2012-13

## **CITY OF SANTA MONICA, CALIFORNIA**

Management's Discussion and Analysis, Continued  
For the fiscal year ended June 30, 2014  
(Unaudited)

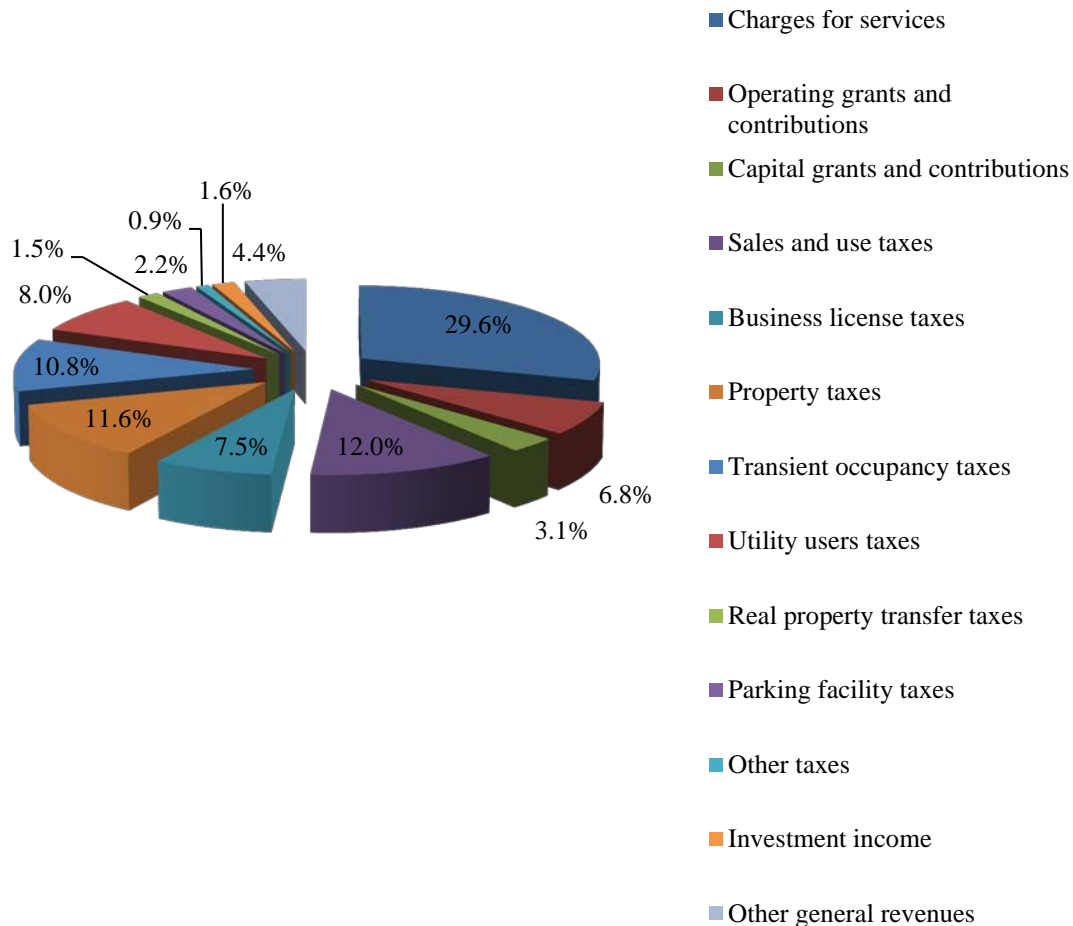
**Governmental Activities.** Governmental activities increased the City's governmental activities net position by \$10.2 million, or 0.8%, for the current fiscal year. This increase in governmental activities net position is due in part to increases in general revenue sources such as Property Taxes (\$4.2 million) Business License Tax (\$2.3 million), Transient Occupancy Tax (\$3.4 million), Utility Users Tax (\$1.4 million), all indicative of a continuously improving economic environment, plus decreases in expense due to a \$27.4 million write off in FY 2012-13 for capital payments made to the EXPO Authority related to betterments for which the City retains no ownership rights nor maintenance obligations, offset by accrual of a \$19.2 million payment due to the Successor Agency. Governmental activities include the recognition of \$5.5 million in capital grant revenue from the Federal Emergency Management Agency (FEMA).

## CITY OF SANTA MONICA, CALIFORNIA

### Management's Discussion and Analysis, Continued For the fiscal year ended June 30, 2014 (Unaudited)

*Revenue Sources: Governmental Activities.* As shown in the chart below, the top five sources of revenue account for 72.0% of total revenues. They are Charges for Services at \$121.2 million, with an increase of \$0.3 million or 0.2%, Sales and Use Taxes at \$49.2 million, with an increase of \$1.3 million or 2.7%, Property Taxes at \$47.7 million, with an increase of \$4.2 million or 9.7%, Transient Occupancy Taxes at \$44.4 million, with an increase of \$3.4 million or 8.3% and Utility Users Taxes at \$32.8 million, with an increase of \$1.4 million or 4.5% primarily due to better economic conditions.

#### Sources of Revenue Governmental Activities

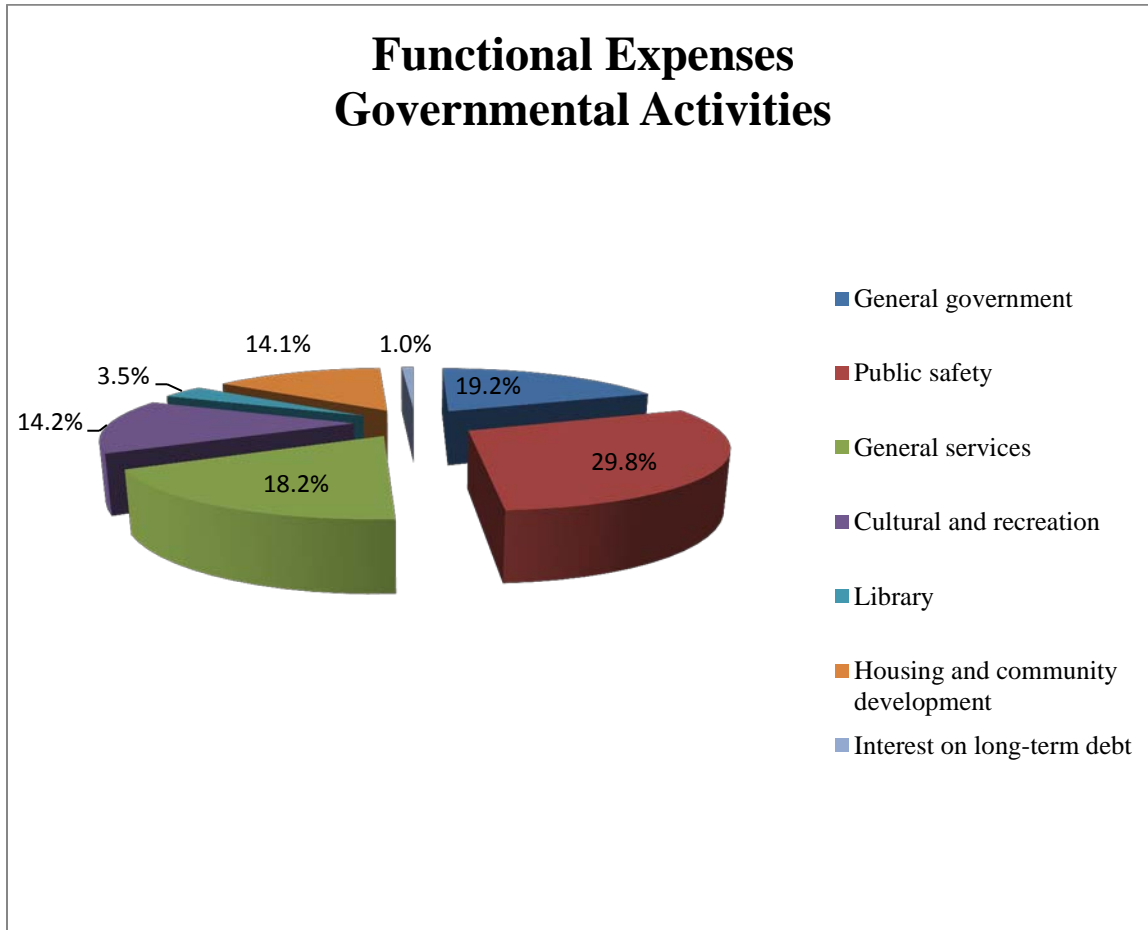




## CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued  
For the fiscal year ended June 30, 2014  
(Unaudited)

*Functional Expenses: Governmental Activities.* As displayed in the chart below, public safety, cultural and recreation, general government, general services, and housing and community development accounted for 95.5% of total governmental activity-related expenses.



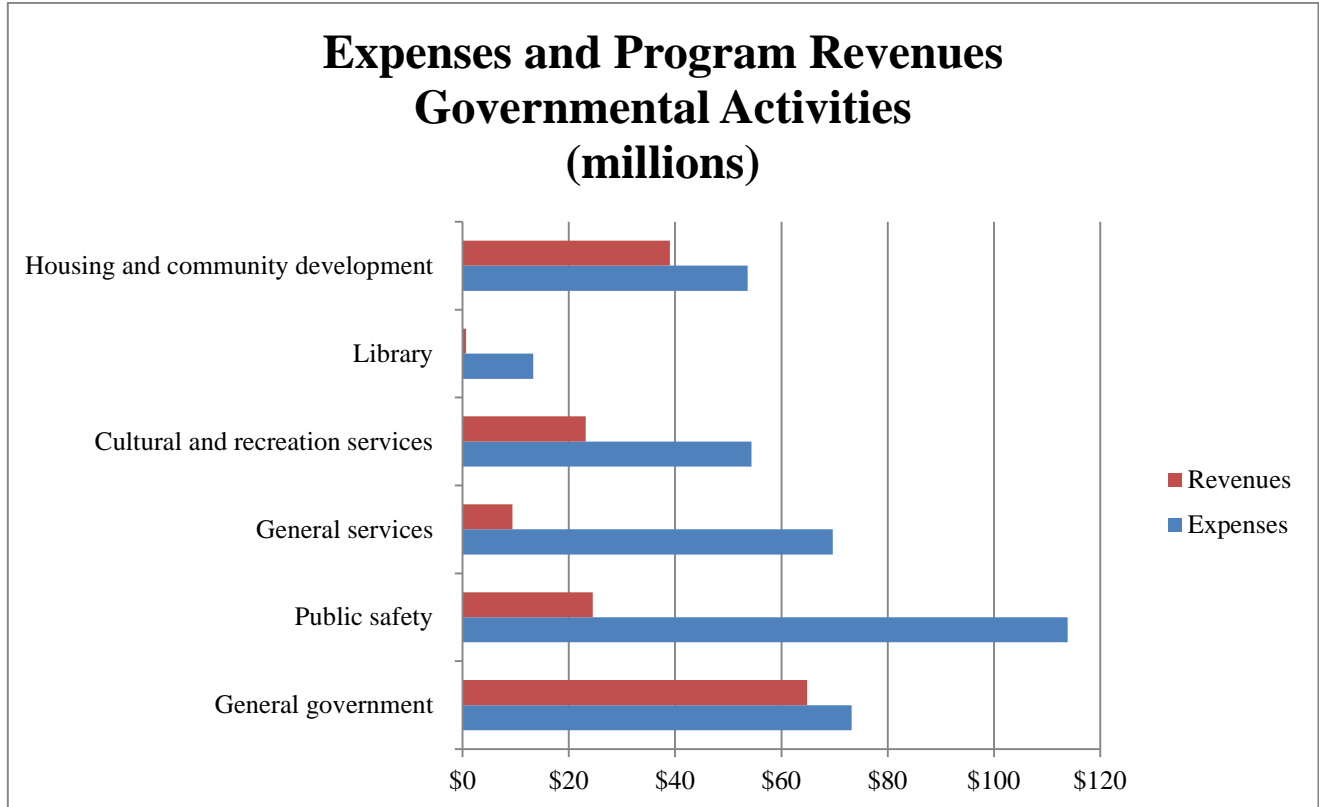
Explanations of significant variances in key City functions from the prior year are explained below:

1. **General Government** expenses increased \$16.9 million from prior year primarily due to a net pension asset being recorded in FY 2012-13 which reduced prior year expenses by \$10.2 million. Additional increases in FY 2013-14 came from salaries, pension costs and health insurance.
2. **Public Safety** expense increased by \$10.3 million from the prior year primarily due to a net pension asset being recorded in FY 2012-13 which reduced expenses by \$4.9 million during that year. Retirement costs increased \$3.5 million over FY 2012-13.
3. **Cultural and recreation** expenses decreased by \$40.3 million primarily due to the write off of \$27.4 million in construction in progress related to the EXPO Light Rail project and a \$2.1 million loss on the closing of the Civic Auditorium Fund, both recorded in FY 2012-13. Additionally, the Public Landscape division, previously reported as cultural and recreation, was moved to general services in FY 2013-14.

## CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued  
For the fiscal year ended June 30, 2014  
(Unaudited)

*Program Expenses: Governmental Activities.* The following chart compares program revenues and expenses for governmental activities:

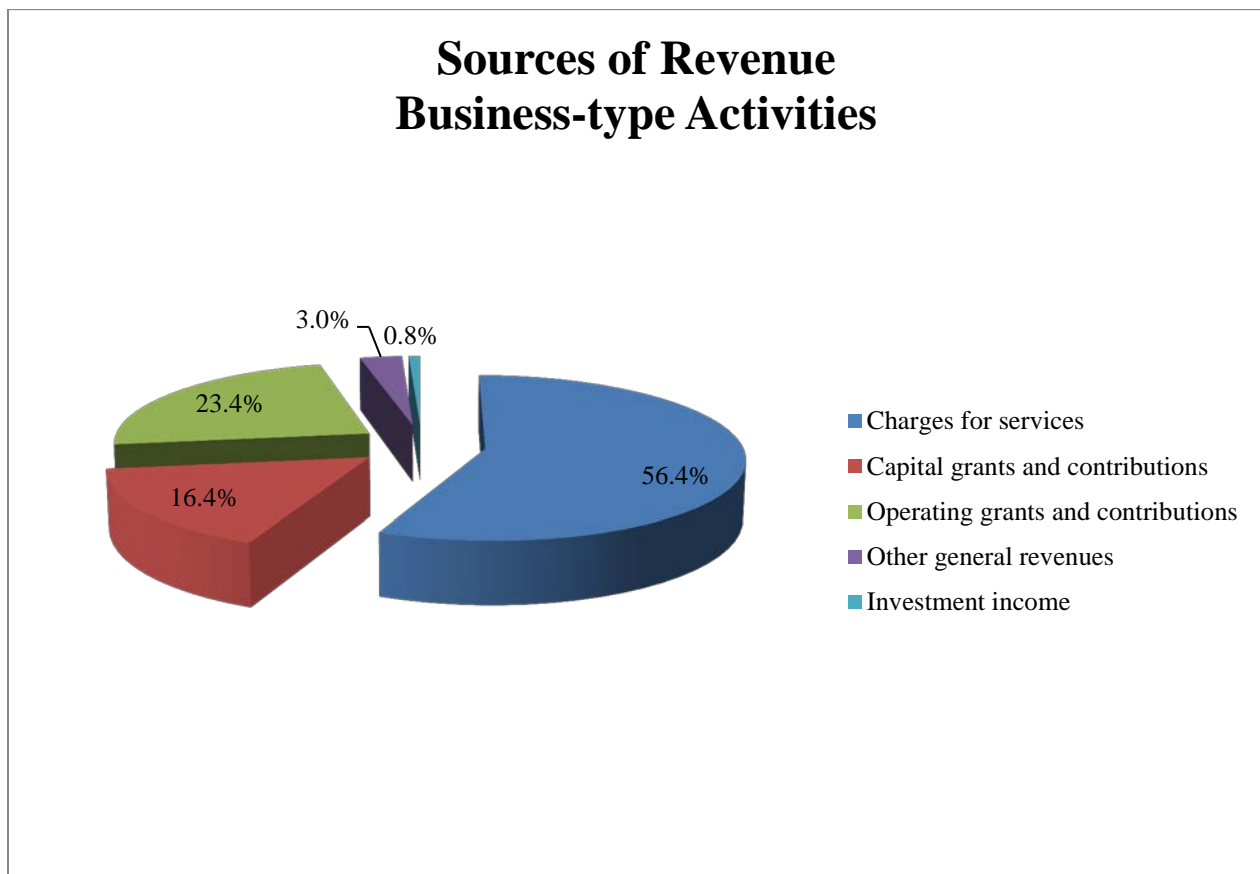


## CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued  
For the fiscal year ended June 30, 2014  
(Unaudited)

**Business-type Activities.** The City's business-type activities net position increased by \$9.2 million, or 1.6%, from the prior year. The increase in net position is primarily due to a \$1.2 million increase in charges for services resulting from increased landing fees at the Airport, increases in shared sales tax subsidies of \$2.4 million and \$6.9 million in capital grants revenue recognized by the Big Blue Bus.

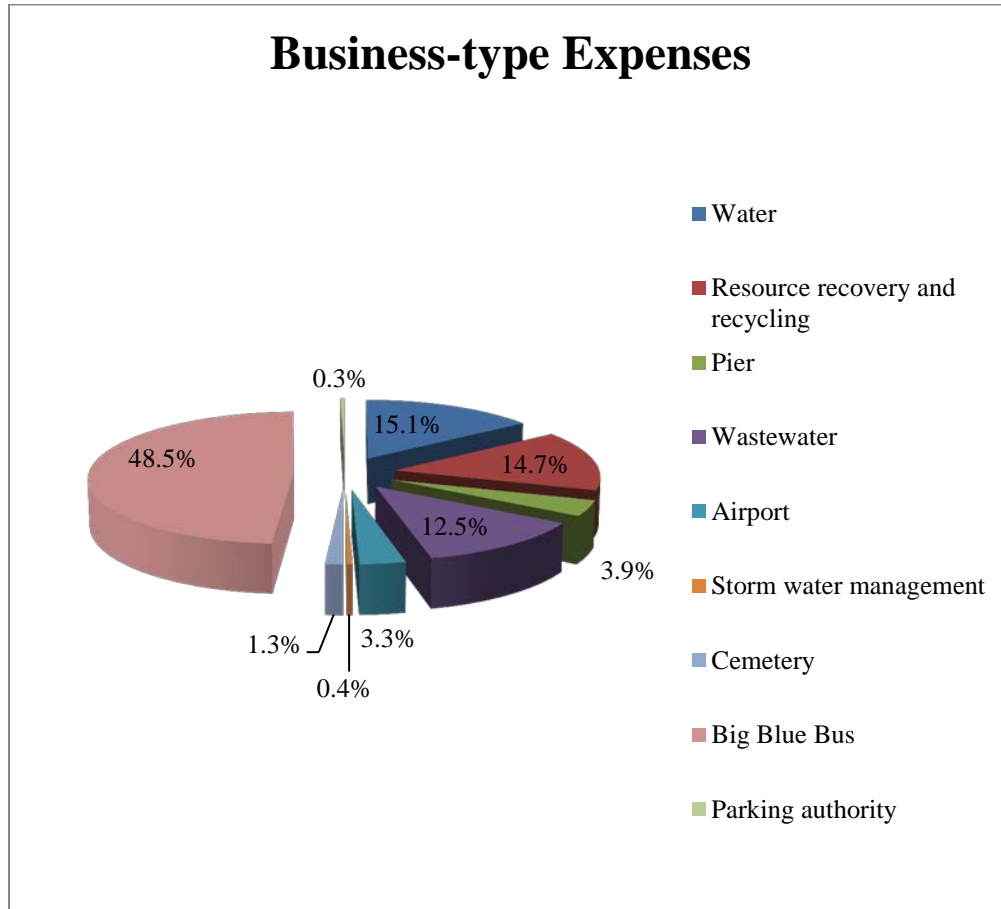
*Revenue Sources: Business-type activities.* As shown in the chart below, the top three sources of revenue, which are charges for services, operating and capital grants, and contributions, account for 96.2% of total business-type revenues of \$174.3 million. The chart also displays the key sources of revenue for business-type activities as a percentage of total revenues.



## CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued  
For the fiscal year ended June 30, 2014  
(Unaudited)

*Business-type Expenses: Business Activities.* As displayed in the chart on below, the Big Blue Bus, Resource Recovery and Recycling, Water and Wastewater enterprise Funds accounted for 90.8% of total business-type activity expenses. Other business-type activities of the City include the Airport, Pier, Cemetery and Mausoleum, Storm Water Management, and Parking Authority Funds.



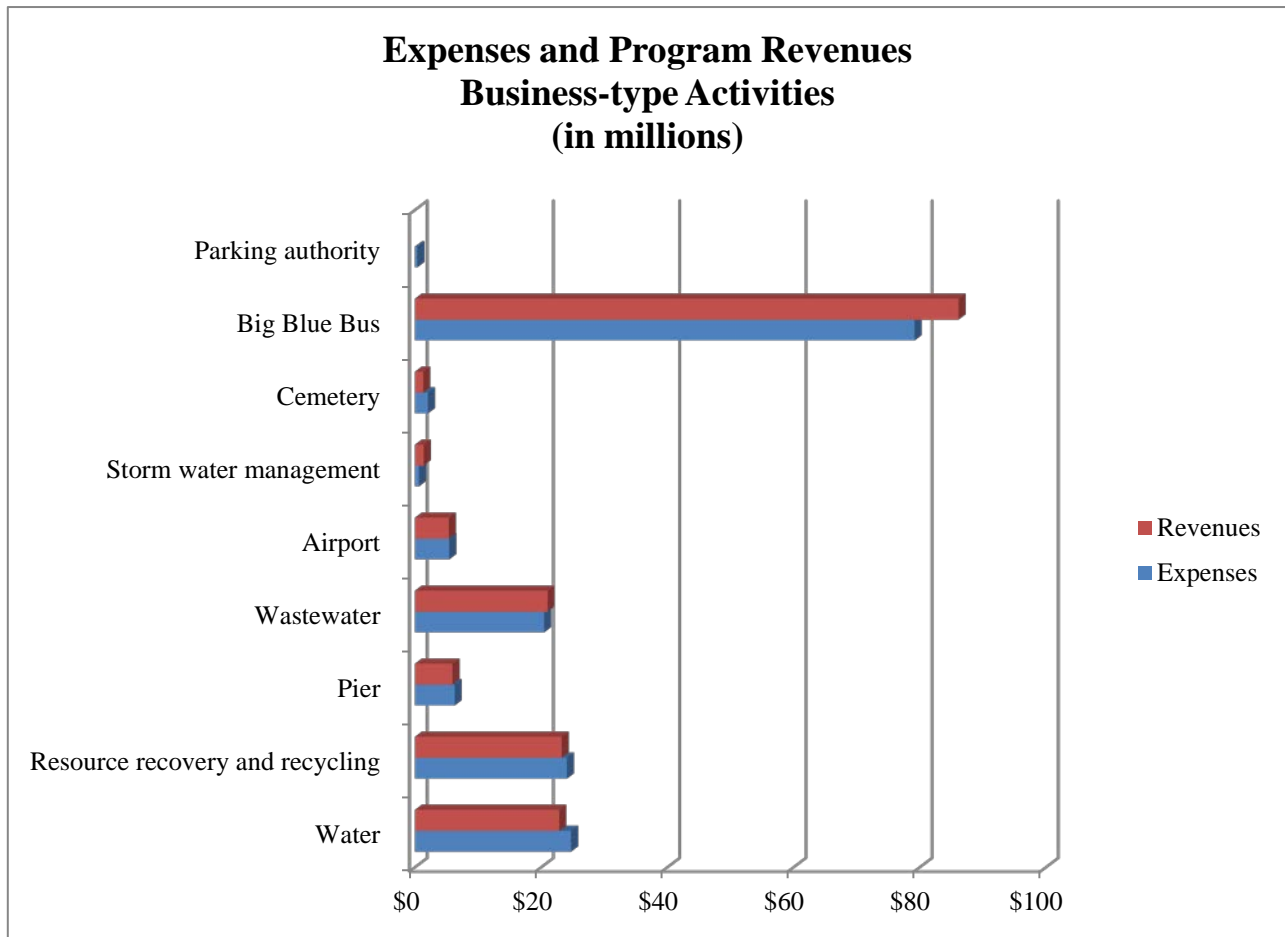
Explanations of significant variances in major business-type activity expenses from the prior year are:

1. **Water Fund** – Increase in operating expenses is due primarily from shifting some costs of operating the Charnock water treatment plant to the Water Fund from the Special Revenue Source Fund. The City had entered into a pollution remediation settlement regarding water contamination at one of its aquifers. The settlement agreement called for separate accounting of the remediation activities and an escrow account that was not released until the completion of the construction of the remediation plant. Upon completion of construction and release of the escrow account, the City moved the activity to the Water Fund.
2. **Wastewater Fund** – Increase in operating expenses is primarily related to the increase in the cost of disposal of wastewater in the Amalgamated System which is the Los Angeles Wastewater Treatment and Collection System operated by the City of Los Angeles. Additionally, the net of offering costs, the amortization of bond premium and loss on refunding totalling \$1.0 million were expensed in conjunction with the redemption of the 2005 Wastewater bonds.

## CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued  
For the fiscal year ended June 30, 2014  
(Unaudited)

*Program Expenses: Business-type Activities.* The following chart compares program revenues and expenses for business-type activities:



Big Blue Bus revenues exceeded expenses primarily due to \$28.4 million in capital grant revenue earned during the year. Capital grant revenues are used to purchase capital assets such as buses or pay for preventative maintenance and parts.

### FINANCIAL ANALYSIS OF THE CITY'S MAJOR FUNDS

As noted earlier, the City uses fund accounting to 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 financial requirements.

At the end of the current fiscal year, the City's governmental funds reported total fund balances of \$547.0 million, a decrease of \$11.9 million, or 2.1% in comparison with the prior year. The primary reasons for the decrease are discussed below.

## **CITY OF SANTA MONICA, CALIFORNIA**

### **Management's Discussion and Analysis, Continued For the fiscal year ended June 30, 2014 (Unaudited)**

#### **General Fund**

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance was \$366.0 million.

The General Fund fund balance decreased \$18.2 million, or 4.7%, during the fiscal year ended June 30, 2014. Key factors in changes in revenues and expenditures from the prior year are as follows:

1. Revenues reflect a net increase of \$5.7 million, or 1.7%, over the prior fiscal year primarily from increases in property tax of \$5.7 million, or 12.8%, other taxes of \$7.9 million, or 6.8%, licenses and permits of \$3.2 million, or 9.5%, increases in charges for services of \$2.9 million and investment income of \$4.7 million compared to a net investment loss in the prior year. All of these are signs of a recovering economy. These were offset by a decrease in settlement income of \$21.0 million or 89.7% due to \$21.0 million received from Boeing in FY 2012-13 and no payment in FY 2013-14 based on the payment schedule in the settlement agreement. Total General Fund revenues were \$337.9 million for FY 2013-14.
2. Expenditures were \$18.7 million, or 5.4%, less than the prior fiscal year primarily due to decreases in expenditures for housing and community development of \$25.5 million, or 35.4% offset by an increase of library of \$2.3 million, or 15.3% and \$6.9 or 6.6% increase in Public Safety expenditures. The decrease in housing and community development is due mainly to the wrapping up of construction of the new Tongva Park and Ken Genser Square adjacent to City Hall. Library expenditures increased with the completion of the Pico Branch Library. Public Safety expenditures increased due to increases in personnel, retirement and medical insurance costs.
3. A \$19.2 million expenditure accrual was recorded at year end in relation to preliminary results of an asset transfer review conducted by the State Controller's Office (SCO). The City had not received a draft report from the SCO as of the date of the auditor's report. This was recorded as an extraordinary loss since it is the estimated final resolution to the dissolution of the redevelopment agency.

#### **Special Revenue Source Fund**

The Special Revenue Source Fund fund balance increased by \$6.9 million, or 15.5%, from the prior year. This increase occurred despite a decrease in revenues in FY 2013-14. Settlement income decreased by \$28.9 million, or 100%. Settlement income relates to payments previously received under a pollution remediation settlement agreement; in FY 2012-13 the pollution remediation activity was transferred to the Water Fund and the remaining deferred revenue was recognized at that time. Expenditures related to the remediation activity decreased by \$5.3 million. Other income decreased by \$5.9 million, or 38.8% mainly due to a \$13.2 million real estate sales transaction recorded in FY 2012-13. Transfers in decreased by \$3.5 million, or 100.0%, due to a FY 2012-13 reimbursement from the General Fund for expenditures related to the High Place East housing project. These FY 2012-13 decreases were offset by a decrease in transfers out of \$12.5 million or 95.2% mainly due to the reassignment of \$21.3 million in pollution liability to the Water Fund in FY 2012-13.

#### **Nonmajor Governmental Funds**

All non-major governmental funds' fund balance decreased \$0.6 million, or 0.4% from the previous fiscal year.

## **CITY OF SANTA MONICA, CALIFORNIA**

### **Management's Discussion and Analysis, Continued For the fiscal year ended June 30, 2014 (Unaudited)**

Total revenue increased \$10.0 million, or 20.4%, primarily due to an increase in beach parking of \$1.0 million and an increase in miscellaneous grants of \$5.6 million.

**Proprietary funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail.

The total net position of the enterprise funds increased \$11.3 million, or 2.0%. This was due in part to an increase in charges for services of \$1.6 million, or 1.6%, primarily due to a \$1.2 million increase resulting from increased landing fees at the Airport. The largest increase of revenues was from capital contributions at the Big Blue Bus, which increased \$6.9 million or 32.3%.

#### **Water Fund**

Total net position of the Water Fund decreased \$1.3 million, or 2.3%, primarily due to the transfer of pollution remediation activities related to the Charnock water treatment plant to the Water Fund beginning FY 2013-14, creating an increase in overall expenses which are primarily funded from the proceeds of a settlement agreement.

#### **Wastewater Fund**

The total net position of the Wastewater Fund increased \$2.1 million, or 1.0%. The net position increased less than in FY 2012-13 primarily because of expensing the bond offering costs and amortizing the bond premium and loss on refunding totaling \$1.0 million in relation to the redemption of bonds during the year. Additionally, fees paid to the City of Los Angeles for the rights to use the Amalgamated System increased by \$1.3 million.

#### **Airport Fund**

The total net position of the Airport Fund increased \$0.2 million, or 3.8%. The increase was primarily due to the increase in charges for services. The Airport raised its landing fees in FY 2013-14 and now charges aircraft that are hangared at the Airport. Previously those aircraft were not charged.

#### **Big Blue Bus Fund**

Total net position of the Big Blue Bus Fund increased \$11.0 million, or 4.4%. This was due primarily to a \$6.9 million increase in capital grants and a \$2.4 million increase in shared sales tax proceeds.

#### **General Fund Budgetary Highlights**

Differences between the original budget versus the final amended budget and the final amended budget versus the actual are briefly summarized as follows:

The final revenue budget exceeds the original budget by \$8.4 million. Actual total revenues were greater than final budget totals by \$22.4 million. This was partially due to property tax, other taxes, charges for services, license and permits and investment income revenues exceeding final budget by \$5.3 million, \$5.1 million, \$2.6 million, \$1.7 million, and \$3.1 million, respectively.

The final expenditure budget is greater than the original budget by \$89.6 million. The increase is primarily due to the capital budgeting process. The original capital budget includes only amounts adopted by Council

## CITY OF SANTA MONICA, CALIFORNIA

### Management's Discussion and Analysis, Continued For the fiscal year ended June 30, 2014 (Unaudited)

as part of the biennial capital budgeting process. However, large capital projects often span across numerous years and remaining capital budgets from previous fiscal periods are rolled over to the current fiscal year in order to complete those projects. The final budget includes both newly adopted and rolled over amounts. Significant projects that were rolled over include Pico Branch Library, Tongva Park and Ken Genser Square, and Parking Structure 6 construction budgets for \$7.1 million, \$6.1 million and \$19.2 million, respectively. Final actual budgetary basis expenditures came in under final budget by \$49.0 million due to the timing of capital improvement projects expenditures and controlled spending on salaries, and other direct and indirect administrative costs.

### CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets.** The City's investment in capital assets as of June 30, 2014 amounted to \$1.3 billion (net of accumulated depreciation), an increase of \$15.6 million from the prior year balance. This investment in a broad range of capital assets, including land, infrastructure, structures and improvements, equipment, and construction in progress, is detailed as follows:

#### CITY OF SANTA MONICA Capital Assets (net of depreciation) (in millions)

	Governmental activities		Business-type activities		Total	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Land	\$ 199.9	199.9	71.4	71.4	271.3	271.3
Land held under easement	72.2	72.2	—	—	72.2	72.2
Buildings	251.7	210.4	108.6	106.6	360.3	317.0
Improvements other than buildings	86.3	40.8	6.5	7.3	92.8	48.1
Machinery and equipment	8.4	10.0	65.1	54.4	73.5	64.4
Infrastructure	141.4	152.0	140.3	134.1	281.7	286.1
Utility systems	1.2	1.3	—	—	1.2	1.3
Intangibles	0.7	—	65.4	64.7	66.1	64.7
Construction in progress	24.7	97.8	26.4	31.7	51.1	129.5
Capital assets, net	<u>\$ 786.5</u>	<u>784.4</u>	<u>483.7</u>	<u>470.2</u>	<u>1,270.2</u>	<u>1,254.6</u>

Some of the City's major capital asset events in FY2013-14 were:

#### **Governmental Activities:**

1. Completion of construction of Parking Structure 6; total asset value recorded at \$30.3 million.
2. Completion of Tongva Park and Ken Genser Square, a new six-acre park and one-acre park respectively, that are oriented to civic and community activities; total asset value recorded at \$40.9 million.
3. Completion of the new Pico Branch Library; total asset value recorded at \$9.5 million.



## CITY OF SANTA MONICA, CALIFORNIA

### Management's Discussion and Analysis, Continued For the fiscal year ended June 30, 2014 (Unaudited)

#### **Business-Type Activities:**

1. \$2.9 million increase in intangibles for the capital payments made to the City of Los Angeles for Santa Monica's shared cost of the Amalgamated System in the Wastewater Fund.
2. \$1.0 million increase in construction in progress to upgrade sewer pipelines at various locations throughout the City in the Wastewater Fund.
3. \$19.2 million increase in machinery and equipment for the purchase of 38 new 40 foot buses.
4. \$2.5 million spent for the continued work on the Big Blue Bus Farebox System.
5. \$6.1 million increase in construction in progress related to Pier infrastructure improvements.

Additional information on the City's capital assets can be found in note 7 to the basic financial statements.

As of June 30, 2014, the City had \$66.5 million in construction commitments. For additional information on commitments see note 14.

**Long-term Debt.** At the end of the current fiscal year, the City's total long-term debt outstanding was \$100.8 million, a decrease from the prior year of \$15.8 million or 13.5%. This amount was comprised of \$88.5 million in revenue bonds, which are secured by both governmental and business-type revenue sources, \$10.1 million in general obligation bonds which are backed by the full faith and credit of the City, and \$2.2 million in various notes and loans payable. This is shown in the following table:

<b>CITY OF SANTA MONICA</b>						
<b>Outstanding Debt</b>						
<b>(in millions)</b>						
	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	<b>2013-14</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2012-13</b>
General obligation bonds (backed by the City)	\$ 10.1	11.3	—	—	10.1	11.3
Revenue bonds (backed by specific tax, fee and lease revenues)	79.6	84.3	8.9	18.5	88.5	102.8
Notes and loans	0.4	0.4	1.8	2.1	2.2	2.5
Total	<u>\$ 90.1</u>	<u>96.0</u>	<u>10.7</u>	<u>20.6</u>	<u>100.8</u>	<u>116.6</u>

On December 16, 2013, Moody's upgraded the underlying ratings of the 2005 Hyperion Project Revenue Refunding Bonds to Aa1 from Aa2.

Additional information on the City's long-term debt can be found in note 9 to the basic financial statements.

#### **ECONOMIC FACTORS AND BIENNIAL BUDGET**

The City's adopted General Fund budget for FY 2013-15 supports the basic responsibilities of local government, the policy interests of City Council Members and diverse concerns of the residents. Management feels that there are adequate resources available to fund the proposed expenditures.

## **CITY OF SANTA MONICA, CALIFORNIA**

### **Management's Discussion and Analysis, Continued For the fiscal year ended June 30, 2014 (Unaudited)**

In preparing the budget for FYs 2013-15, many factors were taken into consideration:

- Due to the dissolution of the RDA, two major projects, the Civic Center Joint Use Project with the Santa Monica-Malibu Unified School District and the rehabilitation of the Civic Auditorium, were suspended. The Civic Auditorium facility was closed.
- Continuing increases in health care, pension, and workers' compensation costs.
- Continued increases in the City's five major tax sources, Transient Occupancy (TOT), Sales, Property, Utility Users, and Business License Tax revenues due to an improving economy.
- Increased revenue resulting from City Council approval of a number of new fees and revised rates for existing user fees resulting from a comprehensive City-wide fee study, new park trainer fees, filming fees from interim use of the Civic Auditorium, a new passport processing service, and new non-resident Library access fees.
- Continued expansion of the City's fiber optic network, CityNet. Not only is this entrepreneurial effort anticipated to increase revenue, but it is also helping local businesses compete in the global economy.
- Implement the Land Use and Circulation Element (LUCE) to the Downtown Specific Plan and the Bergamot Area Plan.
- Engage with Metro, EXPO and the community to ensure that the EXPO light rail project and other major projects that support the arrival of EXPO are well integrated into the City by its opening in 2016.
- Develop a Wellbeing Index that will define, measure, and improve conditions needed for optimal human development in City.
- Continued support of education.

### **CONTACTING THE CITY'S FINANCE DEPARTMENT**

This management's discussion and analysis is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions or need additional financial information, please visit the City of Santa Monica's Finance Department website at [www.smgov.net/finance](http://www.smgov.net/finance) or call (310) 458-8281.

**City of Santa Monica, California**  
**Year Ended June 30, 2014**

**Basic Financial Statements**

**CITY OF SANTA MONICA, CALIFORNIA**  
**Statement of Net Position**  
**June 30, 2014**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments (note 5)	\$ 384,941,688	140,498,104	525,439,792
Receivables (net of allowances for uncollectibles):			
Accounts	62,319,431	25,697,687	88,017,118
Interest	811,975	242,101	1,054,076
Property taxes	466,888	-	466,888
Notes (note 6)	120,775,690	-	120,775,690
Other governments	8,874,873	-	8,874,873
Internal balances	18,276,561	(18,276,561)	-
Inventory	-	2,350,125	2,350,125
Due from Successor Agency (note 11 and 17)	49,669	-	49,669
Deposits	61,785	-	61,785
Prepays	246,503	52,298	298,801
Net pension assets (note 16)	17,124,033	4,745,231	21,869,264
Restricted cash and investments (note 5)	129,395,800	29,919,327	159,315,127
Restricted cash and investments with fiscal agent (note 5)	20,417,079	-	20,417,079
Advances to Successor Agency (note 11 and 17)	35,279,561	-	35,279,561
Capital assets (note 7):			
Capital assets not being depreciated:			
Land	199,875,024	71,422,212	271,297,236
Land held under easement	72,237,823	-	72,237,823
Construction in progress	24,675,620	26,380,594	51,056,214
Capital assets being depreciated:			
Buildings	336,745,137	153,506,331	490,251,468
Improvements other than buildings	141,943,370	28,078,305	170,021,675
Utility systems	1,742,913	-	1,742,913
Machinery and equipment	39,230,284	176,858,980	216,089,264
Infrastructure	331,410,087	216,187,565	547,597,652
Intangibles	695,710	91,332,931	92,028,641
Less accumulated depreciation	(362,069,683)	(280,051,043)	(642,120,726)
Total capital assets, net	786,486,285	483,715,875	1,270,202,160
<b>TOTAL ASSETS</b>	<b>1,585,527,821</b>	<b>668,944,187</b>	<b>2,254,472,008</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Loss on refundings of debt	361,696	572,001	933,697
<b>LIABILITIES</b>			
Accounts payable	17,183,515	6,341,461	23,524,976
Accrued liabilities	10,457,134	4,163,462	14,620,596
Accrued interest payable	1,095,997	126,446	1,222,443
Contracts payable (retained percentage)	262,778	420,919	683,697
Unearned revenue (note 8)	19,628,811	9,099,394	28,728,205
Deposits payable from restricted assets	929,806	11,245,766	12,175,572
Long-term liabilities:			
Compensated absences due within one year (note 9)	6,951,452	2,293,309	9,244,761
Compensated absences due in more than one year (note 9)	4,964,557	1,235,425	6,199,982
Claims payable due within one year (notes 9 and 15)	9,257,113	1,961,401	11,218,514
Claims payable due in more than one year (notes 9 and 15)	29,566,502	1,557,000	31,123,502
Due to Successor Agency within one year (note 17)	41,944,838	-	41,944,838
Due to Successor Agency in more than one year (note 17)	19,793,012	-	19,793,012
Loans and bonds payable due within one year (note 9)	6,075,000	277,175	6,352,175
Loans and bonds payable due in more than one year (note 9)	88,034,438	11,202,007	99,236,445
Pollution remediation obligation due within one year (note 4)	4,553,976	3,175,126	7,729,102
Pollution remediation obligation due in more than one year (note 4)	94,559,566	16,306,408	110,865,974
Other long-term liability (note 4)	8,704,750	-	8,704,750
Accrued OPEB liability (note 16)	10,208,295	-	10,208,295
<b>TOTAL LIABILITIES</b>	<b>374,171,540</b>	<b>69,405,299</b>	<b>443,576,839</b>
<b>NET POSITION</b>			
Net investment in capital assets	698,223,620	472,808,694	1,171,032,314
Restricted for (note 12):			
Housing and community development	74,415,252	-	74,415,252
Clean beaches and ocean parcel tax	7,447,530	-	7,447,530
Beach and parks recreation	7,333,208	-	7,333,208
Miscellaneous grants	15,798,237	-	15,798,237
Debt service	5,073,445	-	5,073,445
Development projects	14,941,141	-	14,941,141
Perpetual care - nonexpendable	11,501,848	-	11,501,848
Rail system and Prop 1B	-	11,665,453	11,665,453
Unrestricted	376,983,696	115,636,742	492,620,438
<b>TOTAL NET POSITION</b>	<b>\$ 1,211,717,977</b>	<b>600,110,889</b>	<b>1,811,828,866</b>

See accompanying notes to basic financial statements.

**CITY OF SANTA MONICA, CALIFORNIA**  
**Statement of Activities**  
For the fiscal year ended June 30, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Change in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 73,188,788	55,834,348	2,376,334	6,630,101	(8,348,005)	-	(8,348,005)
Public safety	113,899,354	22,736,167	1,786,400	126	(89,376,661)	-	(89,376,661)
General services	69,637,595	2,236,781	4,145,405	2,994,539	(60,260,870)	-	(60,260,870)
Cultural and recreation services	54,339,022	20,448,165	2,692,641	-	(31,198,216)	-	(31,198,216)
Library	13,286,929	614,715	18,744	-	(12,653,470)	-	(12,653,470)
Housing and community development	53,652,994	19,276,227	16,754,001	2,958,828	(14,663,938)	-	(14,663,938)
Interest on long-term debt	3,915,313	-	-	-	(3,915,313)	-	(3,915,313)
<b>Total governmental activities</b>	<b>381,919,995</b>	<b>121,146,403</b>	<b>27,773,525</b>	<b>12,583,594</b>	<b>(220,416,473)</b>	<b>-</b>	<b>(220,416,473)</b>
Business-Type Activities:							
Water	24,750,234	22,902,640	-	-	-	(1,847,594)	(1,847,594)
Resource recovery and recycling	24,115,496	23,271,775	-	-	-	(843,721)	(843,721)
Pier	6,310,236	5,953,173	-	-	-	(357,063)	(357,063)
Wastewater	20,479,514	21,033,699	-	-	-	554,185	554,185
Airport	5,440,949	5,396,797	-	-	-	(44,152)	(44,152)
Storm water management	651,361	1,395,628	-	-	-	744,267	744,267
Cemetery	2,077,486	1,325,778	-	-	-	(751,708)	(751,708)
Big Blue Bus	79,215,680	17,060,923	40,691,095	28,431,734	-	6,968,072	6,968,072
Parking authority	369,367	-	-	-	-	(369,367)	(369,367)
<b>Total business-type activities</b>	<b>163,410,323</b>	<b>98,340,413</b>	<b>40,691,095</b>	<b>28,431,734</b>	<b>-</b>	<b>4,052,919</b>	<b>4,052,919</b>
<b>Total Primary Government</b>	<b>\$ 545,330,318</b>	<b>219,486,816</b>	<b>68,464,620</b>	<b>41,015,328</b>	<b>(220,416,473)</b>	<b>4,052,919</b>	<b>(216,363,554)</b>
<b>General revenues:</b>							
Taxes:							
Business					30,847,105	-	30,847,105
Property					47,729,105	-	47,729,105
Transient occupancy					44,396,425	-	44,396,425
Utility users					32,817,005	-	32,817,005
Real property transfer					6,273,067	-	6,273,067
Parking facility tax					9,207,033	-	9,207,033
Other taxes					2,871,482	-	2,871,482
Motor vehicle in lieu, unrestricted					39,329	-	39,329
Sales and use taxes					49,210,039	-	49,210,039
Other revenues					18,092,058	5,207,445	23,299,503
Investment income					6,613,322	1,644,388	8,257,710
<b>Extraordinary loss (note 17)</b>					<b>(19,149,679)</b>	<b>-</b>	<b>(19,149,679)</b>
<b>Transfers</b>					<b>1,683,146</b>	<b>(1,683,146)</b>	<b>-</b>
<b>Total general revenues, extraordinary loss and transfers</b>					<b>230,629,437</b>	<b>5,168,687</b>	<b>235,798,124</b>
<b>Change in net position</b>					<b>10,212,964</b>	<b>9,221,606</b>	<b>19,434,570</b>
<b>Net position at beginning of year</b>					<b>1,201,505,013</b>	<b>590,889,283</b>	<b>1,792,394,296</b>
<b>Net position at end of year</b>					<b>\$ 1,211,717,977</b>	<b>600,110,889</b>	<b>1,811,828,866</b>

See accompanying notes to basic financial statements.

## **CITY OF SANTA MONICA, CALIFORNIA**

### **Major Governmental Fund Financial Statements**

**General Fund** – To account for all financial resources necessary to carry out basic governmental activities of the City that are not accounted for in another fund. The General Fund supports essential City services such as police and fire protection, street maintenance, libraries, parks and open space management.

**Special Revenue Source Fund (Special Revenue Fund Type)** – To account for receipt and expenditure of monies restricted, committed or assigned for specific uses.

# CITY OF SANTA MONICA, CALIFORNIA

## Balance Sheet Governmental Funds June 30, 2014

		Special Revenue Fund		
	General Fund	Special Revenue Source Fund	Nonmajor governmental funds	Total governmental funds
<b>ASSETS</b>				
Cash and investments (note 5)	\$ 264,816,273	36,380,579	30,129,359	331,326,211
Restricted cash and investments (note 5)	119,424,814	-	9,970,986	129,395,800
Receivables (net, where applicable, of allowances for uncollectibles):				
Accounts	61,014,719	14,000	1,005,254	62,033,973
Notes (note 6)	12,836,126	34,341,141	73,598,423	120,775,690
Property taxes	466,888	-	-	466,888
Interest	551,825	48,721	136,528	737,074
Other governments	1,987,448	-	6,887,425	8,874,873
Due from other funds (note 11)	1,309,001	-	-	1,309,001
Due from Successor Agency (note 11)	49,669	-	-	49,669
Deposits	58,528	-	3,257	61,785
Prepays	215,921	-	30,582	246,503
Restricted cash and investments with fiscal agent (note 5)	352,204	-	20,064,875	20,417,079
Advances to other funds	17,401,900	-	-	17,401,900
Advances to Successor agency (note 11)	24,106,933	-	11,172,628	35,279,561
Total assets	<u>\$ 504,592,249</u>	<u>70,784,441</u>	<u>152,999,317</u>	<u>728,376,007</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 13,943,640	13	2,096,204	16,039,857
Accrued liabilities	9,948,566	-	426,059	10,374,625
Contracts payable (retained percentage)	49,604	2,600	210,574	262,778
Due to other funds (note 11)	-	-	1,136,784	1,136,784
Due to Successor Agency (note 11)	41,944,838	-	-	41,944,838
Unearned revenue (note 8)	2,231,885	18,893,770	3,156	21,128,811
Deposits payable	518,434	325,000	86,372	929,806
Advances from other funds (note 11)	-	-	3,842,973	3,842,973
Total liabilities	<u>68,636,967</u>	<u>19,221,383</u>	<u>7,802,122</u>	<u>95,660,472</u>
<b>Deferred inflows of resources (note 8)</b>	<u>69,943,979</u>	<u>-</u>	<u>15,745,098</u>	<u>85,689,077</u>
<b>Fund balances (note 13)</b>				
Nonspendable	22,257,819	19,400,000	11,532,430	53,190,249
Restricted	12,371,619	14,941,141	113,669,577	140,982,337
Committed	519,937	4,352,516	51,975	4,924,428
Assigned	212,669,876	12,869,401	5,164,272	230,703,549
Unassigned	118,192,052	-	(966,157)	117,225,895
Total fund balances	<u>366,011,303</u>	<u>51,563,058</u>	<u>129,452,097</u>	<u>547,026,458</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 504,592,249</u>	<u>70,784,441</u>	<u>152,999,317</u>	<u>728,376,007</u>

See accompanying notes to basic financial statements.

**CITY OF SANTA MONICA, CALIFORNIA**  
Reconciliation of the Governmental Funds Balance Sheet to the  
Government-Wide Statement of Net Position  
June 30, 2014

Fund balances - total governmental funds	\$ 547,026,458
------------------------------------------	----------------

Amounts reported for governmental activities in the statement of net position are different because (Note 3):

(1) Capital assets used in governmental activities are not current financial resources and therefore are not reported in the balance sheet.	786,329,839
(2) Accounts receivable related to residual payments is not a current financial resource and therefore is not reported in the balance sheet.	285,458
(3) The net pension asset for governmental activities is not a current financial resource and therefore is not reported in the balance sheet.	16,999,013
(4) Loss on refundings of debt is not a current financial resource and therefore is not reported in the balance sheet.	361,696
(5) Long-term liabilities are not due and payable in the current period and therefore are not reported in the balance sheet.	(244,856,390)
(6) Other long-term assets, net of other long-term liabilities, are not available to pay for current period expenditures and, therefore, are deferred in the funds and recognized as revenue in the statement of activities.	87,189,076
(7) Internal service funds are used by management to charge the costs of vehicle management, information technology and risk management to individual funds. The assets and liabilities of the information technology and risk management (excluding bus) internal service funds are included in the governmental activities in the statement of net position.	18,382,827

Net position of governmental activities	<u><u>\$ 1,211,717,977</u></u>
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See accompanying notes to basic financial statements.



**CITY OF SANTA MONICA, CALIFORNIA**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
For the fiscal year ended June 30, 2014

		Special Revenue Fund		
	General Fund	Special Revenue Source Fund	Nonmajor governmental funds	Total governmental funds
Revenues:				
Property taxes	\$ 50,113,693	-	-	50,113,693
Sales taxes	49,210,039	-	-	49,210,039
Other taxes	123,920,480	-	2,916,456	126,836,936
Licenses and permits	36,880,897	-	86,596	36,967,493
Intergovernmental	145,746	-	32,923,160	33,068,906
Charges for services	37,379,895	493,937	18,102,871	55,976,703
Fines and forfeitures	16,253,546	-	-	16,253,546
Investment income	4,700,546	58,552	1,938,454	6,697,552
Rental income	9,066,536	-	1,245,431	10,311,967
Settlement income	2,433,175	-	-	2,433,175
Other	7,842,987	9,387,714	2,078,408	19,309,109
Total revenues	337,947,540	9,940,203	59,291,376	407,179,119
Expenditures:				
Current:				
General government	68,011,996	-	296,138	68,308,134
Public safety	110,476,529	349	1,260,450	111,737,328
General services	45,263,188	317,097	12,175,402	57,755,687
Cultural and recreation services	40,454,989	18,677	9,912,917	50,386,583
Library	17,141,778	-	16,223	17,158,001
Housing and community development	46,635,505	2,059,860	23,341,766	72,037,131
Debt service expenditures:				
Principal	-	-	5,920,000	5,920,000
Interest	-	-	3,966,495	3,966,495
Total expenditures	327,983,985	2,395,983	56,889,391	387,269,359
Excess of revenues over expenditures	9,963,555	7,544,220	2,401,985	19,909,760
Other financing sources (uses):				
Transfers in (note 11)	15,709,176	-	10,501,734	26,210,910
Transfers out (note 11)	(10,556,787)	(630,444)	(13,461,183)	(24,648,414)
Total other financing sources (uses)	5,152,389	(630,444)	(2,959,449)	1,562,496
Extraordinary item:				
Extraordinary item - payment to the Successor Agency (note 17)	(33,345,736)	-	-	(33,345,736)
Net change in fund balances	(18,229,792)	6,913,776	(557,464)	(11,873,480)
Fund balances at beginning of year	384,241,095	44,649,282	130,009,561	558,899,938
Fund balances at end of year	\$ 366,011,303	51,563,058	129,452,097	547,026,458
See accompanying notes to basic financial statements.				

# CITY OF SANTA MONICA, CALIFORNIA

## Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities

For the fiscal year ended June 30, 2014

Net change in fund balances – total governmental funds	\$ (11,873,480)
--------------------------------------------------------	-----------------

Amounts reported for governmental activities in the statement of activities are different because:

Capital assets:

- |                                                                                                                                                   |              |
|---------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| 1) The acquisition of capital assets requires the use of current financial resources but has no effect on net position.                           | 29,546,935   |
| 2) The cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense in the statement of activities. | (25,824,494) |
| 3) The loss on disposal of capital assets is recorded as an expense in the statement of activities but is not recorded in the fund statements.    | (1,462,941)  |

Measurement focus:

- |                                                                                                                                                                                        |             |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| 4) Change in accrued interest payable.                                                                                                                                                 | 51,182      |
| 5) Principal payments on long-term obligations use current financial resources but have no effect on net position.                                                                     | 5,920,000   |
| 6) Bond premiums are recorded as other financing sources in the fund statements but are amortized in the statement of activities.                                                      | 360,111     |
| 7) Bond discounts are recorded as other financing uses in the fund statements but amortized in the statement of activities.                                                            | (2,450)     |
| 8) Costs of issuance were written off due to GASB 65                                                                                                                                   | (1,286,847) |
| 9) Deferred loss on refunding is amortized in the statement of activities.                                                                                                             | (67,817)    |
| 10) The decrease in compensated absences liability does not use current financial resources but is recorded as an decrease in expense in the statement of activities.                  | 224,046     |
| 11) Interest income related to redevelopment advances are recorded as revenue in the statement of activities but are reported as deferred inflows of resources in the fund statements. | 2,483,433   |
| 12) Unavailable FEMA grant revenue is recognized in the statement of activities but is recorded as deferred inflows of resources in the fund statements.                               | 5,481,189   |
| 13) Revenue previously recognized on fund statements from pollution remediation resources are not recognized as revenue in the statements of activities.                               | (2,433,175) |
| 14) Interest income from a loan to the Airport fund is recorded in the current period in the fund statements was recognized in prior periods in the statement of activities.           | (520,000)   |
| 15) The increase in OPEB liability does not require the use of current financial resources but is recorded as an expense in the statement of activities.                               | (1,728,295) |
| 16) Pollution remediation expense activity was recorded in a prior year and reduced the liability in the statement of net position.                                                    | 1,132,068   |
| 17) Net pension assets are recorded as retirement expenditures in the fund statements but are amortized in the statement of activities.                                                | 3,175,265   |
| 18) Expense related to the Successor Agency settlement agreement has been previously recognized in the statement of activities.                                                        | 14,196,057  |
| 19) Property tax revenue received previously recognized in the statement of activities.                                                                                                | (3,405,516) |

Internal service funds:

- |                                                                                                                                                  |  |
|--------------------------------------------------------------------------------------------------------------------------------------------------|--|
| 20) Certain internal service funds are used by management to charge the costs of information technology and risk management to individual funds. |  |
|--------------------------------------------------------------------------------------------------------------------------------------------------|--|

The net expense of certain internal service funds is reported with governmental activities.	(3,752,307)
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Change in net position (statement of activities, governmental activities)	\$ 10,212,964
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See accompanying notes to basic financial statements.

**CITY OF SANTA MONICA, CALIFORNIA**  
Statement of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual (Non-GAAP Basis)

General Fund

For the fiscal year ended June 30, 2014

	Original budget	Final budget	Actual	Encumbrance	Actual, budgetary basis	Variance with final budget
Revenues:						
Property taxes	\$ 42,582,489	44,797,508	50,113,693	—	50,113,693	5,316,185
Sales taxes	47,600,648	48,620,662	49,210,039	—	49,210,039	589,377
Other taxes	116,577,500	118,788,500	123,920,480	—	123,920,480	5,131,980
Licenses and permits	34,193,815	35,153,815	36,880,897	—	36,880,897	1,727,082
Intergovernmental	185,700	185,700	145,746	—	145,746	(39,954)
Charges for services	34,546,277	34,746,277	37,379,895	—	37,379,895	2,633,618
Fines and forfeitures	15,120,700	15,120,700	16,253,546	—	16,253,546	1,132,846
Investment income	1,573,200	1,573,200	4,700,546	—	4,700,546	3,127,346
Rental income	8,557,630	8,855,910	9,066,536	—	9,066,536	210,626
Settlement income	2,433,175	2,433,175	2,433,175	—	2,433,175	—
Other	3,847,256	5,299,521	7,842,987	—	7,842,987	2,543,466
Total revenues	307,218,390	315,574,968	337,947,540	—	337,947,540	22,372,572
Expenditures:						
General government:						
City council	1,131,444	1,162,249	846,823	9,998	856,821	305,428
City manager	9,428,659	9,791,475	8,760,367	181,404	8,941,771	849,704
Record and election services	2,117,183	2,163,452	2,265,437	5,125	2,270,562	(107,110)
Finance	24,691,045	11,818,971	11,067,611	57,619	11,125,230	693,741
City attorney	9,597,429	9,682,445	9,273,350	—	9,273,350	409,095
Human resources	4,039,520	3,949,921	3,752,505	18,160	3,770,665	179,256
Information systems	7,639,435	8,200,842	7,735,533	191,273	7,926,806	274,036
Planning and community development	—	13,010,105	13,046,659	12,000	13,058,659	(48,554)
Community and cultural services	720,281	640,203	535,735	—	535,735	104,468
Housing and economic development	16,500	16,500	417	—	417	16,083
Other	3,086,758	5,041,939	3,688,396	24,595	3,712,991	1,328,948
Capital improvement	6,305,126	12,026,957	7,039,163	3,327,759	10,366,922	1,660,035
Total general government	68,773,380	77,505,059	68,011,996	3,827,933	71,839,929	5,665,130
Public safety:						
City Manager	243,360	243,360	—	—	—	243,360
Police	75,668,230	76,234,184	74,286,357	39,810	74,326,167	1,908,017
Fire	32,519,591	32,949,539	33,395,282	—	33,395,282	(445,743)
Other	—	2,699,070	2,088,647	—	2,088,647	610,423
Capital improvement	1,473,000	5,386,069	706,243	2,768,330	3,474,573	1,911,496
Total public safety	\$ 109,904,181	117,512,222	110,476,529	2,808,140	113,284,669	4,227,553

See accompanying notes to basic financial statements.

(Continued)

**CITY OF SANTA MONICA, CALIFORNIA**  
Statement of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual (Non-GAAP Basis)

General Fund

For the fiscal year ended June 30, 2014

	Original budget	Final budget	Actual	Encumbrance	Actual, budgetary basis	Variance with final budget
General services:						
Public works	\$ 38,494,178	39,538,848	37,287,964	31,686	37,319,650	2,219,198
Other	—	732,998	83,269	—	83,269	649,729
Capital improvement	11,584,383	26,309,024	7,891,955	4,208,434	12,100,389	14,208,635
Total general services	50,078,561	66,580,870	45,263,188	4,240,120	49,503,308	17,077,562
Cultural and recreation services:						
Community and cultural services	23,544,486	24,205,653	24,108,496	117,028	24,225,524	(19,871)
Other	15,082,742	16,268,575	15,865,966	9,425	15,875,391	393,184
Capital improvement	649,052	6,855,213	480,527	97,745	578,272	6,276,941
Total cultural and recreation services	39,276,280	47,329,441	40,454,989	224,198	40,679,187	6,650,254
Library:						
Library	12,046,500	12,311,053	11,185,539	271,725	11,457,264	853,789
Other	—	241,972	—	—	—	241,972
Capital improvement	218,933	7,382,567	5,956,239	130,559	6,086,798	1,295,769
Total library	12,265,433	19,935,592	17,141,778	402,284	17,544,062	2,391,530
Housing and community development:						
Planning and community development	16,361,262	17,336,950	16,449,174	717,271	17,166,445	170,505
Housing and economic development	4,908,620	4,996,273	4,721,721	14,292	4,736,013	260,260
Other	2,483,299	2,675,173	2,492,978	—	2,492,978	182,195
Capital improvement	6,015,000	45,760,155	22,971,632	10,364,599	33,336,231	12,423,924
Total housing and community development	29,768,181	70,768,551	46,635,505	11,096,162	57,731,667	13,036,884
Total expenditures	310,066,016	399,631,735	327,983,985	22,598,837	350,582,822	49,048,913
Excess (deficiency) of revenues over (under) expenditures	(2,847,626)	(84,056,767)	9,963,555	(22,598,837)	(12,635,282)	71,421,485
Other financing sources (uses):						
Transfers in	8,287,967	8,645,700	15,709,176	—	15,709,176	7,063,476
Transfers out	(10,072,591)	(10,497,610)	(10,556,787)	—	(10,556,787)	(59,177)
Total other financing sources (uses)	(1,784,624)	(1,851,910)	5,152,389	—	5,152,389	7,004,299
Extraordinary item :						
Payment to the Successor Agency	—	(14,196,057)	(33,345,736)	—	(33,345,736)	(19,149,679)
Total extraordinary item	—	(14,196,057)	(33,345,736)	—	(33,345,736)	(19,149,679)
Net change in fund balance	(4,632,250)	(100,104,734)	(18,229,792)	(22,598,837)	(40,828,629)	59,276,105
Fund balance at beginning of year	384,241,095	384,241,095	384,241,095	—	384,241,095	—
Fund balance at end of year	\$ 379,608,845	284,136,361	366,011,303	(22,598,837)	343,412,466	59,276,105

See accompanying notes to basic financial statements.

**CITY OF SANTA MONICA, CALIFORNIA**  
Statement of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Basis)  
Special Revenue Source Fund  
For the fiscal year ended June 30, 2014

	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>	<b>Encumbrance</b>	<b>Actual, budgetary basis</b>	<b>Variance with final budget</b>
Revenues:						
Charges for services	\$ 446,167	446,167	493,937	—	493,937	47,770
Investment income	—	—	58,552	—	58,552	58,552
Other	3,116,668	5,413,408	9,387,714	—	9,387,714	3,974,306
Total revenues	<u>3,562,835</u>	<u>5,859,575</u>	<u>9,940,203</u>	<u>—</u>	<u>9,940,203</u>	<u>4,080,628</u>
Expenditures:						
Public safety:						
Police	21,456	21,456	—	—	—	21,456
Fire	—	—	349	—	349	(349)
Capital improvement	—	3,700,000	—	—	—	3,700,000
Total public safety	<u>21,456</u>	<u>3,721,456</u>	<u>349</u>	<u>—</u>	<u>349</u>	<u>3,721,107</u>
General services:						
Capital improvement	558,400	1,836,432	317,097	178,970	496,067	1,340,365
Total general services	<u>558,400</u>	<u>1,836,432</u>	<u>317,097</u>	<u>178,970</u>	<u>496,067</u>	<u>1,340,365</u>
Cultural and recreation services:						
Community and cultural services	40,286	65,286	18,677	—	18,677	46,609
Capital improvement	—	785	—	—	—	785
Total cultural and recreation services	<u>40,286</u>	<u>66,071</u>	<u>18,677</u>	<u>—</u>	<u>18,677</u>	<u>47,394</u>
Housing and community development:						
Planning and community development	—	251,855	231,855	—	231,855	20,000
Capital improvement	1,891,563	9,855,191	1,828,005	2,793,130	4,621,135	5,234,056
Total housing and community development	<u>1,891,563</u>	<u>10,107,046</u>	<u>2,059,860</u>	<u>2,793,130</u>	<u>4,852,990</u>	<u>5,254,056</u>
Total expenditures	<u>2,511,705</u>	<u>15,731,005</u>	<u>2,395,983</u>	<u>2,972,100</u>	<u>5,368,083</u>	<u>10,362,922</u>
Excess (deficiency) of revenues over (under) expenditures	1,051,130	(9,871,430)	7,544,220	(2,972,100)	4,572,120	14,443,550
Other financing (uses):						
Transfers out	(449,939)	(830,365)	(630,444)	—	(630,444)	199,921
Total other financing uses	<u>(449,939)</u>	<u>(830,365)</u>	<u>(630,444)</u>	<u>—</u>	<u>(630,444)</u>	<u>199,921</u>
Net change in fund balance	601,191	(10,701,795)	6,913,776	(2,972,100)	3,941,676	14,643,471
Fund balance at beginning of year	44,649,282	44,649,282	44,649,282	—	44,649,282	—
Fund balance at end of year	<u>\$ 45,250,473</u>	<u>33,947,487</u>	<u>51,563,058</u>	<u>(2,972,100)</u>	<u>48,590,958</u>	<u>14,643,471</u>

## **CITY OF SANTA MONICA, CALIFORNIA**

### **Proprietary Fund Financial Statements**

**Major Enterprise Funds** are used to report any activity for which a fee is charged to external users for goods or services.

**Water Fund** – To account for revenues and expenses of providing water service to the citizens of the City.

**Wastewater Fund** – To account for revenues and expenses associated with maintaining the sanitary sewer and storm drain systems within the City.

**Airport Fund** – To account for revenues and expenses connected with management of the Santa Monica Municipal Airport.

**Big Blue Bus Fund** – To account for revenues and expenses related to operation of the City's municipal bus lines.

**Internal Service Funds** – To account for the financing of goods or services provided by one department or agency to other departments or agencies of the City or to other governments, on a cost-reimbursement basis.

**CITY OF SANTA MONICA, CALIFORNIA**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2014**

	<b>Water</b>	<b>Wastewater</b>	<b>Airport</b>	<b>Big Blue Bus</b>	<b>Nonmajor enterprise funds</b>	<b>Total enterprise funds</b>	<b>Total internal service funds</b>
<b>ASSETS</b>							
Current assets:							
Cash and investments (note 5)	\$ 43,628,277	26,980,757	3,223,300	21,108,111	10,229,798	105,170,243	88,943,338
Restricted cash and investments (note 5)	378,684	-	393,125	11,665,453	268,634	12,705,896	-
Receivables (net, where applicable, of allowances for uncollectibles):							
Accounts	4,479,937	4,109,463	260,773	12,560,125	4,222,276	25,632,574	65,113
Interest	51,195	53,746	5,942	45,169	40,356	196,408	120,594
Inventory	-	-	-	2,281,574	-	2,281,574	68,551
Net pension assets - current (note 16)	30,902	11,471	8,150	197,129	59,814	307,466	26,126
Total current assets	48,568,995	31,155,437	3,891,290	47,857,561	14,820,878	146,294,161	89,223,722
Noncurrent assets:							
Restricted cash and investments (note 5)	1,651,820	3,366,351	-	-	12,195,260	17,213,431	-
Net pension assets - noncurrent (note 16)	412,200	158,428	105,031	2,792,032	782,837	4,250,528	338,429
Advances to other funds (note 11)	-	274,566	-	-	-	274,566	-
Capital assets (note 7):							
Land	21,006	3,189,132	8	60,276,362	7,935,704	71,422,212	-
Construction in progress	692,926	337,588	-	16,939,819	8,410,261	26,380,594	-
Buildings	1,532,511	251,447	8,018,906	129,417,341	14,286,126	153,506,331	-
Improvements other than buildings	1,015,098	421,868	13,001,607	7,400,307	6,239,425	28,078,305	-
Machinery and equipment	2,022,475	1,308,408	478,617	134,816,281	2,677,049	141,302,830	37,929,067
Infrastructure	43,361,947	153,650,211	-	-	19,175,407	216,187,565	-
Intangibles	3,575,000	87,757,931	-	-	-	91,332,931	-
Less: accumulated depreciation	(26,820,157)	(71,837,442)	(16,095,237)	(120,459,803)	(20,045,320)	(255,257,959)	(27,009,555)
Net capital assets	25,400,806	175,079,143	5,403,901	228,390,307	38,678,652	472,952,809	10,919,512
Total noncurrent assets	27,464,826	178,878,488	5,508,932	231,182,339	51,656,749	494,691,334	11,257,941
TOTAL ASSETS	76,033,821	210,033,925	9,400,222	279,039,900	66,477,627	640,985,495	100,481,663
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Loss on refundings of debt	-	572,001	-	-	-	572,001	-
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable	1,667,034	135,056	77,956	2,436,235	1,515,668	5,831,949	1,653,170
Accrued liabilities	294,971	93,624	51,170	3,108,951	493,720	4,042,436	203,535
Contracts payable (retained percentage)	21,750	6,250	-	36,641	356,278	420,919	-
Compensated absences due within one year (note 9)	164,263	72,491	45,375	1,554,912	359,052	2,196,093	153,755
Claims payable due within one year (notes 9 and 15)	-	-	-	-	-	-	11,218,514
Unearned revenue (note 8)	-	-	56,132	9,043,262	-	9,099,394	-
Accrued interest payable	-	111,063	-	-	15,383	126,446	-
Loans and bonds payable due within one year (note 9)	-	-	-	-	277,175	277,175	-
Due to other funds (note 11)	-	-	-	-	172,217	172,217	-
Liabilities payable from restricted assets - deposits	378,684	-	393,125	86,753	10,387,204	11,245,766	-
Pollution remediation obligation due within one year (note 4)	3,175,126	-	-	-	-	3,175,126	-
Total current liabilities	5,701,828	418,484	623,758	16,266,754	13,576,697	36,587,521	13,228,974
Long-term liabilities:							
Compensated absences due in more than one year (note 9)	287,837	24,003	7,742	385,842	431,589	1,137,013	126,526
Advances from other funds (note 11)	-	-	13,558,927	-	274,566	13,833,493	-
Claims payable due in more than one year (notes 9 and 15)	-	-	-	-	-	-	31,123,502
Loans and bonds payable due in more than one year (note 9)	-	9,704,216	-	-	1,497,791	11,202,007	-
Pollution remediation obligation due in more than one year (note 4)	16,306,408	-	-	-	-	16,306,408	-
Total long-term liabilities	16,594,245	9,728,219	13,566,669	385,842	2,203,946	42,478,921	31,250,028
TOTAL LIABILITIES	22,296,073	10,146,703	14,190,427	16,652,596	15,780,643	79,066,442	44,479,002
<b>NET POSITION</b>							
Net investment in capital assets	25,400,806	165,946,928	5,403,901	228,390,307	36,903,686	462,045,628	10,919,512
Restricted for Rail Reserve and Prop 1B (note 12)	-	-	-	11,665,453	-	11,665,453	-
Unrestricted	28,336,942	34,512,295	(10,194,106)	22,331,544	13,793,298	88,779,973	45,083,149
TOTAL NET POSITION	\$ 53,737,748	200,459,223	(4,790,205)	262,387,304	50,696,984	562,491,054	56,002,661
Net position, business-type activities - internal service funds						42,165,253	
Net adjustment to reflect the allocation of the internal service funds net loss						(4,545,418)	
Net position of business-type activities						\$600,110,889	

See accompanying notes to basic financial statements.

**CITY OF SANTA MONICA, CALIFORNIA**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the fiscal year ended June 30, 2014**

	<b>Water</b>	<b>Wastewater</b>	<b>Airport</b>	<b>Big Blue Bus</b>	<b>Nonmajor enterprise funds</b>	<b>Total enterprise funds</b>	<b>Total internal service funds</b>
<b>Operating revenues</b>							
Charges for services	\$ 22,902,640	21,033,699	5,396,797	17,060,923	31,946,354	98,340,413	30,082,556
Total operating revenues	22,902,640	21,033,699	5,396,797	17,060,923	31,946,354	98,340,413	30,082,556
<b>Operating expenses</b>							
Personnel services	5,241,455	2,034,762	1,120,817	44,679,456	12,091,043	65,167,533	4,573,475
Administrative indirect	1,017,353	447,165	630,226	4,409,904	1,898,577	8,403,225	897,889
Contractual services	2,054,637	5,366,302	280,919	3,209,261	5,231,496	16,142,615	385,383
Repairs and maintenance	940,240	913,149	331,804	5,117,829	2,625,965	9,928,987	1,227,781
Materials and supplies	3,884,477	927,990	1,167,428	5,095,406	6,441,604	17,516,905	4,478,451
Utilities	2,301,076	9,068	253,714	436,656	351,175	3,351,689	65,839
Water purchases	6,274,682	-	-	-	-	6,274,682	-
Casualty property and liability costs	392,492	305,721	137,452	2,754,314	503,283	4,093,262	57,558
Claims expense net of claims reserve adjustment	-	-	-	-	-	-	16,339,123
Insurance and bonds	-	-	-	-	-	-	4,886,283
Miscellaneous fees and costs	2,776	6,126	335	-	813	10,050	1,144,755
Depreciation and amortization	1,056,075	6,828,148	418,001	12,762,531	1,275,027	22,339,782	2,858,516
Other	1,148,355	2,813,676	494,909	145,059	1,578,248	6,180,247	-
Total operating expenses	24,313,618	19,652,107	4,835,605	78,610,416	31,997,231	159,408,977	36,915,053
Operating income (loss)	(1,410,978)	1,381,592	561,192	(61,549,493)	(50,877)	(61,068,564)	(6,832,497)
<b>Nonoperating revenues (expenses)</b>							
Operating grants	-	-	-	19,650	-	19,650	-
Shared sales tax proceeds	-	-	-	40,671,445	-	40,671,445	-
Investment income	435,334	341,123	31,081	272,546	269,102	1,349,186	778,505
Interest expense	(21)	(458,130)	(530,170)	-	(50,832)	(1,039,153)	-
Gain (loss) on disposal of capital assets	(18,105)	(21,900)	-	185,351	(770,860)	(625,514)	(156,310)
Other nonoperating revenues	768,610	252,839	129,236	3,051,973	814,885	5,017,543	485,770
Total nonoperating revenues (expenses) net	1,185,818	113,932	(369,853)	44,200,965	262,295	45,393,157	1,107,965
Income (loss) before capital contributions and transfers	(225,160)	1,495,524	191,339	(17,348,528)	211,418	(15,675,407)	(5,724,532)
Capital contributions	-	-	-	28,431,734	-	28,431,734	-
Transfers in (note 11)	82,207	1,334,636	-	579,590	1,699,685	3,696,118	1,912,697
Transfers out (note 11)	(1,115,015)	(749,779)	-	(616,226)	(2,640,740)	(5,121,760)	(2,049,551)
Change in net position	(1,257,968)	2,080,381	191,339	11,046,570	(729,637)	11,330,685	(5,861,386)
Net position at beginning of year	54,995,716	198,378,842	(4,981,544)	251,340,734	51,426,621	551,160,369	61,864,047
Net position at end of year	\$ 53,737,748	200,459,223	(4,790,205)	262,387,304	50,696,984	562,491,054	56,002,661
Change in net position						\$ 11,330,685	
Net adjustment to reflect the consolidation of internal service fund activities related to enterprise funds						(2,109,079)	
Change in net position of business-type activities						\$ 9,221,606	

See accompanying notes to basic financial statements.



**CITY OF SANTA MONICA, CALIFORNIA**

Statement of Cash Flows

Proprietary Funds

For the fiscal year ended June 30, 2014

	<b>Water</b>	<b>Wastewater</b>	<b>Airport</b>	<b>Big Blue Bus</b>	<b>Nonmajor enterprise funds</b>	<b>Total enterprise funds</b>	<b>Total internal service funds</b>
Cash flows from operating activities:							
Cash received from customers	\$ 22,219,629	21,147,450	5,296,159	30,739,298	32,902,153	112,304,689	30,016,931
Cash payments for materials and services	(17,658,016)	(10,733,173)	(3,515,549)	(21,497,793)	(18,406,295)	(71,810,826)	(11,783,665)
Cash paid for claims and related services	—	—	—	—	—	—	(11,120,064)
Cash payments to employees for services	(7,205,919)	(2,034,334)	(1,161,926)	(44,322,337)	(12,047,329)	(66,771,845)	(4,573,475)
Other revenue received	768,610	252,839	129,235	3,051,973	814,885	5,017,542	485,770
Net cash provided by (used in) operating activities	(1,875,696)	8,632,782	747,919	(32,028,859)	3,263,414	(21,260,440)	3,025,497
Cash flows from noncapital financing activities:							
Sales tax proceeds	—	—	—	40,671,445	—	40,671,445	—
Advances from other funds	—	—	(4,793)	—	152,192	147,399	—
Other operating grants	—	—	—	19,650	—	19,650	—
Transfers in	82,207	1,334,636	—	579,590	1,699,685	3,696,118	1,912,697
Transfers out	(1,115,015)	(749,779)	—	(616,226)	(2,640,740)	(5,121,760)	(2,049,551)
Net cash provided by (used in) noncapital financing activities	(1,032,808)	584,857	(4,793)	40,654,459	(788,863)	39,412,852	(136,854)
Cash flows from capital and related financing activities:							
Capital contributions received	—	—	—	28,431,734	—	28,431,734	—
Acquisition and construction of capital assets	(2,831,046)	(5,066,808)	—	(25,001,895)	(6,126,885)	(39,026,634)	(518,105)
Proceeds from sale of capital assets	—	(21,901)	—	191,582	—	169,681	—
Reduction in long-term obligations	—	(8,297,420)	—	—	(270,150)	(8,567,570)	—
Interest paid on long-term obligations	(21)	(640,955)	(530,170)	—	(53,173)	(1,224,319)	—
Net cash provided by (used in) capital and related financing activities	(2,831,067)	(14,027,084)	(530,170)	3,621,421	(6,450,208)	(20,217,108)	(518,105)
Cash flows from investing activities – interest received on investments	443,151	334,638	28,465	263,006	272,359	1,341,619	775,660
Net cash provided by (used in) investing activities	443,151	334,638	28,465	263,006	272,359	1,341,619	775,660
Net increase (decrease) in cash and cash equivalents	(5,296,420)	(4,474,807)	241,421	12,510,027	(3,703,298)	(723,077)	3,146,198
Cash and cash equivalents at beginning of year	50,955,201	34,821,915	3,375,004	20,263,537	26,396,990	135,812,647	85,797,140
Cash and cash equivalents at end of year	\$ 45,658,781	30,347,108	3,616,425	32,773,564	22,693,692	135,089,570	88,943,338
Cash and investments	\$ 43,628,277	26,980,757	3,223,300	21,108,111	10,229,798	105,170,243	88,943,338
Restricted cash and investments	2,030,504	3,366,351	393,125	11,665,453	12,463,894	29,919,327	—
Total cash and cash equivalents	\$ 45,658,781	30,347,108	3,616,425	32,773,564	22,693,692	135,089,570	88,943,338

(Continued)

**CITY OF SANTA MONICA, CALIFORNIA**

Statement of Cash Flows

Proprietary Funds

For the fiscal year ended June 30, 2014

	<u>Water</u>	<u>Wastewater</u>	<u>Airport</u>	<u>Big Blue Bus</u>	<u>Nonmajor enterprise funds</u>	<u>Total enterprise funds</u>	<u>Total internal service funds</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:							
Operating income (loss)	<u>\$ (1,410,978)</u>	<u>1,381,592</u>	<u>561,192</u>	<u>(61,549,493)</u>	<u>(50,877)</u>	<u>(61,068,564)</u>	<u>(6,832,497)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Add depreciation	1,056,075	6,389,352	418,001	12,762,531	1,275,027	21,900,986	2,858,516
Add amortization	—	438,796	—	—	—	438,796	—
Other nonoperating revenue received	768,610	252,839	129,236	3,051,973	814,885	5,017,543	485,770
Change in assets and liabilities:							
(Increase) decrease in accounts receivable	(698,494)	113,751	(169,040)	8,908,891	(317,330)	7,837,778	(65,625)
(Increase) decrease in prepaids	(52,721)	(18,981)	(9,235)	(420,878)	(119,721)	(621,536)	35,485
(Increase) decrease in inventory	—	—	—	(345,749)	—	(345,749)	3,543
Increase (decrease) in accounts payable	146,158	68,755	(205,950)	409,248	310,796	729,007	1,289,302
Increase in deposits	15,480	—	68,402	86,753	1,021,493	1,192,128	—
Increase (decrease) in contracts payable	6,235	6,250	(3,578)	28,015	285,429	322,351	—
Increase in unearned revenue	—	—	—	4,682,731	—	4,682,731	—
Increase (decrease) in accrued liabilities	82,984	428	(22,962)	664,694	146,933	872,077	31,944
Increase in claims payable	—	—	—	—	—	—	5,219,059
Decrease in noncurrent accrued liabilities	(1,789,045)	—	(18,147)	(307,575)	(103,221)	(2,217,988)	—
Total adjustments	<u>(464,718)</u>	<u>7,251,190</u>	<u>186,727</u>	<u>29,520,634</u>	<u>3,314,291</u>	<u>39,808,124</u>	<u>9,857,994</u>
Net cash provided by (used in) operating activities	<u>\$ (1,875,696)</u>	<u>8,632,782</u>	<u>747,919</u>	<u>(32,028,859)</u>	<u>3,263,414</u>	<u>(21,260,440)</u>	<u>3,025,497</u>

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## **CITY OF SANTA MONICA, CALIFORNIA**

### **Fiduciary Fund Financial Statements**

**Private-Purpose Trust Fund** is fiduciary in nature and used to distribute the assets of the dissolved Redevelopment Agency of the City of Santa Monica to the affected tax entities after the payment of enforceable obligations. The Redevelopment Agency of the City of Santa Monica was dissolved on February 1, 2012.

**Agency Funds** are custodial in nature and used to receive and disburse funds for an entity/individual, which is not part of the City.

# CITY OF SANTA MONICA, CALIFORNIA

## Statement of Fiduciary Net Position Fiduciary Funds

June 30, 2014

	<b>Total Private-Purpose Trust Fund</b>	<b>Total Agency Funds</b>
<b>ASSETS</b>		
Restricted cash and investments (note 5)	\$ 13,411,122	6,549,471
Restricted cash with fiscal agent (note 5)	10,133,811	—
Accounts receivable	—	89,174
Due from City of Santa Monica (notes 11 and 17)	41,944,838	—
Noncurrent receivable from the City of Santa Monica (note 17)	19,793,012	—
Total assets	85,282,783	6,638,645
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Loss on refundings of bonds	2,536,221	—
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	49	6,638,645
Accrued interest payable	4,459,312	—
Due to the City of Santa Monica	49,669	—
Due to other governments	47,046,710	—
Long-term liabilities:		
Promissory notes payable to the City due within one year (notes 11 and 17)	6,325,803	—
Promissory notes payable to the City due in more than one year (notes 11 and 17)	28,953,758	—
Loans and bonds payable, due within one year (note 17)	15,457,578	—
Loans and bonds payable, due in more than one year (note 17)	206,814,694	—
Total liabilities	309,107,573	6,638,645
<b>NET POSITION</b>		
Restricted for dissolution of Former Redevelopment Agency	\$ (221,288,569)	—

See accompanying notes to basic financial statements.

**CITY OF SANTA MONICA, CALIFORNIA**

Statement of Changes in Fiduciary Net Position

Fiduciary Fund

For the fiscal year ended June 30, 2014

	<u>Private-Purpose Trust Fund</u>
<b>Additions:</b>	
Property tax distribution	\$ 14,207,102
Investment income	100,308
Total additions	<u>14,307,410</u>
<b>Deductions:</b>	
Administrative expenses	1,543,542
Payments to the City of Santa Monica (note 17)	2,452,940
Other expense	1,692,784
Interest expense	<u>11,609,979</u>
Total deductions	<u>17,299,245</u>
Extraordinary item:	
Payment from the City of Santa Monica (note 17)	<u>19,149,679</u>
Change in net position	16,157,844
<b>Net position at beginning of year</b>	<u>(237,446,413)</u>
<b>Net position at end of year</b>	<u><u>\$ (221,288,569)</u></u>

See accompanying notes to basic financial statements.

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## **CITY OF SANTA MONICA, CALIFORNIA**

Notes to Basic Financial Statements  
For the fiscal year ended June 30, 2014

### **(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **A. THE REPORTING ENTITY**

The City of Santa Monica, California (City) was incorporated November 30, 1886. The City operates under a Council-Manager form of government and provides traditional municipal services as authorized by its charter as well as various enterprise services. As required by accounting principles generally accepted in the United States of America (GAAP), the accompanying basic financial statements present the activities of the City and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operations or financial relationships with the City.

As required by GAAP, these basic financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The following entities are reported as blended component units because they have substantively the same governing board as the primary government and there is either a financial benefit or burden relationship between the City and the component unit or the City's management has operational responsibility for the component unit.

Blended component units, although legally separate entities are, in substance, part of the City's operations and data from these units are combined with data of the City. Additional detailed information and/or separately issued financial statements for these component units can be obtained from the City's Director of Finance.

The *Parking Authority of the City of Santa Monica* (Authority) was established by the City in 1950 and maintains and operates parking lots and parking structures.

The *Housing Authority of the City of Santa Monica* (Housing Authority) was established by the City in 1975 to address unsanitary and unsafe inhabited dwelling accommodations and the shortage of affordable safe and sanitary dwelling accommodations for persons with low incomes. Since January 1, 1989, the Housing Authority has administered the Section 8 Housing Assistance Payments Program funded by the United States Department of Housing and Urban Development on behalf of the City.

The *Santa Monica Public Financing Authority* (PFA) was established in 1995 for the purpose of financing and assisting local agencies in financing capital improvements, working capital, and liability or other insurance needs or projects.

The *Successor Agency for the Redevelopment Agency of the City of Santa Monica* (Successor Agency) was established on February 1, 2012 by resolution of City Council. The Successor Agency is primarily responsible for winding down the operations of the former Redevelopment Agency and makes payments and performs existing obligations of the former Redevelopment Agency. The Successor Agency is a fiduciary component unit and is presented as a private-purpose trust fund.



## **CITY OF SANTA MONICA, CALIFORNIA**

### **Notes to Basic Financial Statements, Continued**

For the fiscal year ended June 30, 2014

The *Santa Monica Arts Foundation* promotes the arts by raising funds to finance art programs. On June 8, 1990, the City Council merged the City's Arts Commission with the Santa Monica Arts Foundation.

Following is a brief description of an organization created in 1984 as a nonprofit public benefit corporation. These basic financial statements do not present this entity for which the City may meet criteria for discrete presentation because the economic resources received or held by an individual organization are not significant to the primary government. The governing body acts on the behalf of the City through members appointed by the City of Santa Monica City Council for the benefit of the citizens of Santa Monica. Separate financial statements for this organization can be obtained from the City's Director of Finance.

The *Santa Monica Pier Corporation* maintains and operates the public educational and recreational facility in the City commonly known as the Santa Monica Pier.

## **B. BASIC FINANCIAL STATEMENTS**

Basic financial statements consist of the following:

- Government-wide financial statements;
- Fund financial statements; and
- Notes to the basic financial statements.

The government-wide financial statements consist of the statement of net position and the statement of activities and report information on all of the non-fiduciary activities of the primary government and its component units. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. All internal balances in the statement of net position have been eliminated, with the exception of those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total 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. Exceptions to this general rule are charges between the City's Water Fund and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include public safety (police and fire), streets, public improvements, library, cultural, recreation and parks, planning and zoning, housing and community development and general administrative support services. The business-type activities of the City include water, wastewater, storm water, resource recovery and recycling, pier, airport, special aviation services, cemetery, bus lines, and parking structures and lots.

## **CITY OF SANTA MONICA, CALIFORNIA**

### **Notes to Basic Financial Statements, Continued**

**For the fiscal year ended June 30, 2014**

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are allocated based on the annual cost allocation plan. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions, including special assessments, that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

For the year ended June 30, 2014 the City implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*; GASB Statement No. 66, *Technical Corrections – 2012, an amendment of GASB Statements No. 10 and No. 62*; and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. GASB Statement No. 65 reclassifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources and recognizes certain other items that were previously reported as assets and liabilities as revenues or expenses. GASB Statement No. 66 resolves conflicting guidance in previous GASB pronouncements related to risk financing activities, operating leases, purchases of loans, and servicing fees. GASB Statement No. 70 improves accounting and financial reporting for governments that extend or receive non exchange financial guarantees. The implementation of these standards did not have a significant impact on the City's basic financial statements.

#### **C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary funds financial statements. Agency funds do not have a measurement focus but use the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City in general considers revenues available if they are collected within 60 days. Additionally, grants and similar items are recognized as receivables as soon as all eligibility requirements have been met and are recognized as

## CITY OF SANTA MONICA, CALIFORNIA

### Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2014

revenue when amounts are considered available. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, interest, special assessments, charges for services and other miscellaneous revenue are all considered to be susceptible to accrual and have been recognized as revenue in the current fiscal period subject to availability. Entitlements and shared revenues are recorded at the time of receipt or earlier if susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred, all other eligibility requirements have been met and are recorded at the time of receipt or earlier, and susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

The accounts of the City are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all the financial resources and the legally authorized activities of the City, except those required to be accounted for in other specialized funds.

The **Special Revenue Source Fund** accounts for receipt and expenditure of monies restricted, committed or assigned for specific uses. Funding comes primarily from developer and other fees.

The City reports the following major enterprise funds:

The **Water Fund** accounts for the activities of the City's water service to the citizens.

The **Wastewater Fund** accounts for the activities of maintaining sanitary sewer and storm drain systems within the City.

The **Airport Fund** accounts for the activities of the Santa Monica Municipal Airport.

The **Big Blue Bus Fund** accounts for the activities of the City's municipal bus lines.

Additionally, the City reports the following fund types:

## CITY OF SANTA MONICA, CALIFORNIA

### Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2014

**Special Revenue Funds** account for proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

**Capital Projects Funds** account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

**Debt Service Funds** account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

**Permanent Funds** account for resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support specific programs.

**Internal Service Funds** account for vehicle operations, risk management, and information technology and communications operations that provide services to other departments of the City on a cost reimbursement basis.

**Fiduciary Funds** consist of a Private-purpose Trust Fund and Agency funds. The **Private-purpose Trust Fund** is established by the City to succeed the former redevelopment agency. The City serves as a custodian for the assets of the dissolved redevelopment agency pending distribution to the affected tax entities after the payment of enforceable obligations. **Agency funds** account for assets held by the City as a trustee or as an agent for individuals or other government units. Agency funds are custodial in nature and do not involve measurement of results of operations. These funds account for assets held by the City in an agency capacity for development fees collected on behalf of the school district, various employee payroll deductions that will be remitted to various agencies and other assets held by the City in an agency capacity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation and amortization on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### **D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, NET POSITION OR FUND BALANCE**

##### **Cash and Investments**

In order to maximize the flexibility of its investment program and to aid in cash budgeting, the City pools the cash of all funds, except for monies deposited with fiscal and escrow agents in accordance with related bond indentures and agreements. The cash and investments balance in each fund represents that

## **CITY OF SANTA MONICA, CALIFORNIA**

### **Notes to Basic Financial Statements, Continued**

For the fiscal year ended June 30, 2014

fund's equity share of the City's cash and investment pool. As the City places no restrictions on the deposit or withdrawal of its equity from the pool by a particular fund, the pool operates like a demand deposit account for the participating funds.

Interest income earned on pooled cash and investments is allocated quarterly to the various funds based on quarter-end balances and is adjusted at year-end. Interest income on restricted cash and investments with fiscal agents is credited directly to the related fund.

The City's investments are carried at fair value, except for guaranteed investment contracts, which are carried at cost because they are not transferable and they have terms that are not affected by changes in market interest rates. The fair value of equity and debt securities is determined based on sales prices or bid-and-asked quotations from Securities and Exchange Commission (SEC) registered securities exchanges or National Association of Securities Dealers Automated Quotations (NASDAQ) dealers. The fair value of the City's share of Local Agency Investment Fund (LAIF) is reported to the City on a quarterly basis. LAIF operates in accordance with laws and regulations of the State of California. The reported value of the pool is the same as the fair value of pool shares. Changes in fair value are allocated to each participating fund on an annual basis.

For purposes of the statement of cash flows, the City has defined cash and cash equivalents to be change and petty cash funds, equity in the City's cash and investment pool, and restricted, non-pooled investments with initial maturities of three months or less.

### **Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as *interfund receivables/interfund payables*, i.e., *due to/due from other funds*, the current portion of interfund loans or *advances to/from other funds*, the non-current portion of interfund loans. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as *internal balances*.

Advances between funds and notes receivables, as reported in the fund financial statements, are offset by nonspendable fund balance in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. However, if the use of the proceeds from the collection of those receivables is restricted, committed, or assigned, they will be included in the appropriate fund balance classification, rather than nonspendable fund balance.

All trade receivables are shown net of an allowance for uncollectible accounts and estimated refunds due. As of June 30, 2014, the allowance for uncollectible accounts for governmental and business-type activities is \$488,356 and \$978,634, respectively.

Unbilled service receivables are accrued for at year-end.

## **CITY OF SANTA MONICA, CALIFORNIA**

### **Notes to Basic Financial Statements, Continued**

For the fiscal year ended June 30, 2014

#### **Property Taxes**

Assessed property values are determined on an annual basis for the period July 1 to June 30 by the Los Angeles County Assessor as of January 1. Article XIII A of the State Constitution (Proposition 13, approved by voters in June 1978) limits the real property tax rate to 1% of the full market cash value plus rates imposed to fund indebtedness approved by the voters. Locally assessed property is appraised at the 1975-76 full cash value, the base year value, and is adjusted each year after 1975 by the change in the consumer price index, not to exceed an increase of 2%. Property is reappraised to current full value upon either a change in ownership or new construction. If property values decline below the base year value, the value is adjusted to reflect the lower value. Taxes are levied annually in September and become a lien on real property at January 1. Taxes are due November 1 and February 1 and are delinquent if not paid by December 10 and April 10, respectively, at which time applicable penalties and interest are assessed.

#### **Inventory and Prepaid Items**

All materials and supplies inventory is valued at cost using the average cost method. The costs of such inventories are recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items are recorded as expenditures/expenses when consumed rather than when purchased.

#### **Restricted Assets**

Certain proceeds of the City's bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position and balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

In the absence of specific statutory provisions governing the issuance of bonds, certificates or leases, these bond monies may be invested in accordance with the ordinance, resolutions or indentures specifying the types of investments its trustees or fiscal agents may make. These ordinances, resolutions and indentures are generally more restrictive than the City's general investment policy. In no instance have additional types of investments been authorized that are not permitted by the City's general investment policy.

#### **Net Pension Assets**

The net pension assets represent payments to the City's defined benefit plans in excess of the annual required contributions. The net pension assets are amortized in accordance with GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*.

## CITY OF SANTA MONICA, CALIFORNIA

### Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2014

#### Capital Assets

Capital assets, which include land, buildings and improvements, machinery and equipment, intangibles, utility systems and infrastructure assets (e.g., roads, sidewalks, curbs and gutters and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets other than buildings, improvements, and infrastructure are defined by the City as assets with an initial individual cost of \$50,000 or more and an estimated useful life of more than one year except for the Big Blue Bus fund, which follows transit funding guidelines by capitalizing any expenditure, which is funded by capital grant subsidies not related to bus repairs and maintenance. The City defines buildings, improvements other than buildings, and infrastructure as assets with an individual cost of \$100,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred, net of interest earned on unspent proceeds of tax-exempt borrowings, during the construction phase of capital assets of business-type and enterprise funds activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the fiscal year ended June 30, 2014. Interest incurred and charged to expense for fiscal year ended June 30, 2014 was \$725,465.

Capital assets of the City are depreciated using a straight-line method, with a mid-year convention (only half a year's depreciation is recorded in the first and last year of the asset) over the following estimated useful lives:

<b>Assets</b>	<b>Years</b>
Buildings	5 to 85
Improvements other than buildings	2 to 50
Infrastructure	15 to 75
Utility systems	20
Intangibles	20 to 100
Machinery and equipment	2 to 30

The City has elected not to capitalize its collection of artwork. GASB Statement No. 34 waives the requirement for artwork capitalization if the collection meets all the following conditions:

- The collection is held for reasons other than financial gain.
- The collection is protected, kept unencumbered, cared for, and preserved.
- The collection is subject to an organizational policy requiring that the proceeds from sales of collection items be used to acquire other items for collections.

The City's artwork collection meets the above criteria and therefore qualifies for the exemption from the capitalization requirement. The collection includes both permanent and portable artworks, artworks

## **CITY OF SANTA MONICA, CALIFORNIA**

### **Notes to Basic Financial Statements, Continued**

For the fiscal year ended June 30, 2014

integrated into overall projects, murals, and stand-alone permanently installed paintings and sculptures, art integrated into the design of public works projects (not stand-alone), and a contemporary collection of almost 100 portable artworks, which are on display in public areas of City facilities.

#### **Lease Obligations**

The City leases various assets under operating lease agreements.

#### **Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave benefits up to a maximum determined by bargaining unit agreements. Employees are paid 100% of their accumulated vacation when they terminate employment for any reason. All vacation is accrued when incurred in the government-wide and proprietary fund financial statements. A liability is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements. Additionally, employees of the United Transportation Union are able to exchange unused sick days balances for equal dollars of medical insurance premiums. In order to qualify, the employee must have 10 years of service at retirement and at least 50 days of unused sick leave.

#### **Long-Term Liabilities**

In the government-wide financial statements, proprietary funds financial statements and private-purpose trust fund statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Initial-issue bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Offering costs are expensed when incurred. Bonds payable are reported net of the unamortized portion of applicable premium or discount. Deferred amounts on refunding are reported as deferred outflows of resources. Bond issuance costs, including underwriters' discount, are expensed when incurred. Amortization of bond premiums or discounts and deferred amounts on refunding are included in interest expense.

In the governmental funds financial statements, bond premiums, discounts and issuance costs are recognized during the period issued. The face amount of debt issued is reported as other financing sources. Premiums received are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Interest and principal payments are reported as debt service expenditures.

#### **Deferred Outflows/Inflows of Resources**

The difference between the reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the lives of the refunding



## **CITY OF SANTA MONICA, CALIFORNIA**

### **Notes to Basic Financial Statements, Continued**

**For the fiscal year ended June 30, 2014**

debt or remaining life of the refunded debt. Unamortized portions of the loss on refunding debt are reported as deferred outflows of resources. In addition to this, when an asset is recorded in the governmental fund financial statements but the revenue is not available, a deferred inflows of resources is reported until such time as the revenue becomes available.

#### **Net Position and Fund Balance**

In the government-wide financial statements and proprietary funds financial statements, net position is reported in three categories: net investment in capital assets, restricted net position and unrestricted net position. Net investment in capital assets represents capital assets less accumulated depreciation less outstanding principal of related debt. Net investment in capital assets does not include the unspent proceeds of capital debt or the related amount of debt. Restricted net position represents assets restricted by parties outside of the City (such as creditors, grantors, contributors, laws and regulations of other governments, or law through constitutional provisions or enabling legislation) and includes unspent proceeds of bonds issued to acquire or construct capital assets and those unspent proceeds are offset by an equivalent amount of debt. The nonexpendable portion of permanent funds is reported as a component of restricted net position. The City's other components of restricted net position are temporarily restricted (ultimately expendable) assets. All other components of net position are considered unrestricted.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then use unrestricted resources as needed.

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent based on the adopted City Council policy in the City's most recently adopted budget. As of June 30, 2014, fund balances for governmental funds include nonspendable, restricted, committed, assigned and unassigned balances.

In the fund financial statements, governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are restricted for specific purposes when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. Both ordinances and resolutions can create committed fund balance. Amounts that can only be used for specific purposes pursuant to constraints imposed by ordinance of the government's highest level of decision making authority, City Council, are reported as committed fund balance. Ordinances make up the local laws of the City. An ordinance is a legislative act prescribing general rules of organization or conduct relating to the corporate affairs of the municipality. Council action shall be taken by ordinance when required by law, or where prescribed conduct may be enforced by penalty. Once adopted, ordinances become effective upon publication, unless otherwise set forth. A resolution is an administrative act, which is a formal statement of policy concerning matters of special or temporary character. The adoption of a resolution by the City Council can also establish, modify, or

## **CITY OF SANTA MONICA, CALIFORNIA**

### **Notes to Basic Financial Statements, Continued**

For the fiscal year ended June 30, 2014

rescind a fund balance commitment previously created by resolution. Assigned fund balance are amounts that are constrained by the government's intent by the governing body itself or a body or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. The City Council, in the City's most recently adopted budget, which included the fiscal policies contained in the fund balance policies, has delegated the authority to assign fund balances to the City Manager or their designee. Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned to specific purposes within the general fund. Unassigned fund balance can also be used in other governmental funds where the fund balance is negative, because a negative amount should not be reported for restricted, committed or assigned in any fund. In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

#### **Self-Insurance Program**

The City has self-insurance programs to provide for general liability, bus and automobile liability, and workers' compensation claims. These activities are accounted for in self-insurance internal service funds.

Premiums are charged to individual funds and are designed to cover current and future expenses. The City's Risk Manager oversees the self-insurance programs. It is his or her duty to ensure that programs are operated in accordance with City policies. The City's Risk Manager also provides budget guidance and case reserves and claims analysis. It is the City's intent to maintain cash reserves in the self-insurance funds equal to or greater than estimated losses.

#### **Use of Estimates**

The preparation of basic financial statements in conformance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

## **(2) BUDGETARY AND LEGAL COMPLIANCE**

The City Council is required to adopt an annual budget resolution by June 30 each fiscal year for the General Fund, each special revenue fund and each capital projects fund, except the Rent Control Fund and the Asset Seizure Fund. The legal level of budgetary control is the department level. The City Council also approves annual operating budgets for the City's proprietary and internal service funds to facilitate management evaluation and control.

The budget is prepared on a non-GAAP budgetary basis, which considers encumbrances outstanding at year-end as an expenditure of that year. Encumbrances outstanding at the beginning of a fiscal year, which were recognized as budgetary expenditures in the prior year, are recognized as GAAP-basis expenditures but not as budgetary expenditures unless re-appropriated. It is the City's policy to only re-

## **CITY OF SANTA MONICA, CALIFORNIA**

### **Notes to Basic Financial Statements, Continued**

**For the fiscal year ended June 30, 2014**

appropriate capital encumbrances and unencumbered balances of specific capital appropriations. In addition, capital leases are budgeted on a cash basis, whereas GAAP requires the full amount of the leased asset purchased to be shown as an expenditure of the current year. Appropriations in governmental funds outstanding at year-end lapse, except for encumbered amounts, for which fund balances are restricted, committed or assigned at year-end for governmental funds.

A Comprehensive Annual Financial Report Budget Supplement is prepared to reconcile expenditures/expenses at the legal level of control to the summarized amounts presented in the Comprehensive Annual Financial Report and can be obtained from the Finance Department.

The actual results of operations on a budgetary basis compared to the appropriations adopted by the City Council for budgeted major governmental funds are included in the fund financial statements. The comparisons of actual results with the budget for non-major funds are presented as supplemental information in the combining schedules.

For the fiscal year ended June 30, 2014, expenditures exceeded appropriations in the following funds/departments: General Fund – Record and election services and Fire; Special Revenue Source Fund – Fire. Other funds reporting expenditures in excess of budget include the following: Housing Authority Fund – Housing and economic development; Low and Moderate Income Housing Asset Special Revenue Fund – Housing and economic development; Citizens Option for Public Safety Special Revenue Fund – Police; Gas Tax Special Revenue Fund – Public works; Disaster Relief Capital Projects Fund – Finance; and Miscellaneous Grants Capital Projects Fund – Planning and community development. See statements on pages 30-32 and 117-128 for detail of amounts.

# CITY OF SANTA MONICA, CALIFORNIA

## Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2014

### (3) RECONCILIATION OF FUND BALANCE SHEET/STATEMENT OF NET POSITION TO GOVERNMENT-WIDE STATEMENT OF NET POSITION

Amounts reported for governmental activities in the government-wide statement of net position are different from those reported for governmental funds in the funds balance sheet. The following provides a reconciliation of those differences:

Assets	Total governmental funds	Long-term assets and liabilities (1)	Total governmental activities internal service funds (2)	Other adjustments and eliminations (3)	Statement of net position totals
Cash and investments	\$ 331,326,211	—	53,615,477	—	384,941,688
Restricted cash and investments	129,395,800	—	—	—	129,395,800
Receivables (net, where applicable, of allowances for uncollectibles):					
Accounts	62,033,973	285,458	—	—	62,319,431
Notes	120,775,690	—	—	—	120,775,690
Property taxes	466,888	—	—	—	466,888
Interest	737,074	—	74,901	—	811,975
Other governments	8,874,873	—	—	—	8,874,873
Internal balances	—	—	4,545,418	13,731,143	18,276,561
Due from other funds	1,309,001	—	—	(1,309,001)	—
Due from Successor Agency	49,669	—	—	—	49,669
Deposits	61,785	—	—	—	61,785
Prepays	246,503	—	—	—	246,503
Net pension asset	—	16,999,013	125,020	—	17,124,033
Restricted cash and investments with fiscal agent	20,417,079	—	—	—	20,417,079
Advances to other funds	17,401,900	—	—	(17,401,900)	—
Advances to Successor Agency	35,279,561	—	—	—	35,279,561
Capital assets, net	—	786,329,839	156,446	—	786,486,285
Total assets	<u>\$ 728,376,007</u>	<u>803,614,310</u>	<u>58,517,262</u>	<u>(4,979,758)</u>	<u>1,585,527,821</u>
<b>Deferred Outflows of Resources</b>					
Loss on refundings of debt	\$ —	361,696	—	—	361,696
<b>Liabilities, Deferred Inflows of Resources and Fund Balances/Net Position</b>					
Liabilities:					
Accounts payable	\$ 16,039,857	—	1,143,658	—	17,183,515
Accrued liabilities	10,374,625	—	82,509	—	10,457,134
Accrued interest payable	—	1,095,997	—	—	1,095,997
Contracts payable (retained percentage)	262,778	—	—	—	262,778
Due to other funds	1,136,784	—	—	(1,136,784)	—
Unearned revenue	21,128,811	—	—	(1,500,000)	19,628,811
Deposits payable from restricted assets	929,806	—	—	—	929,806
Compensated absences due within one year	—	6,894,913	56,539	—	6,951,452
Compensated absences due in more than one year	—	4,936,443	28,114	—	4,964,557
Claims payable due within one year	—	—	9,257,113	—	9,257,113
Claims payable due in more than one year	—	—	29,566,502	—	29,566,502
Due to Successor Agency within one year	41,944,838	—	—	—	41,944,838
Due to Successor Agency in more than one year	—	19,793,012	—	—	19,793,012
Loans and bonds payable due within one year	—	6,075,000	—	—	6,075,000
Loans and bonds payable due in more than one year	—	88,034,438	—	—	88,034,438
Pollution remediation obligation due within one year	—	4,553,976	—	—	4,553,976
Pollution remediation obligation due in more than one year	—	94,559,566	—	—	94,559,566
Other long-term liability	—	8,704,750	—	—	8,704,750
Accrued OPEB liability	—	10,208,295	—	—	10,208,295
Advances from other funds	3,842,973	—	—	(3,842,973)	—
Total liabilities	<u>95,660,472</u>	<u>244,856,390</u>	<u>40,134,435</u>	<u>(6,479,757)</u>	<u>374,171,540</u>
<b>Deferred Inflows of Resources</b>					
	<u>85,689,077</u>	<u>—</u>	<u>—</u>	<u>(85,689,077)</u>	<u>—</u>
Total fund balances/net position	<u>547,026,458</u>	<u>559,119,616</u>	<u>18,382,827</u>	<u>87,189,076</u>	<u>1,211,717,977</u>
Total liabilities, deferred inflows of resources and fund balances/net position	<u>\$ 728,376,007</u>	<u>803,976,006</u>	<u>58,517,262</u>	<u>(4,979,758)</u>	<u>1,585,889,517</u>

# CITY OF SANTA MONICA, CALIFORNIA

## Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2014

- 1) Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the balance sheet. Capital assets of internal service funds of \$156,446 net of accumulated depreciation, are not included in this amount.

	\$ 1,146,196,884
Less accumulated depreciation/amortization	(359,867,045)
	<u>786,329,839</u>

Property tax residual not available in the fund statements 285,458

Net pension asset, internal service funds of \$125,020 is not included in this amount. 16,999,013

Loss on refundings of debt 361,696

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the balance sheet.

Due to Successor Agency in more than one year	(19,793,012)
General obligation bonds	(10,100,000)
Revenue bonds	(79,570,000)
Loans payable	(400,000)
Accrued interest on long-term debt	(1,095,997)
Unamortized premium on long-term debt	(4,044,129)
Unamortized issue discount on long-term debt	4,691
Employee compensated absences	(11,831,356)
Accrued pollution remediation costs	(99,113,542)
Other long-term liabilities	(8,704,750)
Accrued OPEB liability	(10,208,295)
Total long-term liabilities	(244,856,390)
	<u>\$ 559,119,616</u>

- 2) Internal service funds are used by management to charge the costs of information technology and communications operations, self-insurance comprehensive, auto and workers' compensation to individual funds. The assets and liabilities of these internal service funds are included in the governmental activities on the statement of net position.

\$ 13,837,409

Adjustments for Internal Service Funds are necessary to "close" those funds by recording charges to and payments from business-type activities to completely cover the Internal Service Funds' costs for the year.

4,545,418  
\$ 18,382,827

- 3) Other adjustments and eliminations:

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds and recognized as revenue in the statement of activities.

\$ 87,189,076

# CITY OF SANTA MONICA, CALIFORNIA

## Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2014

Amounts reported for business-type activities in the government-wide statement of net position are different from those reported for enterprise funds in the fund statement of net position. The following provides a reconciliation of those differences:

Assets	Total enterprise funds	Total business- type internal service funds (1)	Other adjustments and eliminations	Statement of net position totals
Cash and investments	\$ 105,170,243	35,327,861	—	140,498,104
Receivables (net, where applicable, of allowances for uncollectibles):				
Accounts	25,632,574	65,113	—	25,697,687
Interest	196,408	45,693	—	242,101
Internal balances	—	(4,545,418)	(13,731,143)	(18,276,561)
Inventory	2,281,574	68,551	—	2,350,125
Prepays	—	—	52,298	52,298
Net pension assets	4,557,994	239,535	(52,298)	4,745,231
Restricted cash and investments	29,919,327	—	—	29,919,327
Advances to other funds	274,566	—	(274,566)	—
Capital assets, net	472,952,809	10,763,066	—	483,715,875
Total assets	<u>\$ 640,985,495</u>	<u>41,964,401</u>	<u>(14,005,709)</u>	<u>668,944,187</u>
<b>Deferred Outflows of Resources</b>				
Loss on refunding of debt	<u>\$ 572,001</u>	<u>—</u>	<u>—</u>	<u>572,001</u>
<b>Liabilities</b>				
Accounts payable	\$ 5,831,949	509,511	1	6,341,461
Accrued liabilities	4,042,436	121,026	—	4,163,462
Accrued interest payable	126,446	—	—	126,446
Contracts payable (retained percentage)	420,919	—	—	420,919
Due to other funds	172,217	—	(172,217)	—
Unearned revenue	9,099,394	—	—	9,099,394
Liabilities payable from restricted assets	11,245,766	—	—	11,245,766
Advances from other funds	13,833,493	—	(13,833,493)	—
Compensated absences due within one year	2,196,093	97,216	—	2,293,309
Compensated absences due in more than one year	1,137,013	98,412	—	1,235,425
Claims payable due within one year	—	1,961,401	—	1,961,401
Claims payable due in more than one year	—	1,557,000	—	1,557,000
Loans and bonds payable due within one year	277,175	—	—	277,175
Loans and bonds payable due in more than one year	11,202,007	—	—	11,202,007
Pollution remediation obligation due within one year	3,175,126	—	—	3,175,126
Pollution remediation obligation due in more than one year	16,306,408	—	—	16,306,408
Total liabilities	<u>79,066,442</u>	<u>4,344,566</u>	<u>(14,005,709)</u>	<u>69,405,299</u>
<b>Total Net Position</b>	<u>\$ 562,491,054</u>	<u>37,619,835</u>	<u>—</u>	<u>600,110,889</u>

- 1) Internal service funds are used by management to charge the costs of vehicle management, information technology and risk management to individual funds. The assets and liabilities of the vehicle management and self-insurance bus internal service funds are included in business-type activities in the statement of net position.

\$ 42,165,253

Adjustment for Internal Service Funds are necessary to "close" those funds for charges to and payments from participating governmental-type activities to completely cover the Internal Service Funds' costs for the year.

\$ (4,545,418)

## CITY OF SANTA MONICA, CALIFORNIA

### Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2014

#### (4) POLLUTION REMEDIATION

The City follows the guidance of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, establishing accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups.

On December 1, 2006, the City amended a settlement agreement that it had entered into in 2004 with a consortium of oil companies in relation to methyl tertiary butyl ether ("MTBE") contamination that had occurred at the City's Charnock Well Field. The Charnock Well Field is used to supply drinking water to the City. The amended 2006 agreement called for the oil companies to pay the City \$131.0 million in exchange for the City's agreement to treat to applicable drinking water standards any water produced from the Charnock Well Field, which contains MTBE, tertiary butyl alcohol ("TBA") and related petroleum hydrocarbons. Prior to this amended 2006 agreement and under the terms of other settlement agreements with other companies, the City received an additional \$141.0 million also related to MTBE contamination of the City's Charnock Well Field. The City has received all of the proceeds from each of these agreements, including the amended 2006 agreement.

To meet its Charnock Well Field water treatment obligation, the City has constructed and is operating a water treatment remediation plant using the proceeds of the 2006 and the other earlier settlements.

The City measured the liability by the estimated cost of construction/remediation contracts, which included a contingency of 10% for unforeseen costs and therefore, the City's expected outlays were determined to be \$85,481,000, which was the present value of the cost of the contracts plus the cost of the plant operations.

On November 13, 2009, the City entered into a settlement and release agreement with The Gillette Company (Gillette), guaranteed by The Procter & Gamble Company, in relation to ground water contamination of the City's Olympic Well Field. The Olympic Well Field is used to supply drinking water to the City. The agreement calls for Gillette to make payments to the City ranging from \$150,000 to \$11,183,175 annually, totaling \$68,000,000 to be made over 30 years which included the City receiving title to property valued at \$3,250,000. To date the City has received cash payments of \$35,595,875. Under the agreement, the City has agreed to treat to applicable drinking water standards any water that it produces from the Olympic Well Field.

The agreement also includes a provision that provides for Gillette to potentially share in the proceeds of settlement agreements, if any, that the City may receive from other parties related to their contamination of the Olympic Well Field. Under this sharing provision, in 2021 Gillette may recoup up to a maximum of \$8,704,750 of the funds it pays to the City from the proceeds of these other settlement agreements.

On May 15, 2012, the City entered into a settlement and release agreement with The Boeing Company (Boeing) also in relation to ground water contamination of the City's Olympic Well Field. The agreement

## **CITY OF SANTA MONICA, CALIFORNIA**

### **Notes to Basic Financial Statements, Continued**

For the fiscal year ended June 30, 2014

calls for Boeing to make payments to the City ranging from \$150,000 to \$5,000,000 annually to be made over a ten year period, totaling \$39,500,000. On December 12, 2012, the agreement was modified with \$21,000,000 being due from Boeing in January 2013 and payments of \$3,670,000 being due from Boeing annually beginning in 2017 through 2021. The City received Boeing's payment of \$21,000,000 on January 7, 2013. Under the agreement, the City has agreed to treat to applicable drinking water standards any water that it produces from the Olympic Well Field. To date, \$21,150,000 has been recognized as income in the fund financial statements.

Using the expected cash flow technique, the City has measured the potential water treatment liability under the Gillette and Boeing agreements by the anticipated cost of construction/remediation contracts, which include a contingency of 10% for unforeseen costs and therefore, the City's expected outlays were determined to be up to \$95,545,250, which is the anticipated value of the cost of the contracts plus the cost of the plant operations for the duration of remediation and decommissioning costs at the end of remediation. This pollution remediation obligation calculation is an estimate and is subject to changes resulting from price increases or reductions, technology, or changes in applicable laws or regulations.

A total of \$95,545,250 has previously been reported as a non-current accrued pollution remediation liability. Additionally, \$8,704,750 due to Gillette under their agreement, has been reported as other long-term liabilities in the citywide financial statements.

Additionally, the City engages in an ongoing program of pollution remediation related to its various properties. Two such sites are currently undergoing remediation in the form of either soil or vaporous contaminant removal or containment. By State law these occurrences are required to be reported to California Department of Health Services.

The balance of the pollution remediation liability is \$99,113,542 in the governmental activities of which \$4,553,976 is due within one year and \$19,481,534 in the business type activities, of which \$3,175,126 is due within one year.

#### **(5) CASH AND INVESTMENTS**

Cash and investments as of June 30, 2014 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$ 525,439,792
Restricted cash and investments	159,315,127
Restricted cash with fiscal agent	20,417,079

Fiduciary funds:

Restricted cash and investments	30,094,404
Total cash and investments	<u>\$ 735,266,402</u>



# CITY OF SANTA MONICA, CALIFORNIA

## Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2014

Cash and investments as of June 30, 2014 consist of the following:

Cash on hand	\$ 28,946
Deposits with financial institutions	123,364,597
Investments	611,872,859
Total cash and investments	<u>\$ 735,266,402</u>

### Investments Authorized by the California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code and the City's investment policy. The table also identifies certain provisions of the California Government Code (or the City's investment policy, if more restrictive) that address interest rate risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy. The table also does not address certain escrow accounts established for purposes such as construction project retention, which are governed by the specific escrow agreement(s).

<b>Investment types authorized by state law</b>	<b>Authorized by investment policy</b>	<b>*Maximum maturity</b>	<b>*Maximum Percentage of portfolio</b>	<b>*Maximum investment in one issuer</b>
Local agency bonds	Yes	5 years	None	None
U.S. Treasury obligations	Yes	5 years	None	None
U.S. agency securities/obligations	Yes	5 years	None	50%
State obligations - California and others	Yes	5 years	None	None
CA local agency obligations	Yes	5 Years	None	None
Banker's acceptances	Yes	180 days	10%	30%
Commercial paper-select agencies	Yes	270 days	15%	10%
Commercial paper-other agencies	Yes	270 days	15%	10%
Negotiable certificates of deposit	Yes	5 years	30%	10%
CD placement services	Yes	5 years	30%	None
Repurchase agreements	Yes	1 year	None	None
Reverse repurchase agreements	Yes	92 days	20% of base value	None
Corporate medium-term notes	Yes	5 years	30%	None
Mutual funds	Yes	N/A	20%	10%
Money market mutual funds	Yes	N/A	20%	10%
Mortgage pass-through securities	Yes	5 years	20%	None
Time deposits	Yes	5 years	None	None
Collateralized certificates of deposit	Yes	5 years	None	None

**CITY OF SANTA MONICA, CALIFORNIA**

Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2014

<b>Investment types authorized by state law</b>	<b>Authorized by investment policy</b>	<b>*Maximum maturity</b>	<b>*Maximum Percentage of portfolio</b>	<b>*Maximum investment in one issuer</b>
County pooled investment funds	Yes	N/A	None	None
Local Agency Investment Fund (LAIF)	Yes	N/A	None	None
JPA pools (other investment pools)	Yes	N/A	None	None

*\* Based on state law requirements or investment policy requirements, whichever is more restrictive.*

**Investments Authorized by Debt Agreements**

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are generally authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of credit risk.

<b>Authorized investment type</b>	<b>Maximum maturity</b>	<b>Maximum Percentage Allowed</b>	<b>Maximum investment in one issuer</b>
U.S. Treasury obligations	None	None	None
Federal Housing Administration debentures	None	None	None
U.S. agency securities	None	None	None
Time deposits	None	None	None
Unsecured certificates of deposit	180 days	None	None
Banker's acceptances	180 days	None	None
State obligations	None	None	None
Repurchase agreements	1 year	None	None
Pre-refunded municipal obligations	None	None	None
Commercial paper	270 days	None	None
Money market mutual funds	None	None	None
Investment contracts	30 years	None	None

**Investments Authorized by Actions of the City Council**

Cemetery and Mausoleum Perpetual Care funds are received from Woodlawn Cemetery users for the perpetual care of cemetery grounds and of the mausoleum. The funds are legally restricted to the extent that only earnings, and not principal, can be used for restricted perpetual care purposes. These funds represent the accumulation of unspent monies from non-government sources and are not considered by the City to constitute "surplus funds" of a local government. Accordingly, these funds are not considered by the City to be subject to the provisions of the California Government Code Section 53601 or the City's investment

## CITY OF SANTA MONICA, CALIFORNIA

### Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2014

policy. These funds have been invested per instructions of the City Council. The table below identifies the investment types generally authorized for these investments. Current City Council instructions limit amount invested in equities (common stock) to 60% of the total portfolio with the balance to be invested in fixed income securities. The table also identifies certain provisions of these agreements that address interest rate risk and concentration of credit risk.

<b>Authorized investment type</b>	<b>Maximum maturity</b>	<b>Maximum Percentage Allowed</b>	<b>Maximum investment in one issuer</b>
U.S. Treasury obligations	None	None	None
U.S. agency securities	None	None	None
Common stock	None	60%	None
Corporate bonds	None	None	None

#### **Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The fair value of callable securities is also sensitive to market changes in that if interest rates decrease between the time of purchase and the call date, the likelihood that a bond will be called and reinvested at a lower interest rate increases. The City's portfolio also includes certain callable structured investments for which the coupon interest rate increases if the investments are not called on or before certain pre-determined dates. The fair value of these investments, which falls into the Federal agency security category, is also sensitive to market changes. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

# CITY OF SANTA MONICA, CALIFORNIA

## Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2014

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees, Wells Fargo loan proceeds held in a custodial account with another party, and other funds held jointly with another party in escrow accounts) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity. For purposes of the schedule shown below, any callable securities are assumed to be held to maturity.

Investment type	Amount	Remaining maturity (in months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Held by City:					
Federal agency securities	\$ 440,882,868	149,667,276	45,868,066	245,347,526	—
Corporate medium term notes	75,495,265	14,537,813	26,435,109	34,522,343	—
State of California bonds	3,027,915	3,027,915	—	—	—
State investment pool	49,500,056	49,500,056	—	—	—
Held by others:					
Treasury notes/ bonds	1,411,500	—	—	866,200	545,300
Federal agency securities	2,721,062	2,721,062	—	—	—
Corporate medium term notes	2,972,294	205,485	102,054	1,484,272	1,180,483
Money market funds	28,947,803	28,947,803	—	—	—
Total	\$ 604,958,763	248,607,410	72,405,229	282,220,341	1,725,783

Common stock of \$6,914,096 not included.

### Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City's investments as of June 30, 2014 (including investments held by bond trustees) do not include any investments that are highly sensitive to interest rate fluctuations to a greater degree than already indicated in the information provided above.

### Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

The Cemetery and Mausoleum perpetual care funds are funds held in trust by the City to pay for perpetual care costs at the City-owned cemetery. Investment of these funds is not covered by the State Government Code. The guidelines for investment of these funds are set by the City Council, and the funds are managed by an outside investment firm using those guidelines.

# CITY OF SANTA MONICA, CALIFORNIA

## Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2014

Investment type	Amount	Minimum legal rating	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	Not rated
Federal agency securities	\$ 440,882,868	N / A	10,000,753	425,882,115	—	—	—	—	—	—	—	—	5,000,000
State of California Obligations	3,027,915	N/A	—	—	—	—	3,027,915	—	—	—	—	—	—
Corporate medium term notes	75,495,265	A	11,780,719	13,877,110	6,018,320	29,057,907	13,700,304	1,060,905	—	—	—	—	—
State investment pool	49,500,056	N / A	—	—	—	—	—	—	—	—	—	—	49,500,056
	<u>\$ 568,906,104</u>												
Held by others:													
Treasury notes/bonds	1,411,500	N / A	—	1,411,500	—	—	—	—	—	—	—	—	—
Federal agency securities	2,721,062	N / A	—	2,721,062	—	—	—	—	—	—	—	—	—
Corporate medium term notes	2,972,294	N / A	—	—	—	96,841	102,274	211,833	966,433	529,077	637,065	428,771	—
Money market funds	28,947,803	AAA	28,947,803	—	—	—	—	—	—	—	—	—	—
	<u>\$ 604,958,763</u>		<u>\$ 50,729,275</u>	<u>443,891,787</u>	<u>6,018,320</u>	<u>29,154,748</u>	<u>16,830,493</u>	<u>1,272,738</u>	<u>966,433</u>	<u>529,077</u>	<u>637,065</u>	<u>428,771</u>	<u>54,500,056</u>

*Common stock of \$6,914,096 not included.*

## CITY OF SANTA MONICA, CALIFORNIA

### Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2014

#### Concentration of Credit Risk

In regards to limitations on the amount that can be invested in any one issuer, the City's investment policy generally follows stipulations by the California Government Code. However, the City's policy adds an additional stipulation that no more than 50% of the portfolio may be invested in a single issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments (excluding investments held by others) are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>	<u>% of Investment</u>
FNMA (Fannie Mae)	Federal agency securities	\$ 44,492,370	8.1 %
Federal Farm Credit Bank	Federal agency securities	80,929,370	14.7
FHLMC (Freddie Mac)	Federal agency securities	135,278,354	24.5
Federal Home Loan Bank	Federal agency securities	160,183,275	29.0

#### Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository 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. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2014, no City investments were held by the same broker-dealer (counterparty) that was used by the City to buy the securities.

For investments identified herein as held by bond trustee, the bond trustee, under direction of the City/Redevelopment Successor Agency/Parking Authority selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the applicable agency.

#### Investment in State Investment Pool

Both the City and the Successor Agency are voluntary participants in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of City investments in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire

# CITY OF SANTA MONICA, CALIFORNIA

## Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2014

LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. As of June 30, 2014, the City held \$49,500,056 in LAIF and no funds were invested in the SA account.

### (6) NOTES RECEIVABLE

Notes receivable related to governmental activities total \$120,775,690 as follows:

	Balance at June 30, 2013	Increases	Decreases	Balance at June 30, 2014
General Fund				
Employee housing (a)	\$ 985,473	—	—	985,473
Community Corporation of Santa Monica (b)	3,086,277	—	—	3,086,277
Community Corporation of Santa Monica (c)	448,280	—	—	448,280
Community Corporation of Santa Monica (d)	4,420,698	—	—	4,420,698
FAME Santa Monica Senior Apartments (e)	1,178,003	1,421,183	—	2,599,186
Step Up (f)	451,629	844,583	—	1,296,212
Total General Fund	<u>10,570,360</u>	<u>2,265,766</u>	<u>—</u>	<u>12,836,126</u>
Special Revenue Source Fund				
Community Corporation of Santa Monica (g)	6,774,763	—	—	6,774,763
Community Corporation of Santa Monica (h)	3,350,000	—	—	3,350,000
Community Corporation of Santa Monica (i)	4,816,378	—	—	4,816,378
Santa Monica Housing Partners (j)	19,400,000	—	—	19,400,000
Total Special Revenue Source Fund	<u>34,341,141</u>	<u>—</u>	<u>—</u>	<u>34,341,141</u>
Nonmajor Governmental Funds				
Community Corporation of Santa Monica (k)	681,080	—	—	681,080
Community Corporation of Santa Monica (l)	2,900,000	—	—	2,900,000
Community Corporation of Santa Monica (m)	7,100,000	—	—	7,100,000
Low- and moderate-income housing (DRPLP) (n)	200,000	—	—	200,000
Low- and moderate-income housing (DRPLP) (n)	200,000	—	—	200,000
Low- and moderate-income housing (o)	1,107,335	—	133,929	973,406
Ocean Park Community Center (p)	1,200,000	—	—	1,200,000
Community Corporation of Santa Monica (q)	6,345,807	—	—	6,345,807
Community Corporation of Santa Monica (r)	982,979	12,717	—	995,696
Step Up (s)	7,170,000	—	—	7,170,000
Community Corporation of Santa Monica (t)	4,234,506	—	—	4,234,506
Community Corporation of Santa Monica (u)	841,600	—	—	841,600
Santa Monica Housing Partners (v)	5,684,455	—	—	5,684,455
Community Corporation of Santa Monica (w)	3,044,820	—	—	3,044,820
Community Corporation of Santa Monica (x)	8,958,823	—	—	8,958,823
Community Corporation of Santa Monica (y)	4,786,704	—	—	4,786,704
FAME Santa Monica Senior Apartments (z)	4,058,652	—	—	4,058,652
MERL Program (aa)	11,282,047	—	196,899	11,085,148
Step Up (bb)	2,407,860	—	—	2,407,860
Community Corporation of Santa Monica (cc)	729,866	—	—	729,866
Total nonmajor governmental funds	<u>73,916,534</u>	<u>12,717</u>	<u>330,828</u>	<u>73,598,423</u>
Total notes receivable	<u>\$ 118,828,035</u>	<u>2,278,483</u>	<u>330,828</u>	<u>120,775,690</u>

## **CITY OF SANTA MONICA, CALIFORNIA**

### **Notes to Basic Financial Statements, Continued**

**For the fiscal year ended June 30, 2014**

#### **General Fund**

- a. On June 11, 2010, the City made a housing loan to Rodney S. Gould, City Manager, in the amount of \$1,000,000 for the purchase of a home within the City limits. The loan is secured by a deed of trust and has a term of 30 years with an interest rate of 3.27%. The outstanding principal, together with any outstanding interest, is due and payable in full on or before the 30-year anniversary date of the loan. Monthly interest payments are due on the first calendar day of each month. The City Manager must repay any outstanding balance of the loan within two years of ending employment with the City. As of June 30, 2014, the total outstanding balance of the loan was \$985,473.
- b. A promissory note dated January 12, 2009 in the amount of \$6,223,333 was executed with Community Corporation of Santa Monica for an affordable housing project located at 430-508 Pico Boulevard. This was a 0% interest loan with the principal amount due and payable after a two-year deferral period. It was superseded by a new loan dated January 26, 2012, which increased the note to \$10,947,475, changed the interest rate to 3% and the term to 55 years. As of June 30, 2014, \$3,086,277 from the General Fund had been disbursed to the borrower. See item “w” following for amount disbursed from nonmajor governmental funds.
- c. A promissory note dated February 1, 2011 in the amount of \$9,407,103 was executed with Community Corporation of Santa Monica for an affordable housing project located at 2602 Broadway. This is a 55-year loan with an interest rate of 3% per annum. As of June 30, 2014, \$448,280 had been disbursed to the borrower.
- d. A promissory note dated February 2, 2009 in the amount of \$5,595,897 was executed with Community Corporation of Santa Monica for an affordable housing project located at 2802 Pico Boulevard. This was a 0% interest loan with the principal amount due and payable after a two-year deferral period. It was superseded by a new loan dated November 29, 2011, which increased the note to \$9,207,402, changed the interest rate to 3% and the term to 55 years. As of June 30, 2014, \$4,420,698 had been disbursed to the borrower.
- e. A promissory note dated June 16, 2009 in the amount of \$4,424,711 was executed with FAME Santa Monica Senior Apartments, L.P. for an affordable housing project located at 1754 19<sup>th</sup> Street. This loan was superseded by a loan in the amount of \$11,475,000 dated November 17, 2011 and it is 0% interest loan for 55 years. As of June 30, 2014, \$2,599,186 had been disbursed to the borrower.
- f. A promissory note dated December 15, 2010 in the amount of \$3,645,422 was executed with Step Up on Second Street, Inc. for an affordable housing project at 520 Colorado Avenue. The loan is for the acquisition and predevelopment of the site. This loan was superseded by a loan in the amount of \$5,041,255 dated January 25, 2012. It is 3% interest for 55 years after the project is built. As of June 30, 2014, \$1,296,212 had been disbursed to the borrower.



## **CITY OF SANTA MONICA, CALIFORNIA**

### **Notes to Basic Financial Statements, Continued**

**For the fiscal year ended June 30, 2014**

#### Special Revenue Source Fund

- g. A revised promissory note dated March 9, 2005 in the amount of \$6,774,763 was executed with Pacific Court Limited Partnership, c/o Community Corporation of Santa Monica, for an affordable housing project located at 2209 Main Street. Forty-three low- and moderate-income housing units were constructed on the site. This is a 55-year loan with 1% interest rate per annum. Payments are to be made from residual receipts. As of June 30, 2014, \$6,774,763 had been disbursed to the borrower.
- h. A revised promissory note dated October 26, 2004 in the amount of \$3,350,000 was executed with 1424 Broadway Apartments Limited Partnership, c/o Community Corporation of Santa Monica, for an affordable housing project located at 1424 Broadway/1512 15th Street. This is a 55-year loan with 3% interest rate per annum. Payments are to be made from residual receipts. As of June 30, 2014, \$3,350,000 had been disbursed to the borrower.
- i. A promissory note dated January 12, 2009 in the amount of \$6,223,333 was executed with Community Corporation of Santa Monica for the acquisition and predevelopment expenses for an affordable housing project located at 430-508 Pico Boulevard. This was a 0% interest loan with the principal amount due and payable after a two-year deferral period. It was superseded by a new loan dated January 26, 2012, which increased the note to \$10,947,475, changed the interest rate to 3% and the term to 55 years. As of June 30, 2014, \$4,816,378 had been disbursed to the borrower.
- j. A promissory note dated December 8, 2011 in the amount of \$19,400,000, was executed with Santa Monica Housing Partners for the acquisition and predevelopment expenses for an affordable housing project located at 1725 Ocean Ave. This is a 0% interest loan with the principal amount due and payable after 55-year anniversary of conversion to permanent financing. As of June 30, 2014, \$19,400,000 had been disbursed to the borrower.

#### Nonmajor Governmental Funds

- k. On March 1, 1997, the City executed a promissory note with Community Corporation of Santa Monica for the construction of a twenty unit, large family, affordable housing complex located at 708 Pico Boulevard. \$579,000 is funded from the City's Pico Neighborhood Trust Fund, while \$221,000 is funded from the Community Development Block Grant (CDBG) Fund. This note is a 0% interest loan to be repaid from residual receipts of the project and is due on October 22, 2053. As of June 30, 2014, the outstanding balance is \$681,080.
- l. A revised promissory note dated October 26, 2004 in the amount of \$2,900,000 was executed with 1424 Broadway Apartments Limited Partnership, c/o Community Corporation of Santa Monica, for an affordable housing project located at 1424 Broadway/1512 15th Street. This is a 55-year loan with 3% interest rate per annum. Payments are to be made from residual receipts. As of June 30, 2014, \$2,900,000 had been disbursed to the borrower.

## **CITY OF SANTA MONICA, CALIFORNIA**

### **Notes to Basic Financial Statements, Continued**

**For the fiscal year ended June 30, 2014**

- m. Promissory notes dated October 26, 2004, October 26, 2004 and June 12, 2007 in the amount of \$4,458,033, \$1,691,967 and \$950,000, respectively for a total of \$7,100,000 were executed with 26<sup>th</sup> and Santa Monica Family Housing Limited Partnership, c/o Community Corporation of Santa Monica, for an affordable housing project located at 1349 26<sup>th</sup> Street. Forty-four low- and moderate-income housing units are to be constructed on the site. They are 55-year loans with 3% interest rate per annum. Payments are to be made from residual receipts. As of June 30, 2014, \$7,100,000 had been disbursed to the borrower.
- n. Two promissory notes dated December 22, 1988 and December 29, 1989, for \$200,000 each, one for 3 Vicente Terrace and one for 2020/30 Cloverfield Boulevard, were executed with the owners of certain rental properties. The first note was for five years at 3% interest per year, and could be renewed for five additional five-year terms as long as the rental properties are maintained for low-and moderate-income households. The first note was due December 22, 1993, and has been extended for the fifth time to December 22, 2018; the second note was due December 29, 1994, and has been extended to December 29, 2019 under the same interest rate and similar terms and conditions. The promissory notes are payable in full upon sale or transfer of the property (whichever occurs first) or upon expiration of the term of the promissory notes. Upon payment to the City, proceeds must be paid to the State of California as repayment for two \$200,000 State Department of Housing and Urban Development Deferred Payment Rehabilitation Loan Program (DPRLP) loans. There were no changes in the loan balances during the fiscal year ended June 30, 2014.
- o. These represent non-interest bearing, limited appreciation and shared appreciation loans made between 1991 and 2001 pursuant to Tenant Ownership Rights Charter Amendment (TORCA) Program guidelines to assist low- and moderate-income households to purchase their rental units. The loans are due the earlier of 20 years or 30 years as applicable or upon resale, transfer or default. As of June 30, 2014, the outstanding balances of such loans total \$973,406.
- p. A promissory note dated September 30, 2003 in the amount of \$1,200,000 was executed with Ocean Park Community Center for congregate housing and emergency shelter for very low-income use, located at 1751 Cloverfield Boulevard. This loan is for the acquisition and rehabilitation of the site. This is a 55-year loan with 5.98% interest rate per annum with a two-year deferral period. Payments are to be made from residual receipts. As of June 30, 2014, \$1,200,000 had been disbursed to the borrower.
- q. A revised promissory note dated February 8, 2006 in the amount of \$6,745,807 was executed with Community Corporation of Santa Monica for an affordable housing project located at 3021-3031 Santa Monica Boulevard. This loan is for the acquisition, predevelopment expenses and construction of future low- and moderate-income housing. This is a 0% interest loan with the principal amount due and payable February 8, 2061, 55-years from February 8, 2006. As of June 30, 2014, \$6,345,807 had been disbursed to the borrower.
- r. A promissory note dated February 10, 2004, in the amount of \$1,161,185 was executed with Community Corporation of Santa Monica for the purchase of land for an affordable housing project located at 1342

## **CITY OF SANTA MONICA, CALIFORNIA**

### **Notes to Basic Financial Statements, Continued**

**For the fiscal year ended June 30, 2014**

Berkeley Street. This 0% interest loan was due and payable August 6, 2008, and is secured by the land at 1342 Berkeley. City Council extended the loan due date until December 2014. As of June 30, 2014, \$995,696 had been disbursed to the borrower. The borrower paid off the loan in December 2014.

- s. Two promissory notes dated February 13, 2007, one in the amount of \$5,870,000 and one for \$1,300,000 were, executed with Step Up on Fifth, L.P. for an affordable housing project located at 1548 Fifth Street. These loans are for the acquisition and construction of the site. This is a 55-year loan with a simple interest rate of 5% per annum. Payments are to be made from residual receipts. As of June 30, 2014, \$7,170,000 had been disbursed to the borrower.
- t. A promissory note dated July 24, 2006 in the amount of \$4,234,506 was executed with The Tahiti, L.P. c/o Community Corporation of Santa Monica for an affordable housing project located at 2411-2423 Centinela Avenue. The loan is for the construction of 36 affordable rental housing units. This is a 55-year loan with a simple interest rate of 3% per annum. Payments are to be made from residual receipts. As of June 30, 2014, \$4,234,506 had been disbursed to the borrower.
- u. A promissory note dated December 22, 1988 in the amount of \$841,600 was executed with Community Corporation of Santa Monica for low- and moderate-income housing at 2020-2030 Cloverfield Boulevard. This is a 35-year loan with 10.44% interest rate per annum. As of June 30, 2014, \$841,600 had been disbursed to the borrower.
- v. An amended promissory note dated February 22, 2008, in the amount of \$5,207,314 and a promissory note dated March 15, 2011 for \$477,141 were executed with the Santa Monica Housing Partners, L.P. for the development of 20 units of affordable senior housing at 1458 14<sup>th</sup> Street. The loans represent land acquisition financing that achieves site control. These are 55-year loans with an interest rate of 3% per annum on the \$5,207,314 loan and 4.36% on the \$477,141 loan. As of June 30, 2014, the outstanding balance is \$5,684,455.
- w. A promissory note dated January 12, 2009 in the amount of \$6,223,333 was executed with Community Corporation of Santa Monica for an affordable housing project located at 430-508 Pico Boulevard. This was a 0% interest loan with the principal amount due and payable after a two-year deferral period. It was superseded by a new loan dated January 26, 2012, which increased the note to \$10,947,475, changed the interest rate to 3% and the term to 55 years. As of June 30, 2014, \$3,044,820 had been disbursed to the borrower.
- x. A promissory note dated February 1, 2011 in the amount of \$9,407,103 was executed with Community Corporation of Santa Monica for an affordable housing project located at 2602 Broadway. This is a 55-year loan with an interest rate of 3% per annum. As of June 30, 2014, \$8,958,823 had been disbursed to the borrower.
- y. A promissory note dated February 2, 2009 in the amount of \$5,595,897 was executed with Community Corporation of Santa Monica for an affordable housing project located at 2802 Pico Boulevard. This was a 0% interest loan with the principal amount due and payable after a two-year deferral period. It was

## CITY OF SANTA MONICA, CALIFORNIA

### Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2014

superseded by a new loan dated November 29, 2011, which increased the note to \$9,207,402, changed the interest rate to 3% and the term to 55 years. As of June 30, 2014, \$4,786,704 had been disbursed to the borrower.

- z. A promissory note dated June 16, 2009 in the amount of \$4,424,711 was executed with FAME Santa Monica Senior Apartments, L.P. for an affordable housing project located at 1754 19<sup>th</sup> Street. This loan was superseded by a loan in the amount of \$11,475,000 dated November 17, 2011. It is 0% interest loan for 55 years. As of June 30, 2014, \$4,058,652 had been disbursed to the borrower.
- aa. The January 17, 1994 Northridge Earthquake resulted in damaged multifamily residences in the City. To facilitate repair of damaged multifamily residences, the U.S. Department of Housing and Urban Development awarded the City a total of \$33,388,000 in emergency funds to finance the City's Multifamily Earthquake Repair Loan (MERL) Program.

The funds were allocated as follows: \$2,027,000 – HOME Program Emergency Supplemental Fund, \$6,361,000 – HOME Program Presidential Contingency Fund, and \$25,000,000 – CDBG Program Emergency Supplemental Fund.

Loans were made between 1995 and 2001. As of June 30, 2014, the following summarizes the total loan amount authorized, amount disbursed since inception of the loan program, the amounts repaid by the borrowers, and the loan balances:

<b>Fund</b>	<b>Loan amount authorized</b>	<b>Loan amount disbursed</b>	<b>Amounts repaid/forgiven</b>	<b>Loan balance at June 30, 2014</b>
Miscellaneous Grants	\$ 7,790,695	7,790,695	3,261,833	4,528,862
CDBG	21,739,088	21,727,929	15,171,643	6,556,286
Total	<u>\$ 29,529,783</u>	<u>29,518,624</u>	<u>18,433,476</u>	<u>11,085,148</u>

- bb. A promissory note dated December 15, 2010 in the amount of \$3,645,422 was executed with Step Up on Second Street, Inc. for an affordable housing project at 520 Colorado Avenue. The loan is for the acquisition and predevelopment of the site. This loan was superseded by a loan in the amount of \$5,041,255 dated January 25, 2012. It is 3% interest for 55 years after the project is built. As of June 30, 2014, the outstanding balance is \$2,407,860.
- cc. A promissory note dated October 21, 1987 in the amount of \$778,603 was executed with Community Corporation of Santa Monica for affordable housing projects located at 504 Ashland, 518 Pier, 536 Ashland, 642 Marine, and 3005 Highland. The overall project is called Ocean Park 43 (OP43). This is a 40 year loan with an interest rate of 5% per annum. As of June 30, 2014, \$729,866 had been disbursed to the borrower.

Due to the length of the repayment plan and uncertainty of collection of housing loans, the City's policy is not to record interest until received.

# CITY OF SANTA MONICA, CALIFORNIA

## Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2014

### (7) CAPITAL ASSETS

Capital assets activity for the primary government for fiscal year ended June 30, 2014 is as follows:

	Balance at July 1, 2013	Increases	Decreases	Transfers	Balance at June 30, 2014
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 199,875,024	—	—	—	199,875,024
Land held under easement	72,237,823	—	—	—	72,237,823
Construction in progress	97,775,717	28,893,922	(1,462,941)	(100,531,078)	24,675,620
Total capital assets, not being depreciated	<u>369,888,564</u>	<u>28,893,922</u>	<u>(1,462,941)</u>	<u>(100,531,078)</u>	<u>296,788,467</u>
Capital assets, being depreciated:					
Buildings	286,691,221	—	—	50,053,916	336,745,137
Improvements other than buildings	91,508,905	653,013	—	49,781,452	141,943,370
Utility systems	1,742,913	—	—	—	1,742,913
Machinery and equipment	39,230,284	—	—	—	39,230,284
Infrastructure	331,410,087	—	—	—	331,410,087
Intangibles	—	—	—	695,710	695,710
Total capital assets being depreciated	<u>750,583,410</u>	<u>653,013</u>	<u>—</u>	<u>100,531,078</u>	<u>851,767,501</u>
Less accumulated depreciation for:					
Buildings	(76,285,775)	(8,726,269)	—	—	(85,012,044)
Improvements other than buildings	(50,721,674)	(4,977,112)	—	—	(55,698,786)
Utility systems	(475,192)	(94,408)	—	—	(569,600)
Machinery and equipment	(29,229,779)	(1,559,359)	—	—	(30,789,138)
Infrastructure	(179,365,273)	(10,614,550)	—	—	(189,979,823)
Intangibles	—	(20,292)	—	—	(20,292)
Total accumulated depreciation	<u>(336,077,693)</u>	<u>(25,991,990)</u>	<u>—</u>	<u>—</u>	<u>(362,069,683)</u>
Total capital assets, being depreciated, net	<u>414,505,717</u>	<u>(25,338,977)</u>	<u>—</u>	<u>100,531,078</u>	<u>489,697,818</u>
Subtotal governmental activities	<u>784,394,281</u>	<u>3,554,945</u>	<u>(1,462,941)</u>	<u>—</u>	<u>786,486,285</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	71,422,212	—	—	—	71,422,212
Construction in progress	31,698,203	10,980,582	(810,864)	(15,487,327)	26,380,594
Total capital assets, not being depreciated	<u>103,120,415</u>	<u>10,980,582</u>	<u>(810,864)</u>	<u>(15,487,327)</u>	<u>97,802,806</u>
Capital assets, being depreciated:					
Buildings	148,140,137	—	—	5,366,194	153,506,331
Improvements other than buildings	27,551,915	—	—	526,390	28,078,305
Machinery and equipment	166,539,407	22,969,814	(12,739,791)	89,550	176,858,980
Infrastructure	204,438,070	2,244,302	—	9,505,193	216,187,565
Intangibles	88,399,787	2,933,144	—	—	91,332,931
Total capital assets being depreciated	<u>635,069,316</u>	<u>28,147,260</u>	<u>(12,739,791)</u>	<u>15,487,327</u>	<u>665,964,112</u>
Less accumulated depreciation for:					
Buildings	(41,564,227)	(3,286,798)	—	—	(44,851,025)
Improvements other than buildings	(20,251,182)	(1,367,854)	—	—	(21,619,036)
Machinery and equipment	(112,139,419)	(12,189,652)	12,577,248	—	(111,751,823)
Infrastructure	(70,348,054)	(5,546,084)	—	—	(75,894,138)
Intangibles	(23,733,403)	(2,201,618)	—	—	(25,935,021)
Total accumulated depreciation	<u>(268,036,285)</u>	<u>(24,592,006)</u>	<u>12,577,248</u>	<u>—</u>	<u>(280,051,043)</u>
Total capital assets, being depreciated, net	<u>367,033,031</u>	<u>3,555,254</u>	<u>(162,543)</u>	<u>15,487,327</u>	<u>385,913,069</u>
Subtotal business-type activities	<u>470,153,446</u>	<u>14,535,836</u>	<u>(973,407)</u>	<u>—</u>	<u>483,715,875</u>
Total	<u>\$ 1,254,547,727</u>	<u>18,090,781</u>	<u>(2,436,348)</u>	<u>—</u>	<u>1,270,202,160</u>

## CITY OF SANTA MONICA, CALIFORNIA

### Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2014

Depreciation and amortization expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 1,000,192
Public safety	2,225,506
General services	14,225,467
Cultural and recreation services	3,444,543
Library	1,405,121
Housing and community development	3,523,665
Capital assets held by the government's internal service funds are charged to the various functions based on their assets' usage	167,496
Total depreciation and amortization expense - governmental activities	<u>\$ 25,991,990</u>

Business-type activities:

Water	\$ 1,056,075
Resource Recovery and Recycling	8,643
Pier	512,721
Wastewater	6,389,352
Airport	418,001
Stormwater management	301,816
Cemetery	135,468
Big Blue Bus	12,762,531
Parking authority	316,379
Capital assets held by the government's internal service funds are charged to the various programs based on their assets' usage	2,691,020
Total depreciation and amortization expense - business-type activities	<u>\$ 24,592,006</u>

Note that depreciation and amortization expense of \$24,592,006 does not equal to the total amount shown on Proprietary Funds Statement of Revenues, Expenses and Changes in Fund Net Position of \$25,198,298 because internal service fund amounts are allocated between business-type and governmental activities.

The City's infrastructure assets are recorded at historical cost and estimated historical cost in the government-wide statements as required by GASB Statement No. 34.

## (8) UNEARNED REVENUE AND DEFERRED INFLOWS OF RESOURCES

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental and enterprise funds also defer revenue recognition in connection with resources that have been received as of year-end, but not yet earned (unearned revenue).

# CITY OF SANTA MONICA, CALIFORNIA

## Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2014

The interest on advances reported in the General Fund and the nonmajor governmental funds represent interfund activity eliminated in the government-wide financial statements. This interest is earned and included in promissory note balances at year-end. GASB Statement No. 34 requires the City to recognize and present interfund activity between governmental and business-type funds on the government-wide financial statements.

The components of unearned revenue are as follows:

	<b>Fund financial statements</b>	<b>Eliminate interfund activity</b>	<b>Recognized in government- wide financials</b>	<b>Government- wide financial statements</b>
Governmental funds:				
General Fund:				
Unearned user fees	\$ 731,885	—	—	731,885
Settlement proceeds	1,500,000	—	(1,500,000)	—
Total General Fund	2,231,885	—	(1,500,000)	731,885
Special Revenue Source Fund:				
Civic Center advanced lease payments	18,893,770	—	—	18,893,770
Total Special Revenue Source Fund	18,893,770	—	—	18,893,770
Nonmajor governmental funds:				
Unearned user fees	3,156	—	—	3,156
Total nonmajor governmental funds:	3,156	—	—	3,156
Total governmental funds	21,128,811	—	(1,500,000)	19,628,811
Enterprise funds:				
Airport Fund:				
Unearned user fees	56,132	—	—	56,132
Big Blue Bus Fund:				
Unredeemed fare media	44,992	—	—	44,992
Unearned user fees	377,195	—	—	377,195
LACMTA funds received prior to meeting all eligibility requirements	8,621,075	—	—	8,621,075
Total Big Blue Bus Fund	9,043,262	—	—	9,043,262
Total enterprise funds	9,099,394	—	—	9,099,394
Total unearned revenue	\$ 30,228,205	—	(1,500,000)	28,728,205

**CITY OF SANTA MONICA, CALIFORNIA**

Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2014

The components of deferred inflows of resources are as follows:

	<b><u>Fund financial statements</u></b>	<b><u>Eliminate interfund activity</u></b>	<b><u>Recognized in government- wide financials</u></b>	<b><u>Government- wide financial statements</u></b>
Governmental funds:				
General Fund:				
Residual payment from Dept of Finance	\$ 1,987,448	—	(1,987,448)	—
Interest on advances	20,452,406	(20,452,406)	—	—
Settlement proceeds	47,504,125	—	(47,504,125)	—
Total General Fund	<u>69,943,979</u>	<u>(20,452,406)</u>	<u>(49,491,573)</u>	<u>—</u>
Nonmajor governmental funds:				
Interest on advances	9,301,972	(9,301,972)	—	—
Grant receivables	6,443,126	—	(6,443,126)	—
Total nonmajor governmental funds:	<u>15,745,098</u>	<u>(9,301,972)</u>	<u>(6,443,126)</u>	<u>—</u>
Total deferred inflows of resources	<u><u>\$ 85,689,077</u></u>	<u><u>(29,754,378)</u></u>	<u><u>(55,934,699)</u></u>	<u><u>—</u></u>



# CITY OF SANTA MONICA, CALIFORNIA

## Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2014

### (9) LONG-TERM LIABILITIES

#### Changes in long-term liabilities:

Long-term liability activity for the fiscal year ended June 30, 2014, was as follows:

	Balance at July 1, 2013 (Reclassified)(2)	Additions	Reductions	Balance at June 30, 2014	Due within one year	Due beyond one year
Governmental Activities:						
Loans and notes payable	\$ 400,000	—	—	400,000	—	400,000
Revenue bonds	84,265,000	—	4,695,000	79,570,000	4,865,000	74,705,000
General obligation bonds	11,325,000	—	1,225,000	10,100,000	1,210,000	8,890,000
Less deferred amounts:						
For issuance discounts	(7,141)	—	(2,450)	(4,691)	—	(4,691)
For issuance premiums	4,404,240	—	360,111	4,044,129	—	4,044,129
Total loans and bonds payable	100,387,099	—	6,277,661	94,109,438	6,075,000	88,034,438
Compensated absences (1)	12,055,402	8,531,261	8,670,654	11,916,009	6,951,452	4,964,557
Claims payable	33,178,934	14,313,369	8,668,688	38,823,615	9,257,113	29,566,502
Subtotal governmental activities	145,621,435	22,844,630	23,617,003	144,849,062	22,283,565	122,565,497
Business-type activities:						
Loans payable	2,045,117	—	270,151	1,774,966	277,175	1,497,791
Revenue bonds	18,550,000	—	9,595,000	8,955,000	—	8,955,000
Less deferred amounts:						
For issuance premiums	963,176	—	213,960	749,216	—	749,216
Total loans and bonds payable	21,558,293	—	10,079,111	11,479,182	277,175	11,202,007
Compensated absences	3,532,277	626,905	630,448	3,528,734	2,293,309	1,235,425
Claims payable	3,944,023	1,347,258	1,772,880	3,518,401	1,961,401	1,557,000
Subtotal business-type activities	29,034,593	1,974,163	12,482,439	18,526,317	4,531,885	13,994,432
Total	\$ 174,656,028	24,818,793	36,099,442	163,375,379	26,815,450	136,559,929

(1) Compensated absences are predominantly liquidated by General Fund resources.

(2) GASB 65 requires the reporting of losses on refundings of debt as deferred outflows of resources. The beginning balances of losses on refundings of debt have been reclassified as deferred outflows of resources.

# CITY OF SANTA MONICA, CALIFORNIA

## Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2014

A summary of long-term bonds and loans outstanding at year-end is as follows:

	<u>Date of issue</u>	<u>Original issue</u>	<u>Final maturity date</u>	<u>Interest rate</u>	<u>Balance at June 30, 2014</u>
Governmental activities:					
Revenue bonds (1):					
Parking Authority Refunding 2002	May 1, 2002	\$ 10,480,000	July 1, 2016	3.50-4.50%	\$ 3,120,000
Public Finance Authority 2011	Nov 16, 2011	32,065,000	June 1, 2031	4.00-5.00%	30,845,000
Public Finance Authority Refunding 2009	Dec 16, 2009	9,155,000	July 1, 2021	2.00-5.00%	6,560,000
Public Finance Authority Refunding 2011	Nov 16, 2011	8,625,000	Dec 1, 2020	2.00-4.00%	6,530,000
Public Finance Authority 2004	Dec 14, 2004	38,930,000	July 1, 2033	3.35-5.00%	32,515,000
Subtotal revenue bonds - governmental activities					<u>79,570,000</u>
General obligation bonds (1):					
Main Library Improvements 2012	May 30, 2012	11,325,000	July 1, 2022	0.20-4.00%	10,100,000
Subtotal general obligation bonds - governmental activities					<u>10,100,000</u>
Loans and notes:					
State Dept. of Housing and Community Development loan (2)	Dec 22, 1988	200,000	Dec 22, 2018	0.00%	200,000
State Dept. of Housing and Community Development loan (2)	Dec 29, 1989	200,000	Dec 29, 2019	0.00%	200,000
Subtotal loans payable					<u>400,000</u>
Subtotal governmental activities					<u>90,070,000</u>
Business-type activities (3):					
Revenue bonds:					
Hyperion Project Revenue Refunding 2012	May 30, 2012	8,955,000	Feb 1, 2022	2.00-4.00%	8,955,000
Hyperion Project Revenue Refunding 2005 (4)	Oct 13, 2005	20,305,000	Jan 1, 2018	3.00-5.00%	—
Subtotal revenue bonds - business-type activities					<u>8,955,000</u>
Loans:					
State Water Resources Control Board loan	Jan 29, 1999	5,000,000	July 1, 2019	2.60%	1,774,966
Subtotal business-type activities					<u>10,729,966</u>
Total					<u>\$ 100,799,966</u>

(1) For construction of City facilities.

(2) To fund promissory note receivable from the owner of certain rental property.

(3) To fund capital contribution towards wastewater treatment facility.

(4) Bonds were called in June 2014.

Management believes it is in compliance with all debt covenants. See Note 17.

# CITY OF SANTA MONICA, CALIFORNIA

## Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2014

Annual debt service requirements to maturity are as follows:

### Governmental Activities

Fiscal year ending June 30,	Revenue bonds		General obligation bonds		Loans payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 4,865,000	3,462,426	1,210,000	323,165	—	—	6,075,000	3,785,591
2016	5,070,000	3,264,051	1,165,000	309,700	—	—	6,235,000	3,573,751
2017	5,270,000	3,056,623	1,135,000	275,350	—	—	6,405,000	3,331,973
2018	4,350,000	2,864,344	1,130,000	230,050	200,000	—	5,680,000	3,094,394
2019	4,525,000	2,690,594	1,120,000	185,050	200,000	—	5,845,000	2,875,644
2020-2024	20,180,000	10,738,304	3,280,000	306,175	—	—	23,460,000	11,044,479
2025-2029	16,995,000	6,590,026	1,060,000	21,200	—	—	18,055,000	6,611,226
2030-2034	18,315,000	1,810,000	—	—	—	—	18,315,000	1,810,000
	<u>\$ 79,570,000</u>	<u>34,476,368</u>	<u>10,100,000</u>	<u>1,650,690</u>	<u>400,000</u>	<u>—</u>	<u>90,070,000</u>	<u>36,127,058</u>

### Business-type activities

Fiscal year ending June 30,	Revenue bonds		Loans payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ —	266,550	277,175	46,149	277,175	312,699
2016	—	266,550	284,381	38,943	284,381	305,493
2017	—	266,550	291,775	31,549	291,775	298,099
2018	—	266,550	299,361	23,963	299,361	290,513
2019	2,130,000	266,550	307,144	16,179	2,437,144	282,729
2020-2024	6,825,000	343,200	315,130	8,193	7,140,130	351,393
	<u>\$ 8,955,000</u>	<u>1,675,950</u>	<u>1,774,966</u>	<u>164,976</u>	<u>10,729,966</u>	<u>1,840,926</u>

# CITY OF SANTA MONICA, CALIFORNIA

## Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2014

### Pledged Revenue

The City has a number of debt issues that involve the pledging of revenues. The amounts and terms of the remainder of these commitments and the purposes for which the proceeds of the debt issuances are utilized are indicated in the summary of long-term bonds and loans and notes outstanding at year-end presented in this note. For the current year, debt service payments as a percentage of the pledged gross revenue (net of certain expenses where so specified in debt covenants) are indicated in the table below. These percentages also approximate the relationship of debt service to pledged revenue for the remainder of the term of the commitment.

Description of pledged revenue/debt:	Annual amount of pledged revenue (net of expenses, where required)	Annual debt service payments (of all debt secured by this revenue)	Debt service as a percentage of pledged revenue	Future amount of pledged revenue
Base rental payments				
Parking Authority Refunding 2002	\$ 1,133,116	1,133,116	100%	2,268,410
Public Finance Authority 2011, Refunding 2009	2,032,150	2,032,150	100%	14,233,925
Public Finance Authority 2004	2,550,455	2,550,455	100%	48,471,781
Public Finance Authority 2011	2,670,931	2,670,931	100%	45,359,356
Library bond tax revenue				
Main Library Improvements Refunding 2012	1,557,822	1,534,980	99%	10,378,200
Wastewater charges for services				
Hyperion Project Revenue Refunding 2012, 2005	9,732,454	2,385,962	25%	10,630,950
2005 Bonds were redeemed June 2014				

### (10) FUND DEFICITS

**Capital Projects Funds.** A deficit fund balance in the amount of \$966,157 exists in the Disaster Relief Fund. This fund balance deficit is primarily due to timing of revenue and expenditure recognition.

**Proprietary Funds.** A net deficit in the amount of \$4,790,205 exists in the Airport Fund due to reductions in lease revenue and increased expenditures in maintaining the airport's infrastructure. The deficit is expected to be funded by increased future fees. In April of 2013, landing fees were increased by over 100% and are now applied to all aircraft based at the airport.

**Internal Service Funds.** A net deficit in the amount of \$3,672,916 exists in the Self-Insurance Workers' Compensation Fund due to adverse development on new and existing claims related to prior years. Management expects to alleviate this deficit fund balance through future user charges, instituting cost containment measures, and continuing evaluation of reserve balances. \$12.0 million has been assigned in the general fund to help manage the deficit.

**CITY OF SANTA MONICA, CALIFORNIA**

Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2014

**(11) INTERFUND TRANSACTIONS**

The following tables summarize the due to/from other funds, interfund advances to/from, and transfers in/out as of and for the fiscal year ended June 30, 2014.

**Advances to/from**

Advances to/from other funds at June 30, 2014 are as follows:

<b>Advances to (receivable fund)</b>	<b>Advances from (payable fund)</b>	<b>Amount</b>
General Fund	Nonmajor governmental funds	\$ 3,842,973
	Private-purpose trust fund	24,106,933
	Airport fund	13,558,927
	Total General Fund	41,508,833
Nonmajor Governmental Fund	Private-purpose trust fund	11,172,628
Wastewater Fund	Nonmajor Proprietary Fund	274,566
	Total advances to/from	\$ 52,956,027

Advances represent loans made to provide financing resources for capital projects. These amounts are expected to be repaid in future years, subject to the various loan terms. None of the above balances are expected to be repaid within one year.

**Due from/to**

Balances due to/from other funds at June 30, 2014 are as follows:

<b>Due from (receivable fund)</b>	<b>Due to (payable fund)</b>	<b>Amount</b>
General Fund	Private-purpose trust fund	\$ 49,669 (1)
	Nonmajor governmental funds	1,136,784
	Nonmajor enterprise funds	172,217
	Total General Fund	1,358,670
Private-purpose trust fund	General Fund	41,944,838 (1)
	Total private-purpose trust fund	41,944,838
	Total due to/from	\$ 43,303,508

(1) Represents interfund receivables/payables due to/from the Successor Agency based on the California State Department of Finance Due Diligence Reviews and outstanding pass-through payments due taxing entities per the Recognized Obligation Payment Schedule as of June 30, 2014.

Due to/from other funds are primarily short-term loans made to eliminate negative cash balances at year-end. Due to/from private-purpose trust fund are payments due to/from the Successor Agency. The City and the Successor Agency entered into a settlement agreement with the California Department of Finance and State Board of Equalization, the California State Controller's Office and the Los Angeles County Auditor-Controller. Because the Successor Agency has insufficient funds to make the settlement payments, the City

# CITY OF SANTA MONICA, CALIFORNIA

## Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2014

will need to transfer funds to the Successor Agency to offset the Successor Agency's obligations. See Note 17. These amounts are expected to be repaid in one year.

### Transfers

Transfers to/from other funds for the fiscal year ended June 30, 2014 are as follows:

Transfer in (receivable fund)	Transfer out (payable fund)	Amount
General Fund	Special Revenue Source Fund	\$ 630,444 (1)
	Nonmajor governmental funds	11,165,614 (2)
	Water Fund	1,104,155 (3)
	Big Blue Bus Fund	616,226 (4)
	Wastewater Fund	749,779 (3)
	Nonmajor enterprise funds	1,306,104 (5)
	Internal service funds	136,854 (6)
	Total General Fund	15,709,176
Nonmajor governmental funds	General Fund	10,451,530 (7)
	Nonmajor governmental funds	50,204 (8)
	Total nonmajor governmental funds	10,501,734
Water Fund	General Fund	82,207 (9)
	Total Water Fund	82,207
Wastewater Fund	Nonmajor enterprise funds	1,334,636 (10)
	Total Wastewater Fund	1,334,636
Big Blue Bus Fund	Nonmajor governmental funds	579,590 (11)
	Total Big Blue Bus Fund	579,590
Nonmajor enterprise funds	General Fund	23,050 (12)
	Water Fund	10,860 (13)
	Nonmajor governmental funds	1,665,775 (14)
	Total nonmajor enterprise funds	1,699,685
Internal service funds	Internal service funds	1,912,697 (15)
	Total internal service funds	1,912,697
	Total transfers	\$31,819,725

- (1) Transfer of monies to subsidize housing, transportation management and cultural affairs program expenditures; and reimbursement of Glow 2013 and Playground Partnership expenditures and loan payments on City TV property.
- (2) Transfer of monies to subsidize engineering, housing, human services, public works, transportation, and streets and roads expenditures.
- (3) Transfer of monies to subsidize environmental program expenditures.
- (4) Transfer of monies to subsidize counting room operation, transit mall maintenance, and Human Resources staff time.
- (5) Transfer of monies to subsidize environmental program expenditures and Housing and Economic Development staff time.
- (6) Transfer of monies to subsidize Workers' Compensation Self-Insurance Fund staff time.
- (7) Transfer of monies to subsidize housing program expenditures and for the payment of debt service.
- (8) Transfer of monies to subsidize housing program expenditures.
- (9) Transfer of monies associated with the Gillette settlement to subsidize environmental program expenditures for the Olympic Basin Remediation project.
- (10) Transfer of monies to subsidize operating expenditures associated with the Santa Monica Urban Runoff Recycling Facility and Stormwater-related activities performed by Public Works Management Department's Wastewater Division.
- (11) Transfer of monies to subsidize transportation related expenditures.
- (12) Transfer of monies to subsidize cemetery related expenditures.
- (13) Transfer of monies received from Metropolitan Water District Recycled Water Rebate program.

## CITY OF SANTA MONICA, CALIFORNIA

### Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2014

- (14) Transfer of monies to subsidize operating and maintenance expenditures associated with the Santa Monica Urban Runoff Recycling Facility Transfer and cemetery management expenditures.
- (15) Transfer of monies to subsidize Risk Management staff time.

#### (12) RESTRICTED NET POSITION

Restricted components of net position are subject to external legal constraints. The following categories of net position are restricted as to use by agreements with creditors, developers, grantors, laws or regulations of other governments or enabling legislation: Debt service, Clean Beaches and Ocean Parcel Tax, Beach Recreation, Parks and Recreation, Housing Authority, Community Development Block Grant, Citizens Option for Public Safety, Air Quality Management District, Development projects, Asset Seizure, Streets projects, Housing projects, perpetual care, and construction of rail system. The remaining categories of funds, Tenant Ownership Rights Charter Amendment and Rent Control, are restricted as to use by law.

Net position for governmental and business-type activities at June 30, 2014 is restricted as follows:

Housing Authority (1)	\$	460,261
Tenant Ownership Rights Charter Amendment (2)		9,614,909
Community Development Block Grant (1)		11,960,395
Citizens Option for Public Safety (1)		210,107
Rent Control (2)		905,446
Air Quality Management District (1)		909,703
Asset Seizure (1)		906,544
Street Projects (2)		419,441
Low and Moderate Income Housing Asset Fund (1)		49,028,446
Total housing and community development		<u>74,415,252</u>
Clean Beaches and Ocean Parcel Tax (2)		7,447,530
Beach and Parks Recreation (2)		7,333,208
Miscellaneous Grants (1)		15,798,237
Debt Service		5,073,445
Development Projects (1)		14,941,141
Perpetual Care - nonexpendable		11,501,848
Total governmental restricted net position	\$	<u><u>136,510,661</u></u>
Construction of Rail System (1)		1,747,725
Prop 1B (2)		9,917,728
Total business-type restricted net position	\$	<u><u>11,665,453</u></u>

- (1) Net position restricted by grantors
- (2) Net position restricted by enabling legislation

# CITY OF SANTA MONICA, CALIFORNIA

## Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2014

### (13) FUND BALANCES

In the fund financial statements, nonspendable, restricted for, committed to, assigned to, and unassigned segregate portions of fund balances that are either not available or have been earmarked for specific purposes. These fund balance categories are in accordance with GASB Statement No. 54.

In governmental funds, nonspendable fund balances are presented as a component of fund balances as follows:

	General Fund	Special Revenue Source Fund	Nonmajor governmental funds	Total governmental funds
<u>Nonspendable</u>				
Prepays	\$ 215,921	—	30,582	246,503
Advances	21,056,427	—	—	21,056,427
Perpetual care	—	—	11,501,848	11,501,848
Notes receivable	985,471	19,400,000	—	20,385,471
Total nonspendable	<u>\$ 22,257,819</u>	<u>19,400,000</u>	<u>11,532,430</u>	<u>53,190,249</u>

#### Prepays

Since these assets are goods or services already purchased, they do not represent available expendable resources.

#### Advances to other funds

Reflects the balances due, net of deferred interest revenues, from other funds that are long-term in nature and do not represent available expendable resources of the City.

#### Perpetual care

Represents balance of funds held by the City restricted for use for expenditures associated with perpetual care of the City's cemetery and mausoleum.

#### Notes receivable

Reflects the balances due on loans that are long-term in nature and do not represent available expendable resources of the City.

In governmental funds, restricted fund balances are presented as a component of fund balances as follows:

	General Fund	Special Revenue Source Fund	Nonmajor governmental funds	Total governmental funds
<u>Restricted for</u>				
Notes receivable	\$ 11,869,994	14,941,141	75,469,079	102,280,214
Special purposes	501,625	—	36,671,857	37,173,482
Low-and moderate-income housing	—	—	1,528,641	1,528,641
Total restricted	<u>\$ 12,371,619</u>	<u>14,941,141</u>	<u>113,669,577</u>	<u>140,982,337</u>

#### Notes receivable

Reflects the balances due on loans that are long-term in nature. Amounts, when collected, will be restricted as to use.



# CITY OF SANTA MONICA, CALIFORNIA

## Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2014

### Special purposes

Represents amounts restricted externally by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

### Low- and moderate-income housing

Represents funds restricted for low- and moderate-income housing.

In governmental funds, committed fund balances are presented as a component of fund balances as follows:

	General Fund	Special Revenue Source Fund	Nonmajor governmental funds	Total governmental funds
<u>Committed to</u>				
Housing	\$ 29,937	2,260,936	—	2,290,873
Overnight accommodations	490,000	2,032,542	—	2,522,542
Other purposes	—	59,038	51,975	111,013
Total committed	<u>\$ 519,937</u>	<u>4,352,516</u>	<u>51,975</u>	<u>4,924,428</u>

### Housing

Represents funds committed for affordable low- and moderate-income housing and funds from the sale of City owned properties committed to affordable housing production.

### Overnight accommodations

Represents funds committed to overnight accommodations per the 1990 Low Cost Lodging Mitigation Fee Ordinance.

### Other Purposes

Represents funds committed to the lifeguard headquarters and to legal expenses related to rent control.

In governmental funds, assigned fund balances are presented as a component of fund balances as follows:

	General Fund	Special Revenue Source Fund	Nonmajor governmental funds	Total governmental funds
<u>Assigned to</u>				
Continuing capital projects	\$ 49,236,070	12,696,972	4,602,943	66,535,985
Expenditure control budget	5,858,546	—	—	5,858,546
Encumbrances	1,728,766	—	50,928	1,779,694
RDA	45,470,583	—	—	45,470,583
Pollution remediation	60,208,806	—	—	60,208,806
PERS	8,080,088	—	125,361	8,205,449
OPEB	2,750,000	—	—	2,750,000
Compensated absences	11,292,805	—	385,040	11,677,845
Workers' compensation	12,200,000	—	—	12,200,000
Other purposes	15,844,212	172,429	—	16,016,641
Total assigned	<u>\$ 212,669,876</u>	<u>12,869,401</u>	<u>5,164,272</u>	<u>230,703,549</u>

### Continuing capital projects

Reflects the amount needed to fund the full cost of uncompleted capital projects at June 30, 2014.

**CITY OF SANTA MONICA, CALIFORNIA**

Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2014

Expenditure control budget accounts

Represents expenditure control budget amounts for department use.

Encumbrances

Encumbrances outstanding at year-end are reported as a component of assigned fund balances since they do not constitute expenditures or liabilities.

RDA

Resources set aside for payments related to RDA dissolution.

Pollution remediation

Resources held for use in environmental and pollution remediation, involving Gillette and Boeing.

PERS

Resources set aside for future payments to CalPERS.

OPEB

Resources set aside for future payments of other postemployment benefits.

Compensated Absences

Resources set aside for future payments of compensated absences.

Workers' Compensation

Resources set aside for workers compensation cost assignment.

Other purposes

Represents funds assigned for other purposes including amounts set aside for affordable housing, water conservation, energy efficiency rebates, and other purposes.

In governmental funds, unassigned fund balances are presented as a component of fund balances as follows:

	<u>General Fund</u>	<u>Special Revenue Source Fund</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
<u>Unassigned</u>				
Operating and				
capital contingency	\$ 47,513,887	—	—	47,513,887
Future expenditures	57,478,164	—	—	57,478,164
Economic uncertainty	9,700,000	—	—	9,700,000
Other unassigned	3,500,001	—	(966,157)	2,533,844
Total unassigned	<u>\$ 118,192,052</u>	<u>—</u>	<u>(966,157)</u>	<u>117,225,895</u>

Operating and capital contingency

Represents funds for operating and capital contingency.

## **CITY OF SANTA MONICA, CALIFORNIA**

### **Notes to Basic Financial Statements, Continued**

For the fiscal year ended June 30, 2014

#### Future expenditures

Represents funds for future expenditures.

#### Economic uncertainty

Represents funds to mitigate potential revenue losses due to economic uncertainty.

#### Other unassigned

Represents residual classification for the General Fund. In other governmental funds, expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned, therefore it was necessary to report a negative unassigned fund balance.

## **(14) LITIGATION AND CONTINGENCIES**

### **Litigation**

The City is regularly subject to certain legal proceedings and claims that arise in the normal course of City operations. Many of these have not yet been fully adjudicated. In the opinion of the City Attorney, there are adequate legal defenses to these actions and it is not anticipated that there will be any adverse material effect on the financial position of the City.

### **Grants**

The City recognizes as revenue, grant monies received as reimbursement for costs incurred in certain Federal and State programs it administers. Although the City's Federal grant programs have been audited through June 30, 2013 in accordance with the requirements of the Federal Single Audit Act Amendments of 1996 and the related U.S. Office of Management and Budget Circular A-133, these programs may be subject to financial and compliance audits by the reimbursing agencies. The amount, if any, of expenditures, which may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

### **Construction Commitments**

The City has a number of construction projects currently underway. Purchase orders, contracts and other commitments for these projects are recorded in order to reserve the portion of the applicable appropriation and are recorded at year-end as assignments of fund balances. Approximately \$66.5 million will be payable upon future performance under these contracts.

**CITY OF SANTA MONICA, CALIFORNIA**

## Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2014

**Operating Lease Revenue/Expenses**

The City has entered into operating lease arrangements as lessor for property. The following schedule is an analysis of the City's investment in property under operating leases by major classes as of June 30, 2014:

Land	\$ 185,815,431
Buildings	38,720,266
Improvements other than buildings	10,302,396
Machinery and equipment	1,782,774
Infrastructure	8,213,438
	<u>244,834,305</u>
Less: Accumulated depreciation	(38,293,531)
Total	<u>\$ 206,540,774</u>

The following is a schedule of both future minimum lease rental revenue to be received by the City as lessor and lease payments to be made by the City as lessee under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2014:

<u>Fiscal year ending June 30</u>	<u>Rental revenue</u>	<u>Lease payments</u>
2015	\$ 10,592,893	2,362,817
2016	7,990,975	2,362,817
2017	6,065,836	2,223,734
2018	4,583,594	1,641,695
2019	4,135,428	1,637,172
2020 - 2024	17,385,158	3,953,363
2025 - 2029	14,862,589	273,782
2030 - 2034	11,895,148	—
2035 - 2039	7,782,522	—
2040 - 2044	6,122,500	—
2045 - 2049	4,809,451	—
2050 - 2054	3,905,631	—
2055 - 2059	3,117,231	—
2060 - 2064	3,117,231	—
2065 - 2069	779,308	—
Total	<u>\$ 107,145,495</u>	<u>14,455,380</u>

The total long-term lease rental revenues and expenditures/expenses for the year ended June 30, 2014, were \$11,292,768 and \$2,362,817, respectively.

**(15) SELF-INSURANCE**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and others; and natural disasters. The City has chosen to establish risk financing internal service funds where assets are set aside for claim settlements associated with such risks of loss up to certain limits and has obtained excess liability coverage through the Authority for

# CITY OF SANTA MONICA, CALIFORNIA

## Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2014

California Cities Excess Liability (ACCEL), a joint powers authority of twelve medium-size California municipalities. ACCEL is a member of the California State Association of Counties Excess Insurance Authority for the purpose of providing access to excess workers' compensation coverage for major employee injury risks through a program of pooled self-insurance/re-insurance and insurance on a risk sharing basis.

The City retains self-insurance up to \$1,000,000 for general liability, automobile liability, and bus operations liability. The ACCEL pool covers all general liability losses between \$1,000,000 and \$5,000,000, and purchases excess liability insurance to cover losses over \$5,000,000 and up to \$100,000,000. The City shares limits with another southern California city to cover losses over \$100,000,000 and up to \$150,000,000. The City retains self-insurance up to \$750,000 for workers' compensation. California State Association of Counties Excess Insurance Authority covers up to an additional \$4,000,000 for workers' compensation and arranges for excess of workers' compensation over \$5,000,000 and up to statutory limits. No claim settlements have exceeded insurance coverage in any of the past three years.

In order to provide funds to pay claims, ACCEL collects premiums from each member. The premiums paid are credited with investment income at the rate earning on the Authority's investments. Based on ACCEL's June 30, 2014 audited financial statements, the net reserves amounts related to the City were \$5,673,969 (15% of ACCEL's total net reserves and incurred but not reported). Total assets of ACCEL at June 30, 2014 were \$52,857,861. ACCEL has no capital contributions.

The City's unpaid claims liabilities are based on the results of actuarial studies. The unpaid claims liabilities are compiled by the Risk Manager of the City and include amounts for claims incurred but not reported as of year-end. Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors. Net present values of the unpaid claims liabilities are estimated for the year ended June 30, 2014, based on interest rates of 2.0% for general, automobile, and transit and 5.0% for workers' compensation. Revenues of the risk management funds, together with funds to be provided in the future, are expected to provide adequate resources to meet liabilities as they come due. Nonincremental claims expenses have not been included as part of the liability for claims.

Changes in the liability for claims during the past two fiscal years for the self-insurance funds follow:

Fund (by fiscal year)	Beginning of year	Current-year claims and changes in estimates	Claims payments	End of year	Due within one year
June 30, 2013:					
General Liability and Automobile	\$ 3,849,353	1,268,545	(1,463,808)	3,654,090	1,422,314
Bus	2,713,056	1,971,415	(740,448)	3,944,023	2,149,840
Workers' Compensation	25,175,888	10,414,936	(6,065,980)	29,524,844	6,255,234
	<u>\$ 31,738,297</u>	<u>13,654,896</u>	<u>(8,270,236)</u>	<u>37,122,957</u>	<u>9,827,388</u>
June 30, 2014:					
General Liability and Automobile	\$ 3,654,090	4,350,739	(1,551,482)	6,453,347	2,343,569
Bus	3,944,023	1,347,258	(1,772,880)	3,518,401	1,961,401
Workers' Compensation	29,524,844	9,962,630	(7,117,206)	32,370,268	6,913,544
	<u>\$ 37,122,957</u>	<u>15,660,627</u>	<u>(10,441,568)</u>	<u>42,342,016</u>	<u>11,218,514</u>

## **CITY OF SANTA MONICA, CALIFORNIA**

### **Notes to Basic Financial Statements, Continued**

**For the fiscal year ended June 30, 2014**

#### **(16) EMPLOYEE BENEFIT PROGRAMS**

##### **Santa Monica Public Employees' Retirement Plan**

The City's defined benefit pension plan, Santa Monica Public Employees' Retirement Plan (Plan) provides retirement and disability benefits, annual cost-of living adjustments, and death benefits to plan members and beneficiaries. The Plan is part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. State statutes within the Public Employees' Retirement Law establish a menu of benefit provisions as well as other requirements. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through City ordinance. CalPERS issues a separate comprehensive annual financial report available from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95811.

##### Plan Description

All full-time employees of the City and part-time employees who have worked over 1,000 hours during a fiscal year are eligible to participate in the Plan. The City is authorized by statute to establish and amend all plan provisions. Related benefits vest after five years of service. Upon five years of service, employees who retire at or after age 50 are entitled to receive an annual retirement benefit.

The defined pension benefit is payable monthly for life, in an amount that varies, for employees hired before July 1, 2012, from 2.4% at age 50 to a maximum of 3% at age 55 for fire safety employees, 3% at age 50 for police safety employees and 2% at age 50 to a maximum of 2.7% at age 55 for miscellaneous employees, of the employee's single highest year's salary for each year of credited service. The Plan also provides death and disability benefits.

In 2012, the City and miscellaneous employees agreed to create a second tier benefit for those hired July 1, 2012 through December 31, 2012. The benefits vary from 1.4% at age 50 to a maximum of 2.4% at age 63.

The Governor, in September 2012, signed AB 340 and AB 197, two bills which enacted the California Public Employees' Pension Reform Act of 2013 (PEPRA). AB 340 made several changes to the pension benefits that may be offered to employees hired on or after January 1, 2013, including setting a new maximum benefit, a lower-cost pension formula for safety and non-safety employees with requirements to work longer in order to reach full retirement age and a cap on the amount used to calculate a pension. Among other things, AB 340 also enacted pension spiking reform for new and existing employees, required three-year averaging of final compensation for new employees, and provided employers with new authority to negotiate cost-sharing agreements with current employees. AB 340 also contained limitations on the use of retired annuitants, requiring that an annuitant have a six-month break in service prior to returning to work.

The legislation created mandatory benefits tiers for new employees who have not worked for another CalPERS agency hired beginning January 1, 2013 ranging from 2.0% at age 50 to a maximum of 2.7% at age

## **CITY OF SANTA MONICA, CALIFORNIA**

### **Notes to Basic Financial Statements, Continued**

**For the fiscal year ended June 30, 2014**

57 for police safety and fire safety employees and 1.1% at age 50 to a maximum of 2.4% at age 62 for miscellaneous employees.

#### **Funding Policy**

Active full-time members in the Plan are required to contribute 8% for miscellaneous employees and 9% for safety employees of their annual covered salary. The City makes such employee contributions on their behalf and for their account for those employees hired before January 1, 2013 for police safety and fire safety and July 1, 2012 for miscellaneous employees. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. CalPERS prepares separate actuarial valuations for miscellaneous, fire safety and police safety members. The required employer contribution rate for the fiscal year ended June 30, 2014 was 17.621% for miscellaneous members; 39.263% for police safety members and 28.073% for fire safety members. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS. The miscellaneous members reimburse the City for the cost of an enhanced benefit at a rate of 6.7%. Police safety and fire safety employees reimburse the City at a rate of 3.0%. Starting July 1, 2014, fire plan members began paying the employee contribution at a rate of 8.0%.

#### **Annual Pension Cost**

For the fiscal year ended June 30, 2014, the City's annual required contribution was \$39,440,063. Additionally, the City paid \$13,463,420 on behalf of employees. The City received reimbursements of \$10,452,275 from the miscellaneous members, \$1,915,436 from police safety members and \$960,894 from fire safety members for total reimbursements of \$13,328,605. The required contribution for the fiscal year ended June 30, 2014 was determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percentage of payroll. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.3% to 14.2%; and (c) 3.00% cost-of-living adjustment. Both (a) and (b) include an inflation component of 2.75%. The actuarial value of the Plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments by computing an expected value of assets along with the actual market value of assets. The Plan's unfunded accrued liability (or excess assets) is being amortized as a level percentage of projected payrolls on a closed basis over a period not to exceed twenty years.

#### **Changes in Valuation Assumptions**

On April 17, 2013, the CalPERS Board of Administration approved a recommendation to change the CalPERS amortization and rate smoothing policies. Beginning with the June 30, 2013 valuations that set the FY 2015-16 rates, CalPERS will no longer use an actuarial value of assets and will employ an amortization and smoothing policy that will pay for all gains or losses over a fixed 30 year period with increases or

# CITY OF SANTA MONICA, CALIFORNIA

## Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2014

decreases in the rate spread directly over a 5 year period. CalPERS will change their mortality assumptions beginning with the 2014 valuation which will impact the FY 2016-17 rates.

### Three Year Trend Information for the Annual Pension Cost Funding for the Plan

Fiscal year ended June 30	Annual pension cost (APC)*	Percentage of APC contributed	Net pension Asset
2014			
Miscellaneous	\$ 25,058,063	108%	15,627,354
Police	11,203,283	111%	4,397,799
Fire	4,430,260	112%	1,844,111
Total	<u>\$ 40,691,606</u>		<u>21,869,264</u>
2013			
Miscellaneous	\$ 23,690,614	96%	13,568,960
Police	10,675,502	98%	3,139,438
Fire	4,050,364	98%	1,314,591
Total	<u>\$ 38,416,480</u>		<u>18,022,989</u>
2012			
Miscellaneous	\$ 21,801,583	131%	14,555,549
Police	9,838,662	118%	3,367,298
Fire	3,654,182	115%	1,410,486
Total	<u>\$ 35,294,427</u>		<u>19,333,333</u>

\* Employer contribution only

### Pension Funding Information

As of June 30, 2013, the date of the latest actuarial valuation, the City's unfunded actuarial accrued liability was \$384,541,555 for all plans. This unfunded liability was primarily the result of a decline in the value of the plan assets, less anticipated investment returns by CalPERS and an increase in benefits for public safety and miscellaneous employees. Additionally, as noted above, for the valuation for the year ended June 30, 2013, CalPERS changed the method by which the value of assets is determine to the market value. The City has addressed the unfunded liability through additional contributions, as determined by CalPERS, in excess of the amount required to fund the current normal cost liability in addition to contributions by all employee groups. Maintaining this funding schedule CalPERS has estimated that the underfunded balance will be amortized over 15 years. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Historical data for the funding progress of the Plans is presented as required supplementary information following the notes to the financial statements. This schedule presents multiyear trend information about whether the actuarial values of the plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.



## CITY OF SANTA MONICA, CALIFORNIA

### Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2014

The City made pension contributions of \$10,000,000 in excess of the annual required contribution in both FY 2010-11 and FY 2011-12 and \$5,097,816 in FY 2013-14. \$21,869,264 has been recorded as a net pension asset on the statement of net position. The net pension asset is being amortized over 30 years. Because of this amortization, the annual pension cost ("APC") reported in FY 2012-13 is higher than the annual required contribution calculated by CalPERS. This results in the percentage of the annual pension cost contributed that is less than 100%. The difference between 100% of the APC and the amount reported in the table is comprised of the amount of amortization of the net pension asset as the City continues to fulfill its obligation to CalPERS each fiscal year.

#### Annual Pension Cost (APC) and Net Pension Asset (NPA)

The City's APC and NPA for the pension plan are as follows (dollars in thousands):

Annual required contribution	\$ 39,440
Interest on net pension asset	(1,351)
Adjustment to annual required contribution	<u>2,603</u>
Annual pension cost	40,692
Contributions made	<u>(44,538)</u>
Increase in net pension asset	3,846
Net pension asset - beginning of the year	<u>18,023</u>
Net pension asset - end of the year	<u><u>\$ 21,869</u></u>

**CITY OF SANTA MONICA, CALIFORNIA**

Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2014

**PENSION FUNDING INFORMATION**

The funded status of the plans as of June 30, 2013, the most current year is as follows:

**Miscellaneous Members  
(dollars in thousands)**

<b>Valuation Date (June 30)</b>	<b>Entry age normal accrued liability</b>	<b>Actuarial value of assets</b>	<b>Unfunded actuarial accrued liability (UAAL)</b>	<b>Funded ratio</b>	<b>Annual covered payroll</b>	<b>UAAL as a percentage of payroll</b>
2013	\$ 810,732	\$ 585,420	\$ 225,312	72.2%	\$ 134,174	167.9%

**Fire Safety Members  
(dollars in thousands)**

<b>Valuation Date (June 30)</b>	<b>Entry age normal accrued liability</b>	<b>Actuarial value of assets</b>	<b>Unfunded actuarial accrued liability (UAAL)</b>	<b>Funded ratio</b>	<b>Annual covered payroll</b>	<b>UAAL as a percentage of payroll</b>
2013	\$ 190,424	\$ 133,725	\$ 56,699	70.2%	\$ 15,275	371.2%

**Police Safety Members  
(dollars in thousands)**

<b>Valuation Date (June 30)</b>	<b>Entry age normal accrued liability</b>	<b>Actuarial value of assets</b>	<b>Unfunded actuarial accrued liability (UAAL)</b>	<b>Funded ratio</b>	<b>Annual covered payroll</b>	<b>UAAL as a percentage of payroll</b>
2013	\$ 346,389	\$ 243,858	\$ 102,531	70.4%	\$ 27,642	370.9%

## **CITY OF SANTA MONICA, CALIFORNIA**

### **Notes to Basic Financial Statements, Continued**

For the fiscal year ended June 30, 2014

#### **Deferred Compensation Plans**

The City offers to its employees an optional deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code. This plan is available to substantially all employees and allows participants to defer a portion of their current income until future years to shelter such funds and earnings from state and federal taxation until withdrawal. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

The City offers an employer discretionary, defined contribution plan established and governed under Internal Revenue Code Section 401(a). Employee-only contributions are calculated based upon a percentage of employee compensation under agreements with employee bargaining groups and unions. For the fiscal year ended June 30, 2014 the total employee contributions were \$545,122.

The City offers to its as-needed employees a separate Section 457 deferred compensation plan under the Omnibus Budget Reconciliation Act (OBRA). This plan is available to all as-needed employees who are not eligible to participate in CalPERS. This plan requires equal employer and employee contributions based on a percentage of earnings. For the fiscal year ended June 30, 2014 the combined employee/employer contributions were \$351,515.

These plans are administered through third-party administrators. The City does not perform the investing function and has no fiduciary accountability for the plans. Thus, plan assets and any related liabilities to plan participants have been excluded from the City's basic financial statements.

#### **Other Postemployment Benefits**

In addition to providing pension benefits through CalPERS, the City, in accordance with agreements with various bargaining units and groups, provides medical insurance benefits that are considered other postemployment benefits (OPEB) to certain retired employees under a single employer benefit plan. These benefits are subject to negotiations between the City and each bargaining unit and the related memorandum of understanding (MOU) is approved by the City Council. Employees of the Executive Pay Plan group and management employees of the Rent Control Board are eligible for a City paid medical insurance benefit if their combined retirement age and years of City service equals or exceeds 70. Under the terms of a MOU between the City and a coalition of the various non-sworn bargaining units (Coalition), all non-sworn permanent retirees are allowed to continue participating in one of the City's health plans at the same rate as active employees. As with other MOU's, this benefit is subject to bargaining between the City and the Coalition. The City also maintains minimum benefits for public safety employees provided by the City's contract with its healthcare provider. The City pays for OPEB through employer only contributions on a pay-as-you-go basis and no contribution is required from employees. The Plan does not issue a stand-alone financial statement.

# CITY OF SANTA MONICA, CALIFORNIA

## Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2014

### Annual OPEB Cost and Net OPEB Obligation

The City's OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance within the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that if paid on an ongoing basis is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years utilizing the level percentage of projected payroll method. The amortization period is open. The City funds OPEB on a pay-as-you-go basis. The City's annual required contribution for FY 2013-14 was 1.7%. The following table shows the components of the City's annual OPEB cost for the year, the amount contributed to the plan, and changes in the City's OPEB obligation to the plan.

### Net OPEB Obligation and Annual OPEB Cost (dollars in thousands)

Annual required contribution	\$ 2,666
Interest on OPEB obligation	424
Adjustment to annual required contribution	(375)
Annual OPEB expense	2,715
Contributions made	(987)
Increase in net OPEB obligation	1,728
Net OPEB obligation - beginning of the year	8,480
Net OPEB obligation - end of the year	\$ 10,208

### Schedule of Employer Contributions (dollars in thousands)

Fiscal Year Ended June 30	Annual OPEB Costs	Annual Contribution	Percentage Contribution	Net OPEB Obligation
2014	\$ 2,715	\$ 987	36.4 %	\$ 10,208
2013	2,451	711	29.0	8,480
2012	2,321	675	29.1	6,740

The funded status of the plan as of July 1, 2013, the most recent actuarial valuation date, is as follows:

### OPEB funding information (dollars in thousands):

Type of Valuation	Valuation date (July 1)	Actuarial value of assets	Actuarial accrued liability	Unfunded actuarial accrued liability (UAAL)	Funded ratio	Annual covered payroll	UAAL as a percentage of payroll	Interest rate	Salary Scale
Actual	2013	\$ -	\$ 28,293	\$ 28,293	0%	\$ 154,532	18.31%	5.00%	3.25%

Historical data for the funding progress of the Plan is presented as required supplementary information following the notes to the financial statements. This schedule presents multiyear trend information about

## **CITY OF SANTA MONICA, CALIFORNIA**

### **Notes to Basic Financial Statements, Continued**

For the fiscal year ended June 30, 2014

whether the actuarial values of the plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

#### **Actuarial methods and assumptions**

Projections of benefits for financial reporting purposes are based on the plan as understood by the City and its employees and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and that actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing costs between the employer and plan member at that point.

In the July 1, 2013 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 5.0% rate of return, which is a blended rate of expected long-term return on plan assets on the City's own investments calculated based on the funded level of the plan at the valuation date, and an annual health care cost trend of 9.5% initially, reduced by decrements to an ultimate rate of 5.0% after 11 years. Both rates include a 3.25% inflation assumption. The remaining amortization period (the amortization period is open) at July 1, 2013 was thirty years. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

#### **Medical Trusts**

The City contributes, consistent with bargaining unit agreements, monies to medical trusts, defined contribution plans, that provide postemployment medical benefits to employees. The amount of benefits provided to employees under these plans is limited solely to the amount contributed (determined by negotiations between the various bargaining groups and the City) related investment earnings, and forfeitures. For the fiscal year ended June 30, 2014 the City contributed \$2,882,626 towards the retiree medical trusts. These are administered through third-party administrators and the City does not perform the investing function or have other significant responsibility relating to the management of plan assets. Thus, plan assets and any related liabilities have been excluded from the City's basic financial statements.

#### **(17) SUCCESSOR AGENCY TRUST FUND FOR ASSETS OF FORMER REDEVELOPMENT AGENCY**

On December 29, 2011, the California Supreme Court upheld AB 1X26 ("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 Monica that previously reported a redevelopment agency within the reporting entity of the City as a blended component unit.

## **CITY OF SANTA MONICA, CALIFORNIA**

### **Notes to Basic Financial Statements, Continued**

**For the fiscal year ended June 30, 2014**

The Bill provides that upon dissolution of a redevelopment agency (RDA), either the sponsoring city or another unit of local government will agree to serve as the “successor agency” to hold the former RDA’s non-housing assets until they are distributed to other units of state and local government. In accordance with the Bill, the successor agency is a separate legal entity from the sponsoring city or other local government unit assuming the functions of the former RDA. The Bill also provides for the transfer of the former RDA's housing assets to the City, acting in its municipal capacity.

On January 10, 2012, the City Council elected to become the Successor Agency for the Redevelopment Agency of the City of Santa Monica in accordance with the Bill as part of City resolution number 10647.

After enactment of the law, which occurred on June 28, 2011, the redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the approval of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of the 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 former redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California to review the propriety of any transfer of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as successor agency by the Bill.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012. The assets and activities of the dissolved redevelopment agency are reported in a private-purpose trust fund in the financial statements of the City.

On June 27, 2012, AB 1484 was passed. The bill purports to clarify implementation procedures of AB 1X26.

Among other requirements, AB 1484 clarified the allowable uses of bond proceeds derived from indebtedness obligations that were issued for the purposes of affordable housing prior to January 1, 2011, and were backed by the Low and Moderate Income Housing Fund. The proceeds are allowed to be used for purposes that are consistent with the indebtedness obligation covenants.

## CITY OF SANTA MONICA, CALIFORNIA

### Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2014

#### Cash and Investments

Cash and investments as of June 30, 2014 are classified in the accompanying financial statements as follows:

##### Statement of Fiduciary Net Position:

Restricted cash and investments	\$	13,411,122
Restricted cash and investments with fiscal agent		<u>10,133,811</u>
Total cash and investments	\$	<u><u>23,544,933</u></u>

Investments of the Successor Agency are governed by Government Code Section 53601, which restricts the term and types of investments that can be made. See Note 5.

#### Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Successor Agency's investment policy. The table below identifies the investment types that are authorized for investments held by the bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
U.S. Treasury Obligations	None	None	None
Federal Housing Administration Debentures	None	None	None
U.S. Agency Securities	None	None	None
Time Deposits	None	None	None
Unsecured Certificates of Deposit	180 days	None	None
Banker's Acceptances	180 days	None	None
State Obligations	None	None	None
Repurchase Agreements	1 year	None	None
Pre-refunded Municipal Obligations	None	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	None	None	None
Investment Contracts	30 years	None	None

#### Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Successor Agency manages its exposure to interest

# CITY OF SANTA MONICA, CALIFORNIA

## Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2014

rate risk is by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the Successor Agency's investments held by bond trustee to market interest rate fluctuations is provided by the following table that shows the distribution of these investments by maturity.

<u>Investment Type</u>		<u>Maturity</u>
		<u>12 Months or less</u>
Held by Successor Agency		
Money market funds	\$	13,411,122
Held by bond trustee:		
Money market funds		8,336,811
U.S. agency securities		<u>1,797,000</u>
Total	\$	<u><u>23,544,933</u></u>

### Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

<u>Investment Type</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>AAA</u>
Held by Successor Agency			
Money market funds	\$ 13,411,122	AA	13,411,122
Held by bond trustee:			
Money market funds	8,336,811	AA	8,336,811
U.S. agency securities	<u>1,797,000</u>	N/A	<u>1,797,000</u>
Total	\$ <u><u>23,544,933</u></u>		<u><u>23,544,933</u></u>

### Concentration of Credit Risk

No investments in any one issuer (other than U.S. Treasury securities, mutual funds, and investment pools) represent 5% or more of total investments.



## CITY OF SANTA MONICA, CALIFORNIA

### Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2014

#### Custodial Credit Risk

The Successor Agency does not have significant separate certificates of deposit or demand accounts held by bond trustee that have disclosable custodial credit risk (as defined by GASB Statement No. 40).

For the investments held by bond trustee, the bond trustee selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the reporting government.

#### Due to other governments

Due to other governments consists of \$42,588,172 due under a settlement agreement with the State and \$4,458,538 due under various pass-through agreements.

#### Payments to the City of Santa Monica

Payments to the City of Santa Monica are comprised of reimbursements to the City for staff costs related to operating the Successor Agency.

### SUCCESSOR AGENCY LONG-TERM LIABILITIES

#### Changes in long-term liabilities:

Long-term liability activity for the fiscal year ended June 30, 2014 was as follows:

	Balance at July 1, 2013 Reclassified (1)	Additions	Reductions	Balance at June 30, 2014	Due within one year	Due beyond one year
Loans and notes payable	\$ 88,210,877	—	8,571,429	79,639,448	8,832,277	70,807,171
Term loan	46,969,698	—	3,030,302	43,939,396	3,030,301	40,909,095
Tax allocation bonds	101,860,000	—	3,425,000	98,435,000	3,595,000	94,840,000
Promissory notes payable to the City of Santa Monica	32,796,127	2,483,434	—	35,279,561	6,325,803	28,953,758
Less deferred amounts:						
For issuance discounts	(129,333)	—	(8,083)	(121,250)	—	(121,250)
For issuance premiums	396,200	—	16,522	379,678	—	379,678
Total loans, notes and bonds payable	\$ 270,103,569	2,483,434	15,035,170	257,551,833	21,783,381	235,768,452

- (1) GASB Statement No. 65 requires the reporting of losses on refundings of debt as deferred outflows of resources. As such, the beginning balances of loss on refundings of debt have been reclassified as deferred outflows of resources.

# CITY OF SANTA MONICA, CALIFORNIA

## Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2014

A summary of long-term bonds and loans outstanding at year-end is as follows:

	<u>Date of issue</u>	<u>Original issue</u>	<u>Final maturity date</u>	<u>Interest rate</u>	<u>Balance at June 30, 2014</u>
Tax allocation bonds:					
Ocean Park Redevelopment Refunding 2002 *	May 1, 2002	\$ 19,315,000	July 1, 2018	3.75-5.00%	\$ 7,555,000
Earthquake Recovery Project 2011 *	June 7, 2011	41,050,000	July 1, 2042	5.00-5.875%	41,050,000
Earthquake Recovery Project Refunding 2006 *	April 1, 2006	64,720,000	July 1, 2030	4.00-5.50%	49,830,000
Subtotal tax allocation bonds					<u>98,435,000</u>
Loans and notes:					
Wells Fargo Bank (1)	Mar 11, 2011	60,000,000	Jan 1, 2018	70% LIBOR plus 1.5%	38,571,428
Bank of America Term Loan (2)	May 1, 2008	50,000,000	July 15, 2028	LIBOR plus 1.25%	43,939,396
Promissory note to the City of Santa Monica (3)	June 30, 1981	871,840	June 29, 2028	7%	1,889,380
Promissory note to the City of Santa Monica (3)	Oct 24, 1978	4,400,000	June 29, 2028	7%	22,217,552
Promissory note to the City of Santa Monica (3)	June 30, 1981	1,243,266	June 29, 2021	12%	9,415,772
Promissory note to the City of Santa Monica (3)	Sept 14, 1983	280,837	June 29, 2021	12%	1,182,338
Promissory note to the City of Santa Monica (3)	July 1, 1996	346,552	Demand	LAIF	574,519
Promissory notes (4)	Nov 1, 2010	42,500,000	Jan 1, 2042	6.82%	41,068,020
Subtotal loans and notes					<u>158,858,405</u>
Total					<u>\$ 257,293,405</u>

\* Final and conclusive determination received from the Department of Finance

- (1) To fund various capital projects
- (2) To fund low moderate income housing projects
- (3) For project area costs including the purchase of land and other capital assets
- (4) For purchase of real estate

# CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2014

Annual debt service requirements to maturity are as follows:

Fiscal year ending June 30,	Tax allocation bonds		Loans and notes payable		Promissory notes payable City of Santa Monica		Total	
	Principal	Interest	Principal	Interest	Principal*	Interest	Principal	Interest
2015	\$ 3,595,000	4,783,421	11,862,578	4,576,489	6,325,803	2,486,716	21,783,381	11,846,626
2016	3,755,000	4,620,181	12,119,529	4,256,985	983,239	2,568,761	16,857,768	11,445,927
2017	3,920,000	4,446,063	12,154,831	4,161,270	1,177,023	2,485,977	17,251,854	11,093,310
2018	4,105,000	4,264,574	12,192,541	4,058,864	3,177,595	2,384,405	19,475,136	10,707,843
2019	4,285,000	4,074,748	7,947,107	3,632,993	3,626,360	2,047,640	15,858,467	9,755,381
2020-2024	11,670,000	18,311,717	15,983,827	14,577,496	11,833,316	5,253,604	39,487,143	38,142,817
2025-2029	17,755,000	14,561,570	20,523,096	12,145,046	8,129,427	1,464,610	46,407,523	28,171,226
2030-2034	15,405,000	10,457,050	9,558,181	8,972,566	—	—	24,963,181	19,429,616
2035-2039	14,665,000	6,618,956	11,758,100	5,741,898	—	—	26,423,100	12,360,854
2040-2042	19,280,000	1,795,238	9,479,054	1,320,946	—	—	28,759,054	3,116,184
	<u>\$ 98,435,000</u>	<u>73,933,518</u>	<u>123,578,844</u>	<u>63,444,553</u>	<u>35,252,763</u>	<u>18,691,713</u>	<u>257,266,607</u>	<u>156,069,784</u>

\* Principal balance increases during some periods due to negative amortization.

# CITY OF SANTA MONICA, CALIFORNIA

## Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2014

### **Pledged Revenue**

The Former Redevelopment Agency had a number of debt issues that were assumed by the Successor Agency that involve the pledging of revenues. The amounts and terms of the remainder of these commitments and the purposes for which the proceeds of the debt issuances are utilized are indicated in the summary of long-term bonds and loans and notes outstanding at year-end presented in this note. AB1X26 only allows sufficient tax revenues to be allocated to the Successor Agency in an amount equal to pay debt service that is deemed to be an enforceable obligation and debt service payments as a percentage of the pledged gross revenue (net of certain expenses where so specified in debt covenants) will always be 100%. These percentages also approximate the relationship of debt service to pledged revenue for the remainder of the term of the commitment.

Description of pledged revenue/debt	Annual amount of pledged revenue (net of expenses where required	Annual debt service payments (of all debt secured by this revenue)	Debt service as a percentage of pledged revenue	Future amount of pledged revenue
Tax increment				
Ocean Park Redevelopment Refunding 2002	\$ 1,746,380	\$ 1,746,380	100%	\$ 6,977,000
Earthquake Recovery Project Refunding 2006	4,447,694	4,447,694	100%	66,733,230
Earthquake Recovery Project 2011	2,262,413	2,262,413	100%	92,627,944
Loan Payable	9,263,561	9,263,561	100%	35,828,571
Note Payable	3,300,000	3,300,000	100%	94,560,834
Term Loan	3,765,470	3,765,470	100%	48,779,719

### **Settlement with the Department of Finance**

On October 28, 2013, the City and the Successor Agency entered into a settlement agreement with the Department of Finance, the State Controller and the Board of Equalization (collectively “the State”). The agreement resolves the lawsuit filed by the City and the Successor Agency against the State relating to the State’s implementation of AB1X26 and AB 1484.

The agreement calls for the Successor Agency’s payment of \$56,784,229 to the County Auditor-Controller, payable in equal installments due January 15, 2014, July 15, 2014, January 15, 2015 and July 15, 2015. The first installment of \$14,196,057 was paid on January 15, 2014, leaving a liability of \$42,588,172 as of June 30, 2014. The July 2014 and January 2015 payments have been made. The General Fund reported the payment due July 15, 2014 of \$14,196,057 as an extraordinary loss. While the settlement agreement met the criteria of an extraordinary loss and was accrued in the government-wide Statement of Activities in the prior year, the impact of the extraordinary loss is reported in the General Fund’s Statement of Revenues, Expenditures and Changes in Fund Balance when payments are made.

## **CITY OF SANTA MONICA, CALIFORNIA**

### **Notes to Basic Financial Statements, Continued**

For the fiscal year ended June 30, 2014

Upon making the final payment the State will issue a Finding of Completion to the Successor Agency. Among other things, the finding of completion allows the Successor Agency to:

- File a long-range property management plan
- Make certain loan repayments to the City
- Utilize proceeds from bonds issued prior to January 1, 2011 in a manner consistent with the original bond covenants

The payment of all installments represents the payment of all uncommitted or unobligated cash balances previously held by or paid to the Redevelopment Agency (RDA) of the City of Santa Monica and the Santa Monica Successor Agency. Approximately 14% of the amounts paid will be returned to the City in the form of residual cash payments.

Additionally, the agreement authorized the Successor Agency to expend any remaining Bank of America loan proceeds on any affordable housing projects in accordance with the loan agreement.

#### **State Controller Asset Transfer Review**

The Governor and Legislature directed the State Controller's Office to review all RDA asset transfers made to a city, county or other local agency after January 1, 2011. Any asset transferred to a public agency that was not contractually committed to a third party by June 28, 2011 must be sent to the RDA's successor agency and be used to retire debt or support local services.

On October 14, 2014 the State Controller's Office issued their preliminary findings on their review of asset transfers. The findings identified two transfers that purportedly did not comply with the redevelopment dissolution statute. Although the City disagrees with the findings, the Successor Agency has recorded a receivable from the City in the amount of \$19,149,679 as of June 30, 2014. This amount has been recorded as an extraordinary loss in the government-wide Statement of Activities and the General Fund's Statement of Revenues, Expenditures and Changes in Fund Balance and as an extraordinary gain in the Successor Agency's Statement of Changes in Fiduciary Net Position because it is the final resolution of the contingency related to the dissolution of the redevelopment agency that occurred on February 1, 2012 and the dissolution event was deemed extraordinary. This amount was unknown at the time of the dissolution on February 1, 2012.

#### **Subsequent Events**

On September 15, 2014, the Santa Monica Redevelopment Successor Oversight Board approved the redemption of the Ocean Park Redevelopment Refunding Bonds Series 2002. The bonds were redeemed January 1, 2015 with funds currently held by the Successor Agency.

On November 21, 2014, the Department of Finance (DOF) issued a final and conclusive determination that the Wells Fargo and Bank of America Loans are enforceable obligations, meaning funding of the debt service from property tax is approved through the term of the remaining debt service.

**CITY OF SANTA MONICA, CALIFORNIA**

Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2014

On January 14, 2015, the Successor Agency made a final settlement payment totaling \$28,392,114 which included the payments due January and July 2015. On January 16, 2015, the DOF issued a finding of completion to the Successor Agency which allows among other things to place loan agreements between the former RDA and the City on the ROPS as an enforceable obligation and to utilize proceeds derived from bonds issued before January 1, 2011 in a manner consistent with the original bond covenants.

**(18) SUBSEQUENT EVENTS**

On October 31, 2014 Rodney S. Gould, City Manager, paid off his loan. See note 6 for details of the note.

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**City of Santa Monica, California**  
**Year Ended June 30, 2014**

**Required Supplementary Information**



# CITY OF SANTA MONICA, CALIFORNIA

Required Supplementary Information – Pension Funding Information  
For the fiscal year ended June 30, 2014  
(Unaudited)

## PENSION FUNDING INFORMATION

The City's Pension Plans include separate valuations for Miscellaneous Members, Fire Safety Members and Police Safety Members. The funded status of the Plan for each of these member groups for the actuarial valuations performed as of June 30, 2011 through 2013 are as follows (valuations for 2014 are not yet available):

### Miscellaneous Members (dollars in thousands)

Valuation Date (June 30)	Entry age normal accrued liability	Actuarial value of assets	Unfunded actuarial accrued liability (UAAL)	Funded ratio	Annual covered payroll	UAAL as a percentage of payroll
2013	\$ 810,732	\$ 585,420	\$ 225,312	72.2%	\$ 134,174	167.9%
2012	757,193	604,495	152,698	79.8%	129,806	117.6%
2011	700,594	553,563	147,031	79.0%	125,749	116.9%

### Fire Safety Members (dollars in thousands)

Valuation Date (June 30)	Entry age normal accrued liability	Actuarial value of assets	Unfunded actuarial accrued liability (UAAL)	Funded ratio	Annual covered payroll	UAAL as a percentage of payroll
2013	\$ 190,424	\$ 133,725	\$ 56,699	70.2%	\$ 15,275	371.2%
2012	182,266	146,676	35,590	80.5%	14,362	247.8%
2011	173,591	140,675	32,916	81.0%	14,057	234.2%

### Police Safety Members (dollars in thousands)

Valuation Date (June 30)	Entry age normal accrued liability	Actuarial value of assets	Unfunded actuarial accrued liability (UAAL)	Funded ratio	Annual covered payroll	UAAL as a percentage of payroll
2013	\$ 346,389	\$ 243,858	\$ 102,531	70.4%	\$ 27,642	370.9%
2012	326,610	256,820	69,790	78.6%	27,208	256.5%
2011	307,730	241,473	66,257	78.5%	25,800	256.8%

**CITY OF SANTA MONICA, CALIFORNIA**

Required Supplementary Information – OPEB Funding Information  
For the fiscal year ended June 30, 2014  
(Unaudited)

**OPEB FUNDING INFORMATION (dollars in thousands):**

<b>Type of Valuation</b>	<b>Valuation date (July 1)</b>	<b>Actuarial value of assets</b>	<b>Actuarial accrued liability</b>	<b>Unfunded actuarial accrued liability (UAAL)</b>	<b>Funded ratio</b>	<b>Annual covered payroll</b>	<b>UAAL as a percentage of payroll</b>	<b>Interest rate</b>	<b>Salary Scale</b>
Actual	2013	-	\$ 28,293	\$ 28,293	0%	\$ 154,532	18.31%	5.00%	3.25%
Update	2012	-	25,647	25,647	0%	173,175	14.81%	5.00%	3.25%
Actual	2011	-	23,841	23,841	0%	167,724	14.21%	5.00%	3.25%

The schedule of funding progress, presents multi-year trend information, which shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**City of Santa Monica, California**  
**Year Ended June 30, 2014**

**Supplementary Information**

## **CITY OF SANTA MONICA, CALIFORNIA**

### **Nonmajor Governmental Fund Financial Statements**

**Special Revenue Funds** are used to account for specific revenue sources that are restricted or committed to expenditures for particular purposes. The nonmajor special revenue funds used in this report are listed below:

**Beach Recreation Fund** – To account for beach parking and concession revenues restricted or committed for expenditures related to beach maintenance and recreation activities.

**Housing Authority Fund** – To account for the receipt and expenditure of Federal and State funds related to housing programs.

**Tenant Ownership Rights Charter Amendment (TORCA) Fund** – To account for filing fee and conversion tax revenues and expenditures related to various housing programs authorized by Chapter XX of the City Charter.

**Low and Moderate Income Housing Asset Fund** – Under Senate Bill 341, housing assets transferred to the City's Housing Successor Agency together with any funds generated from housing assets, shall be maintained in a separate Low and Moderate Income Housing Asset Fund. These funds can be used as previously allowed under the Low and Moderate Income Housing Fund established under Community Redevelopment Law, program monitoring and preserving the long-term affordability of units subject to affordability restrictions, homeless prevention and rapid rehousing services, and for the development of affordable housing for lower income households.

**Asset Seizure Fund** – To account for the receipt and expenditure of equitable sharing program funds.

**Citizens Option for Public Safety Fund** – To account for the receipt and expenditure of the Citizens Option for Public Safety program established by AB3229 of 1996.

**Rent Control Fund** – To account for revenues and expenditures that are restricted or committed for rent control activities.

**Gas Tax Fund** – To account for State and County gasoline tax allocations and any Federal funds provided to the City for street-related purposes.

**Capital Projects Funds** are used to account for the accumulation of resources that are restricted, committed or assigned for the acquisition or construction of major capital facilities of the City other than those financed by proprietary funds and trust funds. The nonmajor capital projects funds used in this report are listed below:

**Clean Beaches and Ocean Parcel Tax Fund** – To account for activity related to implementation of Watershed Management Plan and the passage of Measure V in November 2006.

**Disaster Relief Fund** – To account for Federal and State disaster relief revenues and expenditures associated with recovery from the January 17, 1994 Northridge Earthquake.

## **CITY OF SANTA MONICA, CALIFORNIA**

**Community Development Block Grant (CDBG) Fund** – To account for Federal entitlements under the Housing and Community Development Act of 1974, as amended. The City Council annually allocates CDBG funds to various programs.

**Miscellaneous Grants Fund** – To account for the receipt and expenditure of Federal, State and County awarded grants and special allocations provided to the City.

**Air Quality Management District (AQMD) Fund** – To account for the receipt and expenditure of Air Quality Management District funds.

**Parks and Recreation Fund** – To account for funds collected under the City's Unit Dwelling Tax. These funds are to be used for the acquisition, improvement and expansion of public parks, playgrounds and recreational facilities.

**Debt Service Funds** are used to accumulate resources that are restricted, committed, or assigned for, and the payment of, general long-term debt principal, interest and related costs. The debt service funds used by the City in this report are listed below:

**City Fund** – To account for accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs for library, public safety facility and parking authority bonds.

**Permanent Funds** are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for restricted purposes. The specific permanent funds used by the City in this report are listed below:

**Cemetery Perpetual Care Fund** – To account for all funds received by the City from cemetery users for the perpetual care of the cemetery grounds.

**Mausoleum Perpetual Care Fund** – To account for all funds designated for perpetual care of the mausoleum located at the City cemetery.

**CITY OF SANTA MONICA, CALIFORNIA**  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2014

	Special Revenue					
	Beach Recreation	Housing Authority	TORCA	Low and Moderate Income Housing Asset	Asset Seizure	Citizens Option for Public Safety
<b>Assets</b>						
Cash and investments	\$ 13,553,798	-	3,989,499	849,928	895,051	219,934
Restricted cash and investments	84,872	679,780	-	-	-	-
Receivables (net, where applicable, of allowances for uncollectibles):						
Accounts	71,742	-	30,758	94,822	21,567	13,856
Notes	-	-	8,714,909	48,083,721	-	-
Interest	17,965	-	6,364	1,810	1,098	382
Other governments	-	315,508	-	-	-	-
Deposits	-	-	-	-	-	-
Prepays	1,291	13,791	-	-	-	-
Restricted cash and investments with fiscal agent	-	-	-	-	-	-
Advances to Successor Agency	-	-	-	-	-	-
Total assets	<u>\$ 13,729,668</u>	<u>1,009,079</u>	<u>12,741,530</u>	<u>49,030,281</u>	<u>917,716</u>	<u>234,172</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficit)</b>						
<b>Liabilities</b>						
Accounts payable	\$ 840,572	171,455	416	1,835	11,172	24,065
Accrued liabilities	168,231	56,187	-	-	-	-
Contracts payable (retained percentage)	36,519	-	-	-	-	-
Due to other funds	-	307,385	-	-	-	-
Unearned revenue	3,156	-	-	-	-	-
Deposits payable	86,372	-	-	-	-	-
Advances from other funds	3,842,973	-	-	-	-	-
Total liabilities	<u>4,977,823</u>	<u>535,027</u>	<u>416</u>	<u>1,835</u>	<u>11,172</u>	<u>24,065</u>
<b>Deferred inflows of resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances (deficit)</b>						
Nonspendable	1,291	13,791	-	-	-	-
Restricted	7,205,307	460,261	9,614,909	49,028,446	906,544	210,107
Committed	10,000	-	-	-	-	-
Assigned	1,535,247	-	3,126,205	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances (deficit)	<u>8,751,845</u>	<u>474,052</u>	<u>12,741,114</u>	<u>49,028,446</u>	<u>906,544</u>	<u>210,107</u>
Total liabilities, deferred inflows of resources, and fund balances (deficit)	<u>\$ 13,729,668</u>	<u>1,009,079</u>	<u>12,741,530</u>	<u>49,030,281</u>	<u>917,716</u>	<u>234,172</u>

continued

# CITY OF SANTA MONICA, CALIFORNIA

## Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2014

	Special Revenue		Capital Projects			
	Rent Control	Gas Tax	Clean Beaches and Ocean Parcel Tax	Disaster Relief	Community Development Block Grant	Miscellaneous Grants
<b>Assets</b>						
Cash and investments	\$ 1,506,058	427,657	7,400,506	14,978	140,095	-
Restricted cash and investments	-	-	-	-	299,603	8,906,731
Receivables (net, where applicable, of allowances for uncollectibles):						
Accounts	-	-	44,095	-	75,069	648,591
Notes	-	-	-	-	9,770,932	7,028,861
Interest	3,739	1,512	14,069	23	444	15,174
Other governments	-	-	-	6,291,367	-	251,150
Deposits	-	-	-	-	3,257	-
Prepays	13,573	-	1,927	-	-	-
Restricted cash and investments with fiscal agent	-	-	-	-	-	-
Advances to Successor Agency	-	-	-	-	11,172,628	-
Total assets	<u>\$ 1,523,370</u>	<u>429,169</u>	<u>7,460,597</u>	<u>6,306,368</u>	<u>21,462,028</u>	<u>16,850,507</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficit)</b>						
<b>Liabilities</b>						
Accounts payable	\$ 29,092	2,114	11,140	-	164,884	839,131
Accrued liabilities	172,334	-	-	-	-	29,307
Contracts payable (retained percentage)	-	937	-	-	28,223	144,895
Due to other funds	-	-	-	829,399	-	-
Unearned revenue	-	-	-	-	-	-
Deposits payable	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-
Total liabilities	<u>201,426</u>	<u>3,051</u>	<u>11,140</u>	<u>829,399</u>	<u>193,107</u>	<u>1,013,333</u>
<b>Deferred inflows of resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,443,126</u>	<u>9,301,972</u>	<u>-</u>
<b>Fund balances (deficit)</b>						
Nonspendable	13,573	-	1,927	-	-	-
Restricted	905,446	419,441	7,447,530	-	11,960,395	15,798,237
Committed	41,975	-	-	-	-	-
Assigned	360,950	6,677	-	-	6,554	38,937
Unassigned	-	-	-	(966,157)	-	-
Total fund balances (deficit)	<u>1,321,944</u>	<u>426,118</u>	<u>7,449,457</u>	<u>(966,157)</u>	<u>11,966,949</u>	<u>15,837,174</u>
Total liabilities, deferred inflows of resources, and fund balances (deficit)	<u>\$ 1,523,370</u>	<u>429,169</u>	<u>7,460,597</u>	<u>6,306,368</u>	<u>21,462,028</u>	<u>16,850,507</u>

continued

# CITY OF SANTA MONICA, CALIFORNIA

## Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2014

	<b>Capital Projects</b>		<b>Debt Service</b>	<b>Permanent</b>		<b>Total nonmajor governmental funds</b>
	<b>AQMD</b>	<b>Parks and Recreation</b>	<b>City</b>	<b>Cemetery Perpetual Care</b>	<b>Mausoleum Perpetual Care</b>	
<b>Assets</b>						
Cash and investments	\$ 879,404	217,260	-	29,384	5,807	30,129,359
Restricted cash and investments	-	-	-	-	-	9,970,986
Receivables (net, where applicable, of allowances for uncollectibles):						
Accounts	-	-	-	4,754	-	1,005,254
Notes	-	-	-	-	-	73,598,423
Interest	1,227	343	-	65,218	7,160	136,528
Other governments	29,400	-	-	-	-	6,887,425
Deposits	-	-	-	-	-	3,257
Prepays	-	-	-	-	-	30,582
Restricted cash and investments with fiscal agent	-	-	8,675,350	10,214,734	1,174,791	20,064,875
Advances to Successor Agency	-	-	-	-	-	11,172,628
Total assets	<u>\$ 910,031</u>	<u>217,603</u>	<u>8,675,350</u>	<u>10,314,090</u>	<u>1,187,758</u>	<u>152,999,317</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficit)</b>						
<b>Liabilities</b>						
Accounts payable	\$ 328	-	-	-	-	2,096,204
Accrued liabilities	-	-	-	-	-	426,059
Contracts payable (retained percentage)	-	-	-	-	-	210,574
Due to other funds	-	-	-	-	-	1,136,784
Unearned revenue	-	-	-	-	-	3,156
Deposits payable	-	-	-	-	-	86,372
Advances from other funds	-	-	-	-	-	3,842,973
Total liabilities	<u>328</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,802,122</u>
<b>Deferred inflows of resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,745,098</u>
<b>Fund balances (deficit)</b>						
Nonspendable	-	-	-	10,314,090	1,187,758	11,532,430
Restricted	909,703	127,901	8,675,350	-	-	113,669,577
Committed	-	-	-	-	-	51,975
Assigned	-	89,702	-	-	-	5,164,272
Unassigned	-	-	-	-	-	(966,157)
Total fund balances (deficit)	<u>909,703</u>	<u>217,603</u>	<u>8,675,350</u>	<u>10,314,090</u>	<u>1,187,758</u>	<u>129,452,097</u>
Total liabilities, deferred inflows of resources, and fund balances (deficit)	<u>\$ 910,031</u>	<u>217,603</u>	<u>8,675,350</u>	<u>10,314,090</u>	<u>1,187,758</u>	<u>152,999,317</u>



**CITY OF SANTA MONICA, CALIFORNIA**  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)  
Nonmajor Governmental Funds  
For the fiscal year ended June 30, 2014

	<b>Special Revenue</b>					
	<b>Beach Recreation</b>	<b>Housing Authority</b>	<b>TORCA</b>	<b>Low and Moderate Income Housing Asset</b>	<b>Asset Seizure</b>	<b>Citizens Option for Public Safety</b>
Revenues:						
Other taxes	\$ -	-	58,974	-	-	-
Licenses and permits	86,596	-	-	-	-	-
Intergovernmental	-	16,149,915	-	-	585,859	155,170
Charges for services	13,297,134	-	-	-	-	-
Investment income	118,096	7,934	41,737	26,041	6,558	2,205
Rental income	1,245,431	-	-	-	-	-
Other	868,230	-	305,583	702,778	-	-
Total revenues	15,615,487	16,157,849	406,294	728,819	592,417	157,375
Expenditures:						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	104,432	225,044
General services	4,049,922	-	-	-	-	-
Cultural and recreation services	8,669,585	-	-	-	-	-
Library	-	-	-	-	-	-
Housing and community development	-	17,163,069	474,177	117,750	-	-
Debt service expenditures:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	12,719,507	17,163,069	474,177	117,750	104,432	225,044
Excess (deficiency) of revenues over (under) expenditures	2,895,980	(1,005,220)	(67,883)	611,069	487,985	(67,669)
Other financing sources (uses)						
Transfers in	-	580,409	-	-	-	-
Transfers out	-	-	(71,029)	(7,739,814)	-	-
Total other financing sources (uses)	-	580,409	(71,029)	(7,739,814)	-	-
Net change in fund balances	2,895,980	(424,811)	(138,912)	(7,128,745)	487,985	(67,669)
Fund balances (deficit) at the beginning of year	5,855,865	898,863	12,880,026	56,157,191	418,559	277,776
Fund balances (deficit) at end of year	\$ 8,751,845	474,052	12,741,114	49,028,446	906,544	210,107

continued

**CITY OF SANTA MONICA, CALIFORNIA**  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)  
Nonmajor Governmental Funds  
For the fiscal year ended June 30, 2014

	<b>Special Revenue</b>		<b>Capital Projects</b>			
	<b>Rent Control</b>	<b>Gas Tax</b>	<b>Clean Beaches and Ocean Parcel Tax</b>	<b>Disaster Relief</b>	<b>Community Development Block Grant</b>	<b>Miscellaneous Grants</b>
Revenues:						
Other taxes	\$ -	-	2,839,282	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	2,778,326	-	182,750	1,213,234	11,744,363
Charges for services	4,633,546	-	-	-	-	-
Investment income	30,160	10,369	85,653	146	2,189	94,786
Rental income	-	-	-	-	-	-
Other	1,847	-	-	-	-	199,970
Total revenues	<u>4,665,553</u>	<u>2,788,695</u>	<u>2,924,935</u>	<u>182,896</u>	<u>1,215,423</u>	<u>12,039,119</u>
Expenditures:						
Current:						
General government	-	-	-	121	6,511	284,077
Public safety	-	-	-	-	-	930,974
General services	-	353,691	2,062,519	-	-	5,689,604
Cultural and recreation services	-	-	-	-	684,347	519,596
Library	-	-	-	-	-	16,223
Housing and community development	4,478,932	-	-	-	344,254	763,584
Debt service expenditures:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	<u>4,478,932</u>	<u>353,691</u>	<u>2,062,519</u>	<u>121</u>	<u>1,035,112</u>	<u>8,204,058</u>
Excess (deficiency) of revenues over (under) expenditures	<u>186,621</u>	<u>2,435,004</u>	<u>862,416</u>	<u>182,775</u>	<u>180,311</u>	<u>3,835,061</u>
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	(2,778,327)	(1,549,740)	-	(196,991)	(782,622)
Total other financing sources (uses)	<u>-</u>	<u>(2,778,327)</u>	<u>(1,549,740)</u>	<u>-</u>	<u>(196,991)</u>	<u>(782,622)</u>
Net change in fund balances	<u>186,621</u>	<u>(343,323)</u>	<u>(687,324)</u>	<u>182,775</u>	<u>(16,680)</u>	<u>3,052,439</u>
Fund balances (deficit) at the beginning of year	<u>1,135,323</u>	<u>769,441</u>	<u>8,136,781</u>	<u>(1,148,932)</u>	<u>11,983,629</u>	<u>12,784,735</u>
Fund balances (deficit) at end of year	<u>\$ 1,321,944</u>	<u>426,118</u>	<u>7,449,457</u>	<u>(966,157)</u>	<u>11,966,949</u>	<u>15,837,174</u>

continued

**CITY OF SANTA MONICA, CALIFORNIA**  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)  
Nonmajor Governmental Funds  
For the fiscal year ended June 30, 2014

	<b>Capital Projects</b>		<b>Debt Service</b>	<b>Permanent</b>		<b>Total nonmajor governmental funds</b>
	<b>AQMD</b>	<b>Parks and Recreation</b>	<b>City</b>	<b>Cemetery Perpetual Care</b>	<b>Mausoleum Perpetual Care</b>	
Revenues:						
Other taxes	\$ -	18,200	-	-	-	2,916,456
Licenses and permits	-	-	-	-	-	86,596
Intergovernmental	113,543	-	-	-	-	32,923,160
Charges for services	-	-	-	151,866	20,325	18,102,871
Investment income	7,634	2,152	50,568	1,305,053	147,173	1,938,454
Rental income	-	-	-	-	-	1,245,431
Other	-	-	-	-	-	2,078,408
Total revenues	121,177	20,352	50,568	1,456,919	167,498	59,291,376
Expenditures:						
Current:						
General government	5,429	-	-	-	-	296,138
Public safety	-	-	-	-	-	1,260,450
General services	19,666	-	-	-	-	12,175,402
Cultural and recreation services	-	39,389	-	-	-	9,912,917
Library	-	-	-	-	-	16,223
Housing and community development	-	-	-	-	-	23,341,766
Debt service expenditures:						
Principal	-	-	5,920,000	-	-	5,920,000
Interest	-	-	3,966,495	-	-	3,966,495
Total expenditures	25,095	39,389	9,886,495	-	-	56,889,391
Excess (deficiency) of revenues over (under) expenditures	96,082	(19,037)	(9,835,927)	1,456,919	167,498	2,401,985
Other financing sources (uses)						
Transfers in	-	-	9,921,325	-	-	10,501,734
Transfers out	-	-	-	(307,923)	(34,737)	(13,461,183)
Total other financing sources (uses)	-	-	9,921,325	(307,923)	(34,737)	(2,959,449)
Net change in fund balances	96,082	(19,037)	85,398	1,148,996	132,761	(557,464)
Fund balances (deficit) at the beginning of year	813,621	236,640	8,589,952	9,165,094	1,054,997	130,009,561
Fund balances (deficit) at end of year	\$ 909,703	217,603	8,675,350	10,314,090	1,187,758	129,452,097

**CITY OF SANTA MONICA, CALIFORNIA**  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Basis)  
Beach Recreation Special Revenue Fund  
For the fiscal year ended June 30, 2014

	<b>Budget</b>	<b>Actual</b>	<b>Encumbrance</b>	<b>Actual, budgetary basis</b>	<b>Variance with budget</b>
Revenues:					
Licenses and permits	\$ 85,350	86,596	—	86,596	1,246
Charges for services	10,627,312	13,297,134	—	13,297,134	2,669,822
Investment income	60,000	118,096	—	118,096	58,096
Rental income	1,118,739	1,245,431	—	1,245,431	126,692
Other	592,018	868,230	—	868,230	276,212
Total revenues	12,483,419	15,615,487	—	15,615,487	3,132,068
Expenditures:					
General services:					
Public Works	4,299,174	3,840,065	13,590	3,853,655	445,519
Other	39,116	47,377	—	47,377	(8,261)
Capital improvement	162,480	162,480	—	162,480	—
Total general services	4,500,770	4,049,922	13,590	4,063,512	437,258
Cultural and recreation services:					
Community and cultural services	7,690,627	7,484,275	21,187	7,505,462	185,165
Capital improvement	2,740,751	1,185,310	154,982	1,340,292	1,400,459
Total cultural and recreation services	10,431,378	8,669,585	176,169	8,845,754	1,585,624
Total expenditures	14,932,148	12,719,507	189,759	12,909,266	2,022,882
Excess (deficiency) of revenues over (under) expenditures	(2,448,729)	2,895,980	(189,759)	2,706,221	5,154,950
Net change in fund balance	(2,448,729)	2,895,980	(189,759)	2,706,221	5,154,950
Fund balance at beginning of year	5,855,865	5,855,865	—	5,855,865	—
Fund balance at end of year	\$ 3,407,136	8,751,845	(189,759)	8,562,086	5,154,950

**CITY OF SANTA MONICA, CALIFORNIA**

Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Basis)  
Housing Authority Special Revenue Fund

For the fiscal year ended June 30, 2014

	<b>Budget</b>	<b>Actual</b>	<b>Encumbrance</b>	<b>Actual, budgetary basis</b>	<b>Variance with budget</b>
Revenues:					
Intergovernmental	\$ 17,578,670	16,149,915	—	16,149,915	(1,428,755)
Investment income	28,000	7,934	—	7,934	(20,066)
Total revenues	<u>17,606,670</u>	<u>16,157,849</u>	<u>—</u>	<u>16,157,849</u>	<u>(1,448,821)</u>
Expenditures:					
Housing and community development:					
Housing and economic development	16,693,911	17,150,698	—	17,150,698	(456,787)
Capital improvement	12,371	12,371	—	12,371	—
Total housing and community development	<u>16,706,282</u>	<u>17,163,069</u>	<u>—</u>	<u>17,163,069</u>	<u>(456,787)</u>
Cultural and recreation services:					
Other	23,191	—	—	—	23,191
Total cultural and recreation services	<u>23,191</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>23,191</u>
Total expenditures	<u>16,729,473</u>	<u>17,163,069</u>	<u>—</u>	<u>17,163,069</u>	<u>(433,596)</u>
Excess (deficiency) of revenues over (under) expenditures	877,197	(1,005,220)	—	(1,005,220)	(1,882,417)
Other financing sources:					
Transfers in	<u>522,214</u>	<u>580,409</u>	<u>—</u>	<u>580,409</u>	<u>58,195</u>
Net change in fund balance	<u>1,399,411</u>	<u>(424,811)</u>	<u>—</u>	<u>(424,811)</u>	<u>(1,824,222)</u>
Fund balance at beginning of year	<u>898,863</u>	<u>898,863</u>	<u>—</u>	<u>898,863</u>	<u>—</u>
Fund balance at end of year	<u>\$ 2,298,274</u>	<u>474,052</u>	<u>—</u>	<u>474,052</u>	<u>(1,824,222)</u>

**CITY OF SANTA MONICA, CALIFORNIA**

Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Basis)  
Tenant Ownership Rights Charter Amendment  
(TORCA) Special Revenue Fund

For the fiscal year ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Other taxes	\$ 80,000	58,974	—	58,974	(21,026)
Investment income	27,000	41,737	—	41,737	14,737
Other	—	305,583	—	305,583	305,583
Total revenues	<u>107,000</u>	<u>406,294</u>	<u>—</u>	<u>406,294</u>	<u>299,294</u>
Expenditures:					
Housing and community development:					
Other	4,000	2,106	—	2,106	1,894
Capital improvement	<u>3,749,905</u>	<u>472,071</u>	<u>165,490</u>	<u>637,561</u>	<u>3,112,344</u>
Total housing and community development	<u>3,753,905</u>	<u>474,177</u>	<u>165,490</u>	<u>639,667</u>	<u>3,114,238</u>
Excess (deficiency) of revenues over (under) expenditures	(3,646,905)	(67,883)	(165,490)	(233,373)	3,413,532
Other financing uses:					
Transfers out	<u>(98,910)</u>	<u>(71,029)</u>	<u>—</u>	<u>(71,029)</u>	<u>27,881</u>
Net change in fund balance	<u>(3,745,815)</u>	<u>(138,912)</u>	<u>(165,490)</u>	<u>(304,402)</u>	<u>3,441,413</u>
Fund balance at beginning of year	<u>12,880,026</u>	<u>12,880,026</u>	<u>—</u>	<u>12,880,026</u>	<u>—</u>
Fund balance at end of year	<u>\$ 9,134,211</u>	<u>12,741,114</u>	<u>(165,490)</u>	<u>12,575,624</u>	<u>3,441,413</u>

**CITY OF SANTA MONICA, CALIFORNIA**  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Basis)  
Low and Moderate Income Housing Asset Special Revenue Fund  
For the fiscal year ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Investment income	\$ 2,200	26,041	—	26,041	23,841
Other income	—	702,778	—	702,778	702,778
Total revenues	<u>2,200</u>	<u>728,819</u>	<u>—</u>	<u>728,819</u>	<u>726,619</u>
Expenditures:					
Housing and community development:					
Other	450,000	115,150	—	115,150	334,850
Capital improvements	24,678	2,600	—	2,600	22,078
Total housing and community development	<u>474,678</u>	<u>117,750</u>	<u>—</u>	<u>117,750</u>	<u>356,928</u>
Total expenditures	<u>474,678</u>	<u>117,750</u>	<u>—</u>	<u>117,750</u>	<u>356,928</u>
Excess (deficiency) of revenues over (under) expenditures	(472,478)	611,069	—	611,069	1,083,547
Other financing uses:					
Transfers out	—	(7,739,814)	—	(7,739,814)	(7,739,814)
Total other financing uses	—	(7,739,814)	—	(7,739,814)	(7,739,814)
Net change in fund balance	(472,478)	(7,128,745)	—	(7,128,745)	(6,656,267)
Fund balance at beginning of year	<u>56,157,191</u>	<u>56,157,191</u>	<u>—</u>	<u>56,157,191</u>	<u>—</u>
Fund balance at end of year	<u>\$ 55,684,713</u>	<u>49,028,446</u>	<u>—</u>	<u>49,028,446</u>	<u>(6,656,267)</u>

**CITY OF SANTA MONICA, CALIFORNIA**

Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Basis)  
Citizens Option for Public Safety Special Revenue Fund

For the fiscal year ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Intergovernmental	\$ 120,000	155,170	—	155,170	35,170
Investment income	2,100	2,205	—	2,205	105
Total revenues	<u>122,100</u>	<u>157,375</u>	<u>—</u>	<u>157,375</u>	<u>35,275</u>
Expenditures:					
Public safety:					
Police	161,258	225,044	39,095	264,139	(102,881)
Total public safety	<u>161,258</u>	<u>225,044</u>	<u>39,095</u>	<u>264,139</u>	<u>(102,881)</u>
Total expenditures	<u>161,258</u>	<u>225,044</u>	<u>39,095</u>	<u>264,139</u>	<u>(102,881)</u>
Deficiency of revenues under expenditures	<u>(39,158)</u>	<u>(67,669)</u>	<u>(39,095)</u>	<u>(106,764)</u>	<u>(67,606)</u>
Net change in fund balance	<u>(39,158)</u>	<u>(67,669)</u>	<u>(39,095)</u>	<u>(106,764)</u>	<u>(67,606)</u>
Fund balance at beginning of year	<u>277,776</u>	<u>277,776</u>	<u>—</u>	<u>277,776</u>	<u>—</u>
Fund balance at end of year	<u>\$ 238,618</u>	<u>210,107</u>	<u>(39,095)</u>	<u>171,012</u>	<u>(67,606)</u>



**CITY OF SANTA MONICA, CALIFORNIA**

Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Basis)  
Gas Tax Special Revenue Fund

For the fiscal year ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Intergovernmental	\$ 2,395,940	2,778,326	—	2,778,326	382,386
Investment income	8,000	10,369	—	10,369	2,369
Total revenues	<u>2,403,940</u>	<u>2,788,695</u>	<u>—</u>	<u>2,788,695</u>	<u>384,755</u>
Expenditures:					
General services:					
Other	5,300	3,691	—	3,691	1,609
Capital improvements	700,000	350,000	—	350,000	350,000
Total general services	<u>705,300</u>	<u>353,691</u>	<u>—</u>	<u>353,691</u>	<u>351,609</u>
Total expenditures	<u>705,300</u>	<u>353,691</u>	<u>—</u>	<u>353,691</u>	<u>351,609</u>
Excess of revenues over expenditures	1,698,640	2,435,004	—	2,435,004	736,364
Other financing (uses):					
Transfers out	<u>(2,395,940)</u>	<u>(2,778,327)</u>	<u>—</u>	<u>(2,778,327)</u>	<u>(382,387)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(697,300)</u>	<u>(343,323)</u>	<u>—</u>	<u>(343,323)</u>	<u>353,977</u>
Net change in fund balance	<u>(697,300)</u>	<u>(343,323)</u>	<u>—</u>	<u>(343,323)</u>	<u>353,977</u>
Fund balance at beginning of year	<u>769,441</u>	<u>769,441</u>	<u>—</u>	<u>769,441</u>	<u>—</u>
Fund balance at end of year	<u>\$ 72,141</u>	<u>426,118</u>	<u>—</u>	<u>426,118</u>	<u>353,977</u>

**CITY OF SANTA MONICA, CALIFORNIA**

Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Basis)  
Clean Beaches and Ocean Parcel Tax Capital Projects Fund

For the fiscal year ended June 30, 2014

	<b>Budget</b>	<b>Actual</b>	<b>Encumbrance</b>	<b>Actual, budgetary basis</b>	<b>Variance with budget</b>
Revenues:					
Other taxes	\$ 2,937,600	2,839,282	—	2,839,282	(98,318)
Investment income	57,000	85,653	—	85,653	28,653
Total revenues	<u>2,994,600</u>	<u>2,924,935</u>	<u>—</u>	<u>2,924,935</u>	<u>(69,665)</u>
Expenditures:					
General services:					
Public works	782,169	292,041	163,047	455,088	327,081
Capital improvement	6,598,523	1,770,478	359,660	2,130,138	4,468,385
Total general services	<u>7,380,692</u>	<u>2,062,519</u>	<u>522,707</u>	<u>2,585,226</u>	<u>4,795,466</u>
Total expenditures	<u>7,380,692</u>	<u>2,062,519</u>	<u>522,707</u>	<u>2,585,226</u>	<u>4,795,466</u>
Excess (deficiency) of revenues over (under) expenditures	(4,386,092)	862,416	(522,707)	339,709	4,725,801
Other financing uses:					
Transfers out	<u>(1,083,349)</u>	<u>(1,549,740)</u>	<u>—</u>	<u>(1,549,740)</u>	<u>(466,391)</u>
Net change in fund balance	<u>(5,469,441)</u>	<u>(687,324)</u>	<u>(522,707)</u>	<u>(1,210,031)</u>	<u>4,259,410</u>
Fund balance at beginning of year	<u>8,136,781</u>	<u>8,136,781</u>	<u>—</u>	<u>8,136,781</u>	<u>—</u>
Fund balance at end of year	<u>\$ 2,667,340</u>	<u>7,449,457</u>	<u>(522,707)</u>	<u>6,926,750</u>	<u>4,259,410</u>

**CITY OF SANTA MONICA, CALIFORNIA**

Statement of Revenues, Expenditures and Changes in  
Fund (Deficit) – Budget and Actual (Non-GAAP Basis)  
Disaster Relief Capital Projects Fund

For the fiscal year ended June 30, 2014

	<b>Budget</b>	<b>Actual</b>	<b>Encumbrance</b>	<b>Actual, budgetary basis</b>	<b>Variance with budget</b>
Revenues:					
Intergovernmental	\$ —	182,750	—	182,750	182,750
Investment income	—	146		146	146
Total revenues	—	182,896	—	182,896	182,896
Expenditures:					
General government:					
Finance	—	121	—	121	(121)
Total general government	—	121	—	121	(121)
Total expenditures	—	121	—	121	(121)
Excess of revenues over expenditures	—	182,775	—	182,775	182,775
Net change in fund balance	—	182,775	—	182,775	182,775
Fund deficit at beginning of year	(1,148,932)	(1,148,932)	—	(1,148,932)	—
Fund deficit at end of year	<u>\$ ( 1,148,932)</u>	<u>(966,157)</u>	<u>—</u>	<u>(966,157)</u>	<u>182,775</u>

**CITY OF SANTA MONICA, CALIFORNIA**

Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Basis)

Community Development Block Grant  
(CDBG) Capital Projects Fund

For the fiscal year ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Intergovernmental	\$ 2,054,558	1,213,234	—	1,213,234	(841,324)
Investment income	<u>1,000</u>	<u>2,189</u>	<u>—</u>	<u>2,189</u>	<u>1,189</u>
Total revenues	<u>2,055,558</u>	<u>1,215,423</u>	<u>—</u>	<u>1,215,423</u>	<u>(840,135)</u>
Expenditures:					
General government:					
Other	<u>6,424</u>	<u>6,511</u>	<u>—</u>	<u>6,511</u>	<u>(87)</u>
Total general government	<u>6,424</u>	<u>6,511</u>	<u>—</u>	<u>6,511</u>	<u>(87)</u>
Cultural and recreation services:					
Community and cultural services	203,837	203,837	—	203,837	—
Capital improvement	<u>804,260</u>	<u>480,510</u>	<u>112,725</u>	<u>593,235</u>	<u>211,025</u>
Total cultural and recreation services	<u>1,008,097</u>	<u>684,347</u>	<u>112,725</u>	<u>797,072</u>	<u>211,025</u>
Housing and community development:					
Other	810,000	260,310	23,234	283,544	526,456
Capital improvement	<u>444,839</u>	<u>83,944</u>	<u>350,672</u>	<u>434,616</u>	<u>10,223</u>
Total housing and community development	<u>1,254,839</u>	<u>344,254</u>	<u>373,906</u>	<u>718,160</u>	<u>536,679</u>
Total expenditures	<u>2,269,360</u>	<u>1,035,112</u>	<u>486,631</u>	<u>1,521,743</u>	<u>747,617</u>
Excess (deficiency) of revenues over (under) expenditures	(213,802)	180,311	(486,631)	(306,320)	(92,518)
Other financing uses:					
Transfer out	<u>(216,500)</u>	<u>(196,991)</u>	<u>—</u>	<u>(196,991)</u>	<u>19,509</u>
Net change in fund balance	(430,302)	(16,680)	(486,631)	(503,311)	(73,009)
Fund balance at beginning of year	<u>11,983,629</u>	<u>11,983,629</u>	<u>—</u>	<u>11,983,629</u>	<u>—</u>
Fund balance at end of year	<u>\$ 11,553,327</u>	<u>11,966,949</u>	<u>(486,631)</u>	<u>11,480,318</u>	<u>(73,009)</u>

**CITY OF SANTA MONICA, CALIFORNIA**  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Basis)  
Miscellaneous Grants Capital Projects Fund  
For the fiscal year ended June 30, 2014

	<b>Budget</b>	<b>Actual</b>	<b>Encumbrance</b>	<b>Actual, budgetary basis</b>	<b>Variance with budget</b>
Revenues:					
Intergovernmental	\$ 25,050,258	11,744,363	—	11,744,363	(13,305,895)
Investment income	56,000	94,786	—	94,786	38,786
Other	50,034	199,970	—	199,970	149,936
Total revenues	<u>25,156,292</u>	<u>12,039,119</u>	<u>—</u>	<u>12,039,119</u>	<u>(13,117,173)</u>
Expenditures:					
General government:					
City manager	645,261	36,553	—	36,553	608,708
Community and cultural services	1,000,000	205,500	554,990	760,490	239,510
Public works	95,316	42,024	—	42,024	53,292
Total general government	<u>1,740,577</u>	<u>284,077</u>	<u>554,990</u>	<u>839,067</u>	<u>901,510</u>
Public safety:					
Police	644,314	407,450	85,601	493,051	151,263
Fire	1,717,224	523,524	—	523,524	1,193,700
Total public safety	<u>2,361,538</u>	<u>930,974</u>	<u>85,601</u>	<u>1,016,575</u>	<u>1,344,963</u>
General services:					
Public works	110,686	61,550	—	61,550	49,136
Big Blue Bus	347,538	326,783	—	326,783	20,755
Capital improvement	24,232,256	5,301,271	5,863,447	11,164,718	13,067,538
Total general services	<u>24,690,480</u>	<u>5,689,604</u>	<u>5,863,447</u>	<u>11,553,051</u>	<u>13,137,429</u>
Cultural and recreation services:					
Community and cultural services	410,869	505,246	47,303	552,549	(141,680)
Public works	—	14,350	—	14,350	(14,350)
Total cultural and recreation services	<u>410,869</u>	<u>519,596</u>	<u>47,303</u>	<u>566,899</u>	<u>(156,030)</u>
Library	16,223	16,223	—	16,223	—
Housing and community development:					
Planning and community development	47,614	47,928	—	47,928	(314)
Big Blue Bus	96,000	96,000	—	96,000	—
Housing and economic development	310,000	290,740	—	290,740	19,260
Capital improvement	4,396,709	328,916	28,432	357,348	4,039,361
Total housing and community development	<u>4,850,323</u>	<u>763,584</u>	<u>28,432</u>	<u>792,016</u>	<u>4,058,307</u>
Total expenditures	<u>34,070,010</u>	<u>8,204,058</u>	<u>6,579,773</u>	<u>14,783,831</u>	<u>19,286,179</u>
Excess (deficiency) of revenues over (under) expenditures	(8,913,718)	3,835,061	(6,579,773)	(2,744,712)	6,169,006
Other financing uses:					
Transfers out	(904,000)	(782,622)	—	(782,622)	121,378
Total other financing uses	<u>(904,000)</u>	<u>(782,622)</u>	<u>—</u>	<u>(782,622)</u>	<u>121,378</u>
Net change in fund balance	(9,817,718)	3,052,439	(6,579,773)	(3,527,334)	6,290,384
Fund balance at beginning of year	<u>12,784,735</u>	<u>12,784,735</u>	<u>—</u>	<u>12,784,735</u>	<u>—</u>
Fund balance at end of year	<u>\$ 2,967,017</u>	<u>15,837,174</u>	<u>(6,579,773)</u>	<u>9,257,401</u>	<u>6,290,384</u>

**CITY OF SANTA MONICA, CALIFORNIA**

Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Basis)  
Air Quality Management District (AQMD) Capital Projects Fund  
For the fiscal year ended June 30, 2014

	<u><b>Budget</b></u>	<u><b>Actual</b></u>	<u><b>Encumbrance</b></u>	<u><b>Actual, budgetary basis</b></u>	<u><b>Variance with budget</b></u>
Revenues:					
Intergovernmental	\$ 110,000	113,543	—	113,543	3,543
Investment income	4,000	7,634	—	7,634	3,634
Total revenues	<u>114,000</u>	<u>121,177</u>	<u>—</u>	<u>121,177</u>	<u>7,177</u>
Expenditures:					
General government:					
Other	—	5,429	—	5,429	(5,429)
Total general government	<u>—</u>	<u>5,429</u>	<u>—</u>	<u>5,429</u>	<u>(5,429)</u>
General services:					
Capital improvement	392,360	19,666	7,877	27,543	364,817
Total general services	<u>392,360</u>	<u>19,666</u>	<u>7,877</u>	<u>27,543</u>	<u>364,817</u>
Total expenditures	<u>392,360</u>	<u>25,095</u>	<u>7,877</u>	<u>32,972</u>	<u>359,388</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(278,360)</u>	<u>96,082</u>	<u>(7,877)</u>	<u>88,205</u>	<u>366,565</u>
Net change in fund balance	<u>(278,360)</u>	<u>96,082</u>	<u>(7,877)</u>	<u>88,205</u>	<u>366,565</u>
Fund balance at beginning of year	<u>813,621</u>	<u>813,621</u>	<u>—</u>	<u>813,621</u>	<u>—</u>
Fund balance at end of year	<u><u>\$ 535,261</u></u>	<u><u>909,703</u></u>	<u><u>(7,877)</u></u>	<u><u>901,826</u></u>	<u><u>366,565</u></u>

**CITY OF SANTA MONICA, CALIFORNIA**

Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Basis)  
Parks and Recreation Capital Projects Fund

For the fiscal year ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Other taxes	\$ 25,000	18,200	—	18,200	(6,800)
Investment income	1,000	2,152	—	2,152	1,152
Total revenues	<u>26,000</u>	<u>20,352</u>	<u>—</u>	<u>20,352</u>	<u>(5,648)</u>
Expenditures:					
Cultural and recreation services:					
Community and cultural services	17,000	17,000	—	17,000	—
Capital improvement	131,128	22,389	9,109	31,498	99,630
Total cultural and recreation services	<u>148,128</u>	<u>39,389</u>	<u>9,109</u>	<u>48,498</u>	<u>99,630</u>
Total expenditures	<u>148,128</u>	<u>39,389</u>	<u>9,109</u>	<u>48,498</u>	<u>99,630</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(122,128)</u>	<u>(19,037)</u>	<u>(9,109)</u>	<u>(28,146)</u>	<u>93,982</u>
Net change in fund balance	<u>(122,128)</u>	<u>(19,037)</u>	<u>(9,109)</u>	<u>(28,146)</u>	<u>93,982</u>
Fund balance at beginning of year	<u>236,640</u>	<u>236,640</u>	<u>—</u>	<u>236,640</u>	<u>—</u>
Fund balance at end of year	<u>\$ 114,512</u>	<u>217,603</u>	<u>(9,109)</u>	<u>208,494</u>	<u>93,982</u>

## CITY OF SANTA MONICA, CALIFORNIA

### Nonmajor Enterprise Fund Financial Statements

**Enterprise Funds** are used to report any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met: (a) The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit – even if that government is not expected to make any payments – is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable “solely” from the revenues of the activity.) (b) Laws or regulations require that the activity’s costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues. (c) The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

**Resource Recovery and Recycling Fund** – To account for revenues and expenses of operating the City's refuse collection, street sweeping and cleaning, and recycling programs.

**Pier Fund** – To account for revenues and expenses connected with management and development of the Santa Monica Pier.

**Stormwater Management Fund** – To account for revenues and expenses associated with storm water management.

**Cemetery Fund** – To account for revenues and expenses associated with operation of Woodlawn Cemetery and Mausoleum.

**Special Aviation Fund** – To account for revenues and expenses associated with aviation-related State funds provided to the City.

**Parking Authority Fund** – To account for acquisition or building of parking facilities owned by the City Parking Authority.



# CITY OF SANTA MONICA, CALIFORNIA

## Combining Statement of Net Position

### Nonmajor Enterprise Funds

June 30, 2014

	Resource Recovery and Recycling	Pier	Stormwater Management	Cemetery	Special Aviation	Parking Authority	Total nonmajor enterprise funds
<b>Assets</b>							
Current assets:							
Cash and investments	\$ 3,488,265	3,420,689	-	-	260,274	3,060,570	10,229,798
Restricted cash and investments	-	268,634	-	-	-	-	268,634
Receivables (net, where applicable, of allowances for uncollectibles):							
Accounts	3,968,380	8,641	99,746	145,509	-	-	4,222,276
Interest	23,812	10,086	1,377	42	395	4,644	40,356
Net pension assets current	46,365	9,652	-	3,797	-	-	59,814
Total current assets	7,526,822	3,717,702	101,123	149,348	260,669	3,065,214	14,820,878
Noncurrent assets:							
Restricted cash and investments	10,118,570	-	1,776,690	-	-	300,000	12,195,260
Net pension assets noncurrent	603,166	130,660	-	49,011	-	-	782,837
Capital assets:							
Land	-	-	-	4	-	7,935,700	7,935,704
Construction in progress	325,316	8,084,945	-	-	-	-	8,410,261
Buildings	334,063	5,916,025	-	1,723,603	-	6,312,435	14,286,126
Improvements other than buildings	173,736	4,456,986	147,299	782,158	509,940	169,306	6,239,425
Machinery and equipment	473,269	289,427	35,750	385,442	275,000	1,218,161	2,677,049
Infrastructure	-	8,435,604	10,739,803	-	-	-	19,175,407
Less: accumulated depreciation	(822,778)	(11,605,976)	(3,554,944)	(1,930,002)	(784,940)	(1,346,680)	(20,045,320)
Net capital assets	483,606	15,577,011	7,367,908	961,205	-	14,288,922	38,678,652
Total noncurrent assets	11,205,342	15,707,671	9,144,598	1,010,216	-	14,588,922	51,656,749
Total assets	18,732,164	19,425,373	9,245,721	1,159,564	260,669	17,654,136	66,477,627
<b>Liabilities</b>							
Current liabilities:							
Accounts payable	922,153	556,703	10	36,802	-	-	1,515,668
Accrued liabilities	371,760	87,268	-	34,692	-	-	493,720
Contracts payable (retained percentage)	-	356,278	-	-	-	-	356,278
Compensated absences due within one year	271,862	60,014	-	27,176	-	-	359,052
Accrued interest payable	-	-	15,383	-	-	-	15,383
Loans and bonds payable due within one year	-	-	277,175	-	-	-	277,175
Due to other funds	-	-	-	172,217	-	-	172,217
Liabilities payable from restricted assets - deposits	10,118,570	268,634	-	-	-	-	10,387,204
Total current liabilities	11,684,345	1,328,897	292,568	270,887	-	-	13,576,697
Long-term liabilities:							
Compensated absences due in more than one year	335,607	84,534	-	11,448	-	-	431,589
Advances from other funds	-	-	274,566	-	-	-	274,566
Loans and bonds payable due in more than one year	-	-	1,497,791	-	-	-	1,497,791
Total long-term liabilities	335,607	84,534	1,772,357	11,448	-	-	2,203,946
Total liabilities	12,019,952	1,413,431	2,064,925	282,335	-	-	15,780,643
<b>Net position</b>							
Net investment in capital assets	483,606	15,577,011	5,592,942	961,205	-	14,288,922	36,903,686
Unrestricted	6,228,606	2,434,931	1,587,854	(83,976)	260,669	3,365,214	13,793,298
Total net position	\$ 6,712,212	18,011,942	7,180,796	877,229	260,669	17,654,136	50,696,984

**CITY OF SANTA MONICA, CALIFORNIA**  
Combining Statement of Revenues, Expenses and Changes in Fund Net Position  
Nonmajor Enterprise Funds  
For the fiscal year ended June 30, 2014

	<b>Resource Recovery and Recycling</b>	<b>Pier</b>	<b>Stormwater Management</b>	<b>Cemetery</b>	<b>Special Aviation</b>	<b>Parking Authority</b>	<b>Total nonmajor enterprise funds</b>
<b>Operating revenues</b>							
Charges for services	\$ 23,271,775	5,953,173	1,395,628	1,325,778	-	-	31,946,354
Total operating revenues	23,271,775	5,953,173	1,395,628	1,325,778	-	-	31,946,354
<b>Operating expenses</b>							
Personnel services	9,470,250	1,972,506	-	647,187	-	1,100	12,091,043
Administrative indirect	1,135,247	379,114	-	384,216	-	-	1,898,577
Contractual services	3,780,799	1,108,822	-	341,875	-	-	5,231,496
Repairs and maintenance	1,901,843	440,144	251,066	32,912	-	-	2,625,965
Materials and supplies	5,686,881	429,512	-	273,323	-	51,888	6,441,604
Utilities	47,275	180,247	-	123,653	-	-	351,175
Casualty property and liability costs	189,586	251,826	-	61,871	-	-	503,283
Miscellaneous fees and costs	383	191	143	96	-	-	813
Depreciation and amortization	8,643	512,721	301,816	135,468	-	316,379	1,275,027
Other	795,029	716,417	47,504	19,298	-	-	1,578,248
Total operating expenses	23,015,936	5,991,500	600,529	2,019,899	-	369,367	31,997,231
Operating income (loss)	255,839	(38,327)	795,099	(694,121)	-	(369,367)	(50,877)
<b>Nonoperating revenues (expenses)</b>							
Investment income	146,733	73,154	10,558	228	2,536	35,893	269,102
Interest expense	-	-	(50,832)	-	-	-	(50,832)
Loss on disposal of capital assets	(678,165)	(92,695)	-	-	-	-	(770,860)
Other nonoperating revenues	683,893	43,262	56,104	31,626	-	-	814,885
Total nonoperating revenues (expenses) net	152,461	23,721	15,830	31,854	2,536	35,893	262,295
Income (loss) before transfers	408,300	(14,606)	810,929	(662,267)	2,536	(333,474)	211,418
Transfers in	-	-	1,333,975	365,710	-	-	1,699,685
Transfers out	(417,689)	(186,529)	(2,036,522)	-	-	-	(2,640,740)
Change in net position	(9,389)	(201,135)	108,382	(296,557)	2,536	(333,474)	(729,637)
Net position at beginning of year	6,721,601	18,213,077	7,072,414	1,173,786	258,133	17,987,610	51,426,621
Net position at end of year	\$ 6,712,212	18,011,942	7,180,796	877,229	260,669	17,654,136	50,696,984

**CITY OF SANTA MONICA, CALIFORNIA**

Combining Statement of Cash Flows  
Nonmajor Enterprise Funds

For the fiscal year ended June 30, 2014

	<b>Resource Recovery and Recycling</b>	<b>Pier</b>	<b>Stormwater Management</b>	<b>Cemetery</b>	<b>Special Aviation</b>	<b>Parking Authority</b>	<b>Total nonmajor enterprise funds</b>
Cash flows from operating activities:							
Cash received from customers	\$ 24,265,119	5,993,131	1,315,050	1,328,853	—	—	32,902,153
Cash payments for materials and services	(13,372,706)	(3,448,437)	(298,760)	(1,234,504)	—	(51,888)	(18,406,295)
Cash payments to employees for services	(9,426,671)	(1,975,456)	—	(644,102)	—	(1,100)	(12,047,329)
Other revenue received	683,893	43,262	56,104	31,626	—	—	814,885
Net cash provided by (used in) operating activities	2,149,635	612,500	1,072,394	(518,127)	—	(52,988)	3,263,414
Cash flows from noncapital financing activities:							
Advances from other funds	—	—	—	152,192	—	—	152,192
Transfers in	—	—	1,333,975	365,710	—	—	1,699,685
Transfers out	(417,689)	(186,529)	(2,036,522)	—	—	—	(2,640,740)
Net cash provided by (used in) noncapital financing activities	(417,689)	(186,529)	(702,547)	517,902	—	—	(788,863)
Cash flows from capital and related financing activities:							
Acquisition and construction of capital assets	(18,733)	(6,108,152)	—	—	—	—	(6,126,885)
Reduction in long-term obligations	—	—	(270,150)	—	—	—	(270,150)
Interest paid on long-term obligations	—	—	(53,173)	—	—	—	(53,173)
Net cash used in capital and related financing activities	(18,733)	(6,108,152)	(323,323)	—	—	—	(6,450,208)
Cash flows from investing activities:							
Interest on investments	144,579	77,750	9,581	225	2,519	37,705	272,359
Net cash provided by investing activities	144,579	77,750	9,581	225	2,519	37,705	272,359
Net increase (decrease) in cash and cash equivalents	1,857,792	(5,604,431)	56,105	—	2,519	(15,283)	(3,703,298)
Cash and cash equivalents at beginning of year	11,749,043	9,293,754	1,720,585	—	257,755	3,375,853	26,396,990
Cash and cash equivalents at end of year	<u>\$ 13,606,835</u>	<u>3,689,323</u>	<u>1,776,690</u>	<u>—</u>	<u>260,274</u>	<u>3,360,570</u>	<u>22,693,692</u>
Cash and investments	\$ 3,488,265	3,420,689	—	—	260,274	3,060,570	10,229,798
Restricted cash and investments	10,118,570	268,634	1,776,690	—	—	300,000	12,463,894
Total cash and cash equivalents	<u>\$ 13,606,835</u>	<u>3,689,323</u>	<u>1,776,690</u>	<u>—</u>	<u>260,274</u>	<u>3,360,570</u>	<u>22,693,692</u>

(Continued)

**CITY OF SANTA MONICA, CALIFORNIA**

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the fiscal year ended June 30, 2014

	<b>Resource Recovery and Recycling</b>	<b>Pier</b>	<b>Stormwater Management</b>	<b>Cemetery</b>	<b>Special Aviation</b>	<b>Parking Authority</b>	<b>Total nonmajor enterprise funds</b>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:							
Operating income (loss)	\$ 255,839	(38,327)	795,099	(694,121)	—	(369,367)	(50,877)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Add depreciation	8,643	512,721	301,816	135,468	—	316,379	1,275,027
Other nonoperating revenue received	683,893	43,262	56,104	31,626	—	—	814,885
Change in assets and liabilities:							
Increase (decrease) in accounts receivable	(279,785)	39,958	(80,578)	3,075	—	—	(317,330)
Decrease in prepaids	(91,551)	(21,567)	—	(6,603)	—	—	(119,721)
Increase (decrease) in accounts payable	255,888	45,610	(47)	9,345	—	—	310,796
Increase in accrued liabilities	43,579	87,159	—	16,195	—	—	146,933
Increase (decrease) in deposits	1,273,129	(251,636)	—	—	—	—	1,021,493
Decrease in accrued noncurrent liabilities	—	(90,109)	—	(13,112)	—	—	(103,221)
Increase in contracts payable	—	285,429	—	—	—	—	285,429
Total adjustments	1,893,796	650,827	277,295	175,994	—	316,379	3,314,291
Net cash provided by (used in) operating activities	\$ 2,149,635	612,500	1,072,394	(518,127)	—	(52,988)	3,263,414

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## **CITY OF SANTA MONICA, CALIFORNIA**

### **Internal Service Fund Financial Statements**

**Internal Service Funds** are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City or to other governments, on a cost-reimbursement basis.

**Vehicle Management Fund** – To account for user charges from other funds and expenses related to the replacement, maintenance and the fueling of various City vehicles, including specialized mechanical equipment.

**Information Technology Replacement and Services Fund** – To account for user charges from other funds and expenses related to replacement of computer equipment.

**Self-Insurance, General Liability and Auto Fund**– To account for user charges from other funds and expenses related to the administration and payment of general liability and auto claims.

**Self-Insurance, Bus Fund** – To account for user charges from the Big Blue Bus Fund and expenses related to the administration and payment of municipal bus lines liability claims.

**Self-Insurance, Risk Management Administration Fund** – To account for user charges from other funds and expenses related to the administration of the risk management division.

**Self-Insurance, Workers' Compensation Fund** – To account for user charges from other funds and expenses related to the administration and payment of workers' compensation claims.

# CITY OF SANTA MONICA, CALIFORNIA

## Combining Statement of Net Position

### Internal Service Funds

June 30, 2014

	Vehicle Management	Information Technology Replacement and Services	Self - Insurance General Liability / Auto	Self - Insurance Bus	Self - Insurance Risk Management Admin	Self - Insurance Workers' Compensation	Total internal service funds
<b>Assets</b>							
Current assets:							
Cash and investments	\$ 29,680,069	7,081,066	17,109,177	5,647,792	760,633	28,664,601	88,943,338
Receivables:							
Accounts	65,113	-	-	-	-	-	65,113
Interest	36,652	9,146	24,515	9,041	252	40,988	120,594
Inventory	68,551	-	-	-	-	-	68,551
Net pension assets current	17,136	-	-	-	8,990	-	26,126
Total current assets	29,867,521	7,090,212	17,133,692	5,656,833	769,875	28,705,589	89,223,722
Noncurrent assets:							
Net pension assets noncurrent	222,399	-	-	-	116,030	-	338,429
Capital assets:							
Machinery and equipment	35,548,764	2,359,084	2,849	7,386	919	10,065	37,929,067
Less: accumulated depreciation	(24,785,698)	(2,202,638)	(2,849)	(7,386)	(919)	(10,065)	(27,009,555)
Net capital assets	10,763,066	156,446	-	-	-	-	10,919,512
Total assets	40,852,986	7,246,658	17,133,692	5,656,833	885,905	28,705,589	100,481,663
<b>Liabilities</b>							
Current liabilities:							
Accounts payable	507,361	189,133	945,916	2,150	373	8,237	1,653,170
Accrued liabilities	121,026	-	-	-	82,509	-	203,535
Compensated absences due within one year	97,216	-	-	-	56,539	-	153,755
Claims payable due within one year	-	-	2,343,569	1,961,401	-	6,913,544	11,218,514
Total current liabilities	725,603	189,133	3,289,485	1,963,551	139,421	6,921,781	13,228,974
Noncurrent liabilities:							
Compensated absences due in more than one year	98,412	-	-	-	28,114	-	126,526
Claims payable due in more than one year	-	-	4,109,778	1,557,000	-	25,456,724	31,123,502
Total noncurrent liabilities	98,412	-	4,109,778	1,557,000	28,114	25,456,724	31,250,028
Total liabilities	824,015	189,133	7,399,263	3,520,551	167,535	32,378,505	44,479,002
<b>Net position</b>							
Net investment in capital assets	10,763,066	156,446	-	-	-	-	10,919,512
Unrestricted	29,265,905	6,901,079	9,734,429	2,136,282	718,370	(3,672,916)	45,083,149
Total net position	\$ 40,028,971	7,057,525	9,734,429	2,136,282	718,370	(3,672,916)	56,002,661

**CITY OF SANTA MONICA, CALIFORNIA**  
Combining Statement of Revenues, Expenses and Changes in Fund Net Position  
Internal Service Funds  
For the fiscal year ended June 30, 2014

	Vehicle Management	Information Technology Replacement and Services	Self - Insurance General Liability / Auto	Self - Insurance Bus	Self - Insurance Risk Management Admin	Self - Insurance Workers' Compensation	Total internal service funds
<b>Operating revenues</b>							
Charges for services	\$ 10,738,117	2,079,179	3,095,740	2,500,000	2,445,550	9,223,970	30,082,556
Total operating revenues	10,738,117	2,079,179	3,095,740	2,500,000	2,445,550	9,223,970	30,082,556
<b>Operating expenses</b>							
Personnel services	3,145,438	-	-	-	1,428,037	-	4,573,475
Administrative indirect	576,930	-	-	-	320,959	-	897,889
Contractual services	58,963	-	41,793	49,648	72,779	162,200	385,383
Repairs and maintenance	1,227,316	-	-	-	465	-	1,227,781
Materials and supplies	2,761,691	1,677,581	-	-	10,393	28,786	4,478,451
Utilities	64,351	-	-	-	1,488	-	65,839
Casualty property and liability costs	48,463	-	-	-	9,095	-	57,558
Claims expense net of claims reserve adjustment	-	-	5,029,235	1,347,258	-	9,962,630	16,339,123
Insurance and bonds	-	-	1,156,523	804,640	2,360,211	564,909	4,886,283
Miscellaneous fees and costs	315,472	-	317,023	155,438	101,699	255,123	1,144,755
Depreciation and amortization	2,691,020	167,496	-	-	-	-	2,858,516
Total operating expenses	10,889,644	1,845,077	6,544,574	2,356,984	4,305,126	10,973,648	36,915,053
Operating income (loss)	(151,527)	234,102	(3,448,834)	143,016	(1,859,576)	(1,749,678)	(6,832,497)
<b>Nonoperating revenues (expenses)</b>							
Investment income	239,094	60,541	156,014	56,108	1,477	265,271	778,505
Loss on disposal of capital assets	(156,310)	-	-	-	-	-	(156,310)
Other nonoperating revenues	154,631	-	323,488	-	-	7,651	485,770
Total nonoperating revenues (expenses)	237,415	60,541	479,502	56,108	1,477	272,922	1,107,965
Income (loss) before transfers	85,888	294,643	(2,969,332)	199,124	(1,858,099)	(1,476,756)	(5,724,532)
Transfers in	-	-	-	-	1,912,697	-	1,912,697
Transfers out	-	-	(394,358)	(257,504)	-	(1,397,689)	(2,049,551)
Change in net position	85,888	294,643	(3,363,690)	(58,380)	54,598	(2,874,445)	(5,861,386)
Net position at beginning of year	39,943,083	6,762,882	13,098,119	2,194,662	663,772	(798,471)	61,864,047
Net position at end of year	\$ 40,028,971	7,057,525	9,734,429	2,136,282	718,370	(3,672,916)	56,002,661



**CITY OF SANTA MONICA, CALIFORNIA**

Combining Statement of Cash Flows

All Internal Service Funds

For the fiscal year ended June 30, 2014

	<b>Vehicle Management</b>	<b>Information Technology Replacement and Services</b>	<b>Self-Insurance General Liability / Auto</b>	<b>Self-Insurance Bus</b>	<b>Self-Insurance Risk Management Administration</b>	<b>Self-Insurance Workers' Compensation</b>	<b>Total internal service funds</b>
Cash flows from operating activities:							
Cash received from customers	\$ 10,673,004	2,079,179	3,095,740	2,499,488	2,445,550	9,223,970	30,016,931
Cash payments for materials and services	(4,772,864)	(1,548,186)	(597,547)	(1,012,792)	(2,832,766)	(1,019,510)	(11,783,665)
Cash payments for claims and related expenses	—	—	(2,229,978)	(1,772,880)	—	(7,117,206)	(11,120,064)
Cash payments to employees for services	(3,145,438)	—	—	—	(1,428,037)	—	(4,573,475)
Other nonoperating revenue received	154,631	—	323,488	—	—	7,651	485,770
Net cash provided by (used in) operating activities	2,909,333	530,993	591,703	(286,184)	(1,815,253)	1,094,905	3,025,497
Cash flows from noncapital financing activities:							
Transfers in	—	—	—	—	1,912,697	—	1,912,697
Transfers out	—	—	(394,358)	(257,504)	—	(1,397,689)	(2,049,551)
Net cash provided by (used in) noncapital financing activities	—	—	(394,358)	(257,504)	1,912,697	(1,397,689)	(136,854)
Cash flows from capital and related financing activities:							
Acquisition and construction of capital assets	(518,105)	—	—	—	—	—	(518,105)
Net cash provided by (used in) capital and related financing activities	(518,105)	—	—	—	—	—	(518,105)
Cash flows from investing activities – interest on investments	237,132	59,959	154,897	56,108	1,607	265,957	775,660
Net increase (decrease) in cash and cash equivalents	2,628,360	590,952	352,242	(487,580)	99,051	(36,827)	3,146,198
Cash and cash equivalents at beginning of year	27,051,709	6,490,114	16,756,935	6,135,372	661,582	28,701,428	85,797,140
Cash and cash equivalents at end of year	29,680,069	7,081,066	17,109,177	5,647,792	760,633	28,664,601	88,943,338
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating income (loss)	(151,527)	234,102	(3,448,834)	143,016	(1,859,576)	(1,749,678)	(6,832,497)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:							
Add depreciation	2,691,020	167,496	—	—	—	—	2,858,516
Other nonoperating revenue received	154,631	—	323,488	—	—	7,651	485,770
Change in assets and liabilities:							
Decrease in accounts receivable	(65,113)	—	—	(512)	—	—	(65,625)
(Increase) decrease in prepaids	(32,100)	6,050	—	—	61,535	—	35,485
Decrease in inventory	3,543	—	—	—	—	—	3,543
Increase (decrease) in accounts payable	276,935	123,345	917,792	(3,066)	(17,212)	(8,492)	1,289,302
Increase in accrued liabilities	31,944	—	—	—	—	—	31,944
Increase (decrease) in claims payable	—	—	2,799,257	(425,622)	—	2,845,424	5,219,059
Total adjustments	3,060,860	296,891	4,040,537	(429,200)	44,323	2,844,583	9,857,994
Net cash provided by (used in) operating activities	\$ 2,909,333	530,993	591,703	(286,184)	(1,815,253)	1,094,905	3,025,497

## **CITY OF SANTA MONICA, CALIFORNIA**

### **Fiduciary Fund Financial Statements**

**Agency Funds** are custodial in nature and used to receive and disburse funds for an entity/individual, which is not part of the City.

**General Trust Fund** – To account for funds given to the City for restricted purposes whereby the City is only acting as a pass-through agent.

**Street Light Fund** – To account for all receipts and disbursements associated with 1911 Act Street Light Assessment Bonds.

**CITY OF SANTA MONICA, CALIFORNIA**

## Combining Statement of Fiduciary Net Position

Agency Funds

June 30, 2014

	<b>General Trust</b>	<b>Street Light</b>	<b>Total Agency Funds</b>
<b>Assets</b>			
Restricted cash and investments	\$ 6,544,795	4,676	6,549,471
Accounts receivable	89,174	—	89,174
Total assets	<u>6,633,969</u>	<u>4,676</u>	<u>6,638,645</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	<u>6,633,969</u>	<u>4,676</u>	<u>6,638,645</u>
Total liabilities	<u>6,633,969</u>	<u>4,676</u>	<u>6,638,645</u>
<b>Net Position</b>	<u><u>\$ —</u></u>	<u><u>—</u></u>	<u><u>—</u></u>

**CITY OF SANTA MONICA, CALIFORNIA**

Combining Statement of Changes in Fiduciary Assets and Liabilities  
Agency Funds

For the fiscal year ended June 30, 2014

	<u>June 30, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2014</u>
<b>Fiduciary Funds</b>				
<b>Agency Funds:</b>				
<b>General Trust</b>				
<b>Assets:</b>				
Restricted cash and investments	\$ 6,425,217	58,610,858	58,491,280	6,544,795
Accounts receivable	<u>70,047</u>	<u>184,538</u>	<u>165,411</u>	<u>89,174</u>
Total assets	<u>\$ 6,495,264</u>	<u>58,795,396</u>	<u>58,656,691</u>	<u>6,633,969</u>
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 6,495,264	114,447,946	114,309,241	6,633,969
Total liabilities	<u>\$ 6,495,264</u>	<u>114,447,946</u>	<u>114,309,241</u>	<u>6,633,969</u>
<b>Street Light</b>				
<b>Assets:</b>				
Restricted cash and investments	\$ 4,529	30,677	30,530	4,676
Total assets	<u>\$ 4,529</u>	<u>30,677</u>	<u>30,530</u>	<u>4,676</u>
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 4,529	30,677	30,530	4,676
Total liabilities	<u>\$ 4,529</u>	<u>30,677</u>	<u>30,530</u>	<u>4,676</u>
<b>Total Fiduciary Funds</b>				
<b>Total Agency Funds</b>				
<b>Assets:</b>				
Restricted cash and investments	\$ 6,429,746	58,641,535	58,521,810	6,549,471
Accounts receivable	<u>70,047</u>	<u>184,538</u>	<u>165,411</u>	<u>89,174</u>
Total assets	<u>\$ 6,499,793</u>	<u>58,826,073</u>	<u>58,687,221</u>	<u>6,638,645</u>
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 6,499,793	\$ 114,478,623	\$ 114,339,771	6,638,645
Total liabilities	<u>\$ 6,499,793</u>	<u>\$ 114,478,623</u>	<u>114,339,771</u>	<u>6,638,645</u>

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**City of Santa Monica, California**  
**Year Ended June 30, 2014**

**STATISTICAL SECTION**

# CITY OF SANTA MONICA, CALIFORNIA

For the fiscal year ended June 30, 2014

## STATISTICAL SECTION (unaudited)

<u>Table</u>		<u>Page</u>
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	These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
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# **CITY OF SANTA MONICA, CALIFORNIA**

For the fiscal year ended June 30, 2014

## **STATISTICAL SECTION (unaudited), *continued***

<u>Table</u>		<u>Page</u>
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**TABLE 1****CITY OF SANTA MONICA, CALIFORNIA**

Net Position by Component

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	<b>2013-14</b>	<b>2012-13</b>	<b>2011-12</b>	<b>2010-11</b>	<b>2009-10</b>	<b>2008-09</b>	<b>2007-08</b>	<b>2006-07 *</b>	<b>2005-06 *</b>	<b>2004-05 *</b>
Governmental activities										
Net investment in capital assets	\$ 698,223,620	702,392,065	708,564,360	565,402,905	561,308,717	579,367,093	573,971,975	506,307,676	481,678,996	165,893,160
Restricted	136,510,661	126,827,943	171,964,389	198,990,741	190,302,568	187,103,831	232,281,102	273,104,503	196,818,353	200,744,882
Unrestricted	376,983,696	372,285,005	379,302,789	248,977,209	238,856,963	242,542,375	209,438,522	243,036,538	230,154,215	223,451,608
Total governmental activities net position	<u>1,211,717,977</u>	<u>1,201,505,013</u>	<u>1,259,831,538</u>	<u>1,013,370,855</u>	<u>990,468,248</u>	<u>1,009,013,299</u>	<u>1,015,691,599</u>	<u>1,022,448,717</u>	<u>908,651,564</u>	<u>590,089,650</u>
Business-type activities										
Net investment in capital assets	472,808,694	450,345,204	448,028,200	442,305,322	426,367,876	418,157,537	389,409,515	374,598,609	324,108,646	266,212,630
Restricted	11,665,453	13,739,411	16,024,235	13,527,238	10,855,611	1,661,758	1,625,057	2,503,448	37,365,926	34,846,062
Unrestricted	115,636,742	126,804,668	104,588,473	102,753,866	107,670,491	112,067,386	104,955,422	114,601,165	129,288,372	100,528,572
Total business-type activities net position	<u>600,110,889</u>	<u>590,889,283</u>	<u>568,640,908</u>	<u>558,586,426</u>	<u>544,893,978</u>	<u>531,886,681</u>	<u>495,989,994</u>	<u>491,703,222</u>	<u>490,762,944</u>	<u>401,587,264</u>
Primary government										
Net investment in capital assets	1,171,032,314	1,152,737,269	1,156,592,560	1,007,708,227	987,676,593	997,524,630	963,381,490	880,906,285	805,787,642	432,105,790
Restricted	148,176,114	140,567,354	187,988,624	212,517,979	201,158,179	188,765,589	233,906,159	275,607,951	234,184,279	235,590,944
Unrestricted	492,620,438	499,089,673	483,891,262	351,731,075	346,527,454	354,609,761	314,393,944	357,637,703	359,442,587	323,980,180
Total primary government net position	<u>\$ 1,811,828,866</u>	<u>1,792,394,296</u>	<u>1,828,472,446</u>	<u>1,571,957,281</u>	<u>1,535,362,226</u>	<u>1,540,899,980</u>	<u>1,511,681,593</u>	<u>1,514,151,939</u>	<u>1,399,414,508</u>	<u>991,676,914</u>

\* Before restatement

TABLE 2

## CITY OF SANTA MONICA, CALIFORNIA

Changes in Net Position  
Last Ten Fiscal Years

	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
<b>Expenses</b>										
Governmental activities:										
General government	\$ 73,188,788	56,319,178	65,640,271	61,586,151	61,396,079	46,670,826	38,849,626	45,323,227	31,288,910	33,648,946
Public safety	113,899,354	103,594,567	108,205,471	99,949,848	97,744,567	100,709,990	91,862,403	87,830,433	82,886,707	80,300,625
General services	69,637,595	64,654,131	55,341,929	43,762,251	74,233,708	161,224,085	111,168,586	41,404,237	64,777,602	32,961,058
Cultural and recreation services	54,339,022	94,635,112	62,145,219	57,163,928	40,891,483	44,031,895	33,776,210	43,646,843	40,022,151	35,163,220
Library	13,286,929	16,179,779	11,899,948	11,803,735	11,324,327	11,422,789	11,458,259	10,681,518	7,974,534	7,849,658
Housing and community development	53,652,994	54,539,141	181,970,013	89,321,590	110,251,868	115,827,555	91,966,369	74,988,387	56,708,298	52,223,052
Other (1)	—	—	—	—	—	—	—	469,285	2,212,186	1,273,607
Interest on long-term debt	3,915,313	3,898,325	6,585,618	10,461,700	7,075,187	7,252,197	7,628,437	7,934,428	7,514,924	9,507,522
Total governmental activities	381,919,995	393,820,233	491,788,469	374,049,203	402,917,219	487,139,337	386,709,890	312,278,358	293,385,312	252,927,688
Business-type activities:										
Water	24,750,234	20,244,099	19,665,696	16,430,207	16,419,201	15,958,328	15,489,230	14,830,595	13,855,863	17,564,916
Resource recovery and recycling	24,115,496	22,743,427	25,065,338	21,338,133	20,293,510	19,219,079	16,277,710	18,630,141	17,459,310	16,550,895
Pier	6,310,236	6,145,567	5,803,944	5,299,875	5,122,011	5,200,065	4,867,415	9,485,709	7,544,001	6,922,305
Wastewater	20,479,514	16,853,861	18,186,844	16,546,844	16,844,271	19,603,411	20,063,420	19,579,035	19,008,944	14,755,836
Civic auditorium (4)	—	4,691,051	3,239,999	3,638,257	3,663,427	3,933,159	3,718,652	3,535,624	2,898,853	3,129,521
Airport	5,440,949	5,188,707	5,270,688	5,970,916	4,640,782	5,737,927	5,199,701	5,325,190	3,882,639	3,845,108
Storm water management	651,361	406,721	411,985	422,048	424,122	721,728	474,683	502,183	648,374	966,897
Cemetery	2,077,486	1,852,839	1,812,098	2,431,791	2,633,893	1,956,609	1,715,605	1,481,238	989,274	1,243,343
Big Blue Bus	79,215,680	79,238,668	79,835,156	75,219,425	70,899,277	70,855,809	65,185,007	59,627,736	59,180,481	52,021,645
Cable communications (2)	—	—	—	—	—	—	—	—	—	1,340,120
Special aviation	—	—	—	—	—	28,904	18,333	69,374	52,329	52,329
Parking authority	369,367	295,651	315,736	474,629	554,117	1,598,765	349,576	709,982	16,189	202,794
Total business-type activities	163,410,323	157,660,591	159,607,484	147,772,125	141,494,611	144,813,784	133,359,332	133,776,807	125,536,257	118,595,709
Total primary governmental activities expenses	\$ 545,330,318	551,480,824	651,395,953	521,821,328	544,411,830	631,953,121	520,069,222	446,055,165	418,921,569	371,523,397
<b>Program revenues</b>										
Governmental activities:										
Charges for services:										
General government	55,834,348	51,075,759	48,239,920	42,771,812	34,681,601	19,198,345	17,188,876	17,326,675	12,567,222	10,854,382
Public safety	22,736,167	21,329,504	22,033,156	21,456,284	22,759,704	17,064,322	17,298,741	17,202,256	15,754,085	15,840,756
General services	2,236,781	2,463,402	2,429,537	2,004,958	3,067,408	20,291,439	19,650,237	18,841,288	17,880,336	15,776,086
Cultural and recreation services	20,448,165	17,921,711	16,083,451	13,523,507	14,219,229	10,608,948	9,492,174	9,002,084	8,556,557	8,147,054 (3)
Library	614,715	486,204	465,891	488,279	468,385	410,908	363,987	349,139	232,025	173,864
Housing and community development	19,276,227	28,217,736	16,712,921	14,304,279	16,224,777	12,416,654	14,430,326	13,925,980	12,553,269	12,193,457
Operating grants and contributions	27,773,525	25,798,880	26,739,187	29,111,918	27,556,715	30,164,300	34,803,655	28,362,525	25,133,124	26,063,799
Capital grants and contributions	12,583,594	5,082,847	3,369,221	3,997,076	6,506,765	20,379,864	4,862,387	4,839,925	5,838,885	612,985
Total governmental activities program revenues	161,503,522	152,376,043	136,073,284	127,658,113	125,484,584	130,534,780	118,090,383	109,849,872	98,515,503	89,662,383

(continues next page)

TABLE 2

## CITY OF SANTA MONICA, CALIFORNIA

Changes in Net Position  
Last Ten Fiscal Years

	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
<i>(continues from previous page)</i>										
Business-type activities:										
Charges for services:										
Water	22,902,640	22,254,867	19,897,464	17,507,315	15,771,081	15,774,047	16,130,044	15,323,653	13,868,390	13,113,058
Resource recovery and recycling	23,271,775	23,526,423	22,253,758	21,870,554	21,514,219	21,631,313	18,842,702	18,766,107	17,097,813	15,704,667
Pier	5,953,173	4,589,503	6,004,005	4,729,725	3,777,219	3,518,145	3,107,349	3,081,338	2,693,200	2,717,162
Wastewater	21,033,699	21,126,054	20,007,219	17,820,805	15,198,022	13,751,588	12,797,786	12,472,073	11,175,051	11,376,456
Civic auditorium (4)	—	1,468,300	1,667,172	2,603,146	2,620,897	2,975,749	3,117,033	2,789,196	2,608,759	2,474,609
Airport	5,396,797	4,185,172	3,891,716	3,748,674	3,768,426	3,989,851	4,279,268	3,992,190	3,862,455	3,706,719
Storm water management	1,395,628	1,439,522	1,419,980	1,167,073	1,613,426	1,885,142	1,301,350	1,376,672	1,610,715	1,439,149
Cemetery	1,325,778	1,315,119	1,133,990	856,141	952,972	1,009,595	1,080,532	735,718	665,398	650,484
Big Blue Bus	17,060,923	16,869,809	16,614,711	16,370,290	14,160,133	14,391,300	13,898,980	13,078,630	13,333,584	11,298,250
Cable communications (2)	—	—	—	—	—	—	—	—	—	798,984
Parking authority	—	—	161,504	152,200	152,200	149,200	145,600	141,600	138,100	1,612,705
Operating grants and contributions	40,691,095	38,229,718	38,424,357	36,001,870	38,843,722	34,203,607	32,188,569	31,723,528	32,297,732	29,638,114
Capital grants and contributions	28,431,734	21,489,216	25,609,158	32,046,978	29,299,894	53,209,039	20,030,403	12,185,518	19,061,484	17,318,761
Business-type activities program revenues	167,463,242	156,493,703	157,085,034	154,874,771	147,672,211	166,488,576	126,919,616	115,666,223	118,412,681	111,849,118
Total primary government program revenues	328,966,764	308,869,746	293,158,318	282,532,884	273,156,795	297,023,356	245,009,999	225,516,095	216,928,184	201,511,501
Net (expense):										
Governmental activities	(220,416,473)	(241,444,190)	(355,715,185)	(246,391,090)	(277,432,635)	(356,604,557)	(268,619,507)	(202,428,486)	(194,869,809)	(163,265,305)
Business-type activities	4,052,919	(1,166,888)	(2,522,450)	7,102,646	6,177,600	21,674,792	(6,439,716)	(18,110,584)	(7,123,576)	(6,746,591)
Total primary government net expense	(216,363,554)	(242,611,078)	(358,237,635)	(239,288,444)	(271,255,035)	(334,929,765)	(275,059,223)	(220,539,070)	(201,993,385)	(170,011,896)
<b>General revenues and other changes in net position</b>										
Governmental activities:										
Taxes:										
Business	30,847,105	28,467,477	27,382,495	26,531,627	27,582,398	28,821,688	26,211,226	24,232,707	21,775,442	20,384,372
Property	47,729,105	43,477,118	59,161,313	108,995,358	110,188,615	107,255,345	101,323,706	89,845,591	79,951,933	64,667,456
Sales	49,210,039	47,880,634	45,831,961	31,689,531	26,636,653	28,296,696	32,356,941	33,267,253	31,871,593	27,579,776
Other	95,604,341	91,384,006	84,935,499	80,376,978	75,397,844	76,146,388	81,762,203	77,036,651	71,788,854	67,203,194
Settlement income	—	9,608,247	3,750,000	—	—	89,910,872	1,012,863	69,153,512	6,453,804	4,545,498
Other revenues	18,092,058	19,917,250	120,208,757	12,173,094	9,043,114	9,128,899	8,428,266	6,213,329	9,638,813	4,838,074
Investment earnings	6,613,322	1,431,317	5,791,811	7,995,401	10,062,739	16,198,386	22,021,977	25,505,798	11,995,355	10,289,600
Extraordinary gain (loss)	(19,149,679)	(48,185,126)	261,255,080	—	—	—	—	—	—	—
Transfers	1,683,146	(10,863,258)	(6,141,048)	1,531,708	(23,779)	(5,832,017)	(2,815,040)	(9,029,202)	(8,394,702)	(4,773,908)
Total governmental activities	230,629,437	183,117,665	602,175,868	269,293,697	258,887,584	349,926,257	270,302,142	316,225,639	225,081,092	194,734,062

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**TABLE 2****CITY OF SANTA MONICA, CALIFORNIA**Changes in Net Position  
Last Ten Fiscal Years

	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>
<i>(continues from previous page)</i>										
Business-type activities:										
Other revenues	5,207,445	12,540,746	5,310,643	6,767,730	3,912,725	4,162,283	3,421,837	4,111,407	6,028,516	3,352,205
Investment earnings	1,644,388	11,259	1,125,241	1,353,780	2,893,193	4,227,595	4,489,611	7,439,759	2,673,080	4,007,045
Transfers	<u>(1,683,146)</u>	<u>10,863,258</u>	<u>6,141,048</u>	<u>(1,531,708)</u>	<u>23,779</u>	<u>5,832,017</u>	<u>2,815,040</u>	<u>9,029,202</u>	<u>8,394,702</u>	<u>4,773,908</u>
Total business-type activities	<u>5,168,687</u>	<u>23,415,263</u>	<u>12,576,932</u>	<u>6,589,802</u>	<u>6,829,697</u>	<u>14,221,895</u>	<u>10,726,488</u>	<u>20,580,368</u>	<u>17,096,298</u>	<u>12,133,158</u>
Total primary government	<u>235,798,124</u>	<u>206,532,928</u>	<u>614,752,800</u>	<u>275,883,499</u>	<u>265,717,281</u>	<u>364,148,152</u>	<u>281,028,630</u>	<u>336,806,007</u>	<u>242,177,390</u>	<u>206,867,220</u>
<b>Changes in net position</b>										
Governmental activities	10,212,964	(58,326,525)	246,460,683	22,902,607	(18,545,051)	(6,678,300)	1,682,635	113,797,153	30,211,283	31,468,757
Business-type activities	<u>9,221,606</u>	<u>22,248,375</u>	<u>10,054,482</u>	<u>13,692,448</u>	<u>13,007,297</u>	<u>35,896,687</u>	<u>4,286,772</u>	<u>2,469,784</u>	<u>9,972,722</u>	<u>5,386,567</u>
Total primary government	<u>\$ 19,434,570</u>	<u>(36,078,150)</u>	<u>256,515,165</u>	<u>36,595,055</u>	<u>(5,537,754)</u>	<u>29,218,387</u>	<u>5,969,407</u>	<u>116,266,937</u>	<u>40,184,005</u>	<u>36,855,324</u>

(1) Other expenses allocated to programs in FY 07-08.

(2) Cable communications became a division of the City Manager's Office in FY 05-06.

(3) \$3,562 previously presented as Other.

(4) Civic auditorium merged with General services in FY 13-14.

**TABLE 3****CITY OF SANTA MONICA, CALIFORNIA**

## Fund Balance of Governmental Funds

## Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

	<b>2013-14</b>	<b>2012-13</b>	<b>2011-12</b>	<b>2010-11</b>	<b>2009-10</b>	<b>2008-09</b>	<b>2007-08</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
General Fund										
Reserved	\$ —	—	—	—	36,257,776	41,432,273	81,056,800	91,843,183	97,044,588	116,386,390
Unreserved	—	—	—	—	179,212,920	155,521,957	67,745,079	63,826,421	55,923,644	52,350,429
* Nondisposable	22,257,819	22,179,119	22,181,490	26,249,121	—	—	—	—	—	—
* Restricted	12,371,619	23,808,940	43,056,449	503,645	—	—	—	—	—	—
* Committed	519,937	519,506	640,000	710,000	—	—	—	—	—	—
* Assigned	212,669,876	220,409,168	233,153,471	159,430,759	—	—	—	—	—	—
* Unassigned	118,192,052	117,324,362	117,225,871	108,382,191	—	—	—	—	—	—
Total General Fund	<u>366,011,303</u>	<u>384,241,095</u>	<u>416,257,281</u>	<u>295,275,716</u>	<u>215,470,696</u>	<u>196,954,230</u>	<u>148,801,879</u>	<u>155,669,604</u>	<u>152,968,232</u>	<u>168,736,819</u>
All other governmental funds										
Reserved	—	—	—	—	138,504,430	134,770,865	217,888,723	314,507,732	229,263,232	224,211,709
Unreserved, reported in:										
Special revenue funds	—	—	—	—	37,657,180	42,902,430	67,387,055	11,027,475	5,569,484	7,883,995
Capital project funds	—	—	—	—	50,427,715	66,021,140	(7,937,337)	(5,053,769)	(10,434,018)	(20,392,300)
* Nondisposable	30,932,430	31,524,610	23,331,591	10,788,188	—	—	—	—	—	—
* Restricted	128,610,718	124,852,862	123,658,262	170,449,269	—	—	—	—	—	—
* Committed	4,404,491	4,372,829	872,830	51,975	—	—	—	—	—	—
* Assigned	18,033,673	15,057,474	32,550,023	125,697,278	—	—	—	—	—	—
* Unassigned	(966,157)	(1,148,932)	(187,396)	(16,868,340)	—	—	—	—	—	—
Total all other governmental funds	<u>\$ 181,015,155</u>	<u>174,658,843</u>	<u>180,225,310</u>	<u>290,118,370</u>	<u>226,589,325</u>	<u>243,694,435</u>	<u>277,338,441</u>	<u>320,481,438</u>	<u>224,398,698</u>	<u>211,703,404</u>

\* Fund Balance descriptions changed due to GASB Statement No. 54 implementation effective July 1, 2010.

**TABLE 4**

**CITY OF SANTA MONICA, CALIFORNIA**  
Changes in Fund Balance of Governmental Funds  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)

	<b>2013-14</b>	<b>2012-13</b>	<b>2011-12</b>	<b>2010-11</b>	<b>2009-10</b>	<b>2008-09</b>	<b>2007-08</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
<b>Revenues</b>										
Property taxes	\$ 50,113,693	\$ 44,392,416	40,226,124	36,048,260	37,419,658	36,763,026	36,067,632	32,586,134	28,031,618	25,650,975
Incremental property taxes (1)	—	—	19,794,851	73,735,955	73,526,738	71,289,749	66,148,046	58,163,695	52,818,794	39,866,836
Sales taxes	49,210,039	47,880,634	45,831,961	31,689,531	26,636,653	28,296,696	32,356,941	33,267,253	31,871,593	27,579,776
Other taxes	126,836,936	118,983,521	111,350,245	107,289,588	104,012,543	105,639,635	109,556,310	102,870,450	97,203,255	71,083,492
License and permits	36,967,493	33,777,567	30,608,592	27,564,660	20,658,582	20,398,191	20,203,085	19,232,085	18,378,705	39,361,156
Intergovernmental	33,068,906	26,420,260	28,277,049	30,887,064	30,132,263	36,408,496	33,007,061	28,948,391	20,020,970	25,481,694
Charges for services	55,976,703	50,767,945	52,613,331	45,248,472	46,975,370	39,238,389	36,226,643	35,855,124	29,083,568	20,918,458
Fines and forfeitures	16,253,546	15,303,990	15,651,820	15,952,957	17,492,928	14,113,906	14,567,262	14,191,722	13,101,713	13,332,411
Investment earnings	6,697,552	1,519,576	4,989,972	9,376,656	9,218,863	15,455,332	21,450,071	24,225,164	11,649,849	10,699,979
Rental income	10,311,967	9,843,633	9,619,254	8,541,702	7,026,380	5,467,946	7,006,972	7,279,995	6,562,654	8,638,543
Settlement income	2,433,175	52,287,404	33,277,271	—	40,196,472	4,429,738	1,012,863	69,153,512	6,453,804	4,545,498
Other	19,309,109	25,518,965	119,494,012	10,306,512	10,833,352	28,651,201	16,691,497	8,446,372	9,794,587	4,497,162
<b>Total revenue</b>	<b>407,179,119</b>	<b>426,695,911</b>	<b>511,734,482</b>	<b>396,641,357</b>	<b>424,129,802</b>	<b>406,152,305</b>	<b>394,294,383</b>	<b>434,219,897</b>	<b>324,971,110</b>	<b>291,655,980</b>
<b>Expenditures</b>										
Current										
General government	68,308,134	62,250,475	63,819,021	61,134,533	58,843,432	45,242,680	38,595,140	37,006,125	33,564,080	29,629,861
Public safety	111,737,328	104,466,191	106,215,553	99,416,830	99,142,700	96,985,086	89,074,863	87,509,154	82,576,196	80,424,716
General services	57,755,687	58,014,505	77,196,770	34,401,503	97,766,993	70,963,814	116,628,339	46,537,282	51,793,265	31,005,774
Cultural and recreation services	50,386,583	64,104,725	60,322,014	58,557,389	38,707,842	53,045,810	46,035,625	49,549,413	44,991,537	59,290,534
Library	17,158,001	14,880,934	11,323,906	10,594,925	10,067,865	10,099,063	10,245,110	9,454,034	20,759,269	31,443,914
Housing and community development	72,037,131	107,699,039	197,257,796	139,291,179	108,277,261	113,730,249	118,452,727	77,871,025	61,094,984	58,081,802
Other	—	—	—	—	—	—	2,749,086	609,225	2,189,224	1,087,085
Debt service										
Principal	5,920,000	3,365,000	13,180,714	9,241,980	7,530,000	8,375,000	8,075,000	7,805,000	6,515,000	5,625,000
Interest	3,966,495	3,942,925	12,312,625	10,059,522	10,079,799	8,386,518	8,941,832	8,206,309	9,947,949	9,572,189
Bond issuance costs	—	—	441,993	440,308	219,405	—	—	—	1,324,281	—
<b>Total expenditures</b>	<b>387,269,359</b>	<b>418,723,794</b>	<b>542,070,392</b>	<b>423,138,169</b>	<b>430,635,297</b>	<b>406,828,220</b>	<b>438,797,722</b>	<b>324,547,567</b>	<b>314,755,785</b>	<b>306,160,875</b>

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**TABLE 4**

**CITY OF SANTA MONICA, CALIFORNIA**  
Changes in Fund Balance of Governmental Funds  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)

	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>
<i>(continues from previous page)</i>										
<b>Excess (deficiency) of revenues over (under) expenditures</b>	19,909,760	7,972,117	(30,335,910)	(26,496,812)	(6,505,495)	(675,915)	(44,503,339)	109,672,330	10,215,325	(14,504,895)
Other financing sources (uses)										
Transfers in	26,210,910	21,906,283	98,800,641	108,200,623	53,644,396	91,332,304	46,495,411	24,721,684	24,782,699	30,368,084
Transfers out	(24,648,414)	(32,010,088)	(105,257,875)	(106,957,815)	(53,948,675)	(91,633,368)	(49,574,857)	(33,998,086)	(33,501,106)	(35,493,072)
Line of credit proceeds	—	—	—	26,528,395	7,986,281	15,485,324	—	—	—	—
Long-term debt issued	—	—	32,178,250	—	—	—	—	—	—	—
Refunding bonds issued	—	—	19,950,000	41,050,000	9,155,000	—	—	—	64,720,000	—
Bonds issued	—	—	—	—	—	—	—	—	—	38,930,000
Premium on bonds issued	—	—	4,339,840	409,674	558,699	—	—	—	55,653	163,064
Discount on bonds issued	—	—	—	—	—	—	—	—	(187,264)	—
Payments to refunded bond escrow agent	—	—	(22,289,654)	(1,900,000)	(9,478,850)	—	—	—	(63,213,909)	—
Proceeds from loans payable	—	—	—	102,500,000	—	—	—	—	—	—
Total other financing sources (uses)	<u>1,562,496</u>	<u>(10,103,805)</u>	<u>27,721,202</u>	<u>169,830,877</u>	<u>7,916,851</u>	<u>15,184,260</u>	<u>(3,079,446)</u>	<u>(9,276,402)</u>	<u>(7,343,927)</u>	<u>33,968,076</u>
Special item	—	(21,254,908)	—	—	—	—	—	—	—	—
Extraordinary gain (loss)	(33,345,736)	(14,196,057)	13,703,213	—	—	—	—	—	—	—
<b>Net change in fund balance</b>	<u><u>\$ (11,873,480)</u></u>	<u><u>\$ (37,582,653)</u></u>	<u><u>\$ 11,088,505</u></u>	<u><u>\$ 143,334,065</u></u>	<u><u>\$ 1,411,356</u></u>	<u><u>\$ 14,508,345</u></u>	<u><u>\$ (47,582,785)</u></u>	<u><u>\$ 100,395,928</u></u>	<u><u>\$ 2,871,398</u></u>	<u><u>\$ 19,463,181</u></u>
<b>Debt service as a percentage of noncapital expenditures (2)</b>	2.76%	2.07%	5.23%	5.34%	4.25%	4.54%	4.52%	5.51%	6.10%	6.50%

(1) Incremental property tax was received by the redevelopment agency which was dissolved in FY 2011-12

(2) Calculation includes only the principal and interest components of debt service expenditures when calculating this ratio for all years.

**TABLE 5****CITY OF SANTA MONICA, CALIFORNIA**

## General Fund Tax Revenues by Source (1)

Last Ten Fiscal Years

(In Thousands)

<u>Source</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>
Sales taxes	\$ 49,210	47,881	45,832	31,690	26,637	28,297	32,357	33,267	31,872	27,580
Utility user's tax	32,817	31,450	31,296	31,625	31,620	31,579	31,622	31,243	30,044	29,315
Transient occupancy tax	44,396	40,997	36,143	32,747	29,804	31,265	34,969	31,892	29,209	23,419
Property taxes (2)	50,114	44,392	40,226	36,048	37,420	37,763	36,068	32,586	28,032	25,651
Business license taxes	29,783	27,518	26,325	25,480	26,553	27,216	24,654	22,637	20,274	18,970
Parking facility tax	10,598	9,954	9,394	8,786	7,848	7,980	7,826	7,400	6,832	6,241
Documentary Transfer Tax	6,273	6,027	5,192	3,954	3,432	2,653	4,739	6,409	5,573	7,180
Vehicle license fees	39	48	46	492	273	263	390	608	2,062	975
Condominium taxes	14	18	37	21	19	35	50	39	24	24
Total	<u>\$ 223,244</u>	<u>208,285</u>	<u>194,491</u>	<u>170,843</u>	<u>163,606</u>	<u>167,051</u>	<u>172,675</u>	<u>166,081</u>	<u>153,922</u>	<u>139,355</u>

(1) Does not include Highway Users Taxes, which are recorded in the Gas Tax Fund, Unit Dwelling Taxes, which are recorded in the Parks and Recreation Facilities Fund, or TORCA Conversion Taxes, which are recorded in the TORCA Fund.

(2) Includes ad valorem property taxes for purposes of paying debt service on general obligation bonds. Does not include tax increment received by redevelopment area.

Source: City of Santa Monica Finance Department



**TABLE 6**

**CITY OF SANTA MONICA, CALIFORNIA**  
Assessed Value and Actual Value of Taxable Property  
Last Ten Fiscal Years  
(In Thousands)

<b>Fiscal year</b>	<b>Land</b>	<b>Improvements</b>	<b>Personal property</b>	<b>Public utilities</b>	<b>Secured gross</b>	<b>Exemptions (1)</b>	<b>Secured net</b>	<b>Net unsecured</b>	<b>Net assessed valuations</b>	<b>Total Direct Tax Rate (2)</b>
2013-14	\$ 16,046,789	\$ 11,701,427	\$ 402,171	\$ 742	\$ 28,151,130	\$ 1,573,052	\$ 26,578,078	\$ 936,031	\$ 27,514,109	1.00%
2012-13	14,828,199	10,846,677	370,673	742	26,046,292	1,222,722	24,823,570	942,035	25,765,605	1.00%
2011-12	14,235,295	10,349,621	228,784	742	24,814,442	1,073,027	23,741,415	902,707	24,644,122	1.00%
2010-11	13,795,191	10,070,986	230,387	742	24,097,305	1,095,461	23,001,845	880,331	23,882,176	1.00%
2009-10	13,972,767	9,978,675	234,194	742	24,186,379	1,134,967	23,051,412	969,009	24,020,421	1.00%
2008-09	13,460,087	9,640,425	228,271	742	23,329,524	904,661	22,424,864	987,849	23,412,713	1.00%
2007-08	12,279,875	8,581,600	230,362	742	21,092,580	847,012	20,245,568	877,156	21,122,724	1.00%
2006-07	11,307,028	8,100,539	231,256	743	19,639,566	810,600	18,828,965	876,645	19,705,610	1.00%
2005-06	10,226,948	7,591,414	37,241	743	17,856,346	535,705	17,320,642	777,909	18,098,550	1.00%
2004-05	9,187,367	7,004,200	25,811	3,267	16,220,644	445,215	15,775,430	771,454	16,546,884	1.00%

(1) Includes Homeowner Exemption. City is reimbursed by State for taxes lost because of these exemptions.

(2) Excludes Direct and Overlapping Rates. See Table 7 for Direct and Overlapping Rates.

Source: Los Angeles County Auditor-Controller

**TABLE 7****CITY OF SANTA MONICA, CALIFORNIA**

Direct and Overlapping Property Tax Rates\*  
 Last Ten Fiscal Years

<b>Fiscal year</b>	<b>City General Fund</b>	<b>County General Fund</b>	<b>School districts</b>	<b>Miscellaneous special districts</b>	<b>Total</b>
2013-14	\$ 0.01	\$ 1.00	\$ 0.13	\$ —	\$ 1.14
2012-13	0.01	1.00	0.13	—	1.14
2011-12	0.01	1.00	0.13	—	1.14
2010-11	0.01	1.00	0.13	—	1.14
2009-10	0.01	1.00	0.13	—	1.14
2008-09	0.01	1.00	0.13	0.01	1.15
2007-08	0.01	1.00	0.10	0.01	1.12
2006-07	0.01	1.00	0.08	0.01	1.10
2005-06	0.01	1.00	0.07	0.01	1.09
2004-05	0.01	1.00	0.06	0.01	1.08

\* Property tax rate is per \$100 of assessed value. Since 1978-79, the maximum allowable rate is levied by the County, property taxes are collected by the County, and the County allocates the City's share in accordance with distribution formulas established by law. Effective 1981-82, Proposition 13 allowed jurisdictions to impose rates over the \$1.00 base rate only for bonded debt approved by the voters prior to 1978. However, in 1986, the State Constitution was amended to allow rates over the \$1.00 base rate for voter approved general obligation bonds.

City General Fund is allocated approximately \$.14 of each \$1.00 of the County General Fund amount.

Source: Los Angeles County Auditor-Controller

**TABLE 8****CITY OF SANTA MONICA, CALIFORNIA**

Principal Property Taxpayers  
Current Fiscal Year and Nine Years Ago

Taxpayer	2013-14			2004-05		
	Taxable assessed value	Rank	Percentage of total City taxable assessed value	Taxable assessed value	Rank	Percentage of total City taxable assessed value
California Colorado Center LLC	\$ 491,946,902	1	1.79 %	\$ 144,500,000	5	0.87 %
Water Garden Realty Holding LLC	477,555,810	2	1.74	364,319,777	1	2.19
SC Enterprises SMBP LLC	362,847,328	3	1.32	—		—
Macerich Santa Monica Place	317,056,252	4	1.15	141,364,207	6	0.85
Douglas Emmett 1998 LLC	315,990,361	5	1.15	319,941,438	3	1.92
Prudential Financial Inc	184,505,458	6	0.67	—		—
CREP 2700 Holdings LLC	178,600,000	7	0.65	—		—
Ocean Avenue LLC	177,803,319	8	0.65	90,418,350	9	0.54
Hart Arboretum LLC	167,750,000	9	0.61	—		—
Agensys Inc	156,289,056	10	0.57	—		—
TST Colorado LLC	—		—	165,500,000	4	1.00
1299 Ocean LLC	—		—	68,781,818	10	0.41
St. John's Hospital & Health Center	—		—	325,759,351	2	1.96
Loews Santa Monica Hotel	—		—	114,992,350	7	0.69
CLPF Arboretum Limited Partnership	—		—	97,348,137	8	0.59
Total principal property taxpayers assessed value	<u>\$ 2,830,344,486</u>		<u>10.30</u>	<u>\$ 1,832,925,428</u>		<u>11.02</u>
Total City net taxable assessed value	<u>\$ 27,514,108,574</u>		<u>100.00 %</u>	<u>\$ 16,623,871,443</u>		<u>100.00 %</u>

Source: City of Santa Monica Finance Department; HdL, Coren and Cone; Los Angeles County Auditor-Controller

**TABLE 9****CITY OF SANTA MONICA, CALIFORNIA**Property Tax Levies and Collections  
Last Ten Fiscal Years

<b>Fiscal year</b>	<b>Total secured tax levy</b>	<b>Current secured tax collections</b>	<b>Percent of levy collected</b>	<b>Delinquent secured tax collections (1)</b>	<b>Total tax collections</b>	<b>Total secured tax collections as percent of total tax levy</b>	<b>Outstanding delinquent taxes (2)</b>	<b>Outstanding delinquent taxes as percent of total secured tax levy</b>
2013-14	\$ 25,173,273	\$ 24,689,372	98.1 %	\$ 570,037	\$ 25,259,409	100.3 %	\$ 512,940	2.0 %
2012-13	23,446,717	23,428,590	99.9	713,956	24,142,546	103.0	585,417	2.5
2011-12	23,211,627	22,641,826	97.5	645,927	23,287,753	100.3	661,315	2.8
2010-11	22,293,648	21,759,685	97.6	937,340	22,697,025	101.8	669,232	3.0
2009-10	22,585,685	21,724,105	96.2	1,262,484	22,986,589	101.8	690,928	3.1
2008-09	22,439,401	21,195,066	94.5	1,237,357	22,432,423	100.0	662,983	3.0
2007-08	20,654,045	19,309,774	93.5	528,207	19,837,981	96.0	442,105	2.1
2006-07	19,352,421	18,418,938	95.2	376,559	18,795,497	97.1	271,740	1.4
2005-06	18,053,398	17,445,098	96.6	407,334	17,852,432	98.9	248,199	1.4
2004-05	16,834,761	16,407,407	97.5	416,502	16,823,909	99.9	292,723	1.7

(1) Exclusive of penalties and collections related to tax overrides for debt service on general obligation bonds.

(2) Reflects City of Santa Monica proportionate share of county-wide outstanding delinquencies. The Los Angeles County property tax system does not provide City of Santa Monica specific statistics related to delinquencies. Should the County change their system to include specific city data, the table will be updated to adjust delinquent taxes by year.

Source: County of Los Angeles

**TABLE 10****CITY OF SANTA MONICA, CALIFORNIA**

Taxable Transactions by Type of Business (1)

Last Ten Calendar Years

(In Thousands)

Business	Calendar Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Apparel stores	\$ 413,794	403,566	381,960	307,409	278,980	316,993	337,956	342,883	336,512	308,818
General merchandise	107,483	114,375	111,962	66,521	28,349	50,545	62,504	68,587	76,165	84,827
Food stores	92,794	86,213	84,007	80,779	82,841	87,586	85,500	81,369	75,821	67,597
Eating & drinking places	490,165	541,432	503,540	456,846	431,011	457,549	459,403	441,502	414,745	380,409
Building materials	104,249	90,255	92,249	88,913	88,971	119,095	130,025	120,516	106,596	100,250
Auto dealers & auto suppliers	699,105	640,142	632,304	600,140	609,517	647,526	714,128	715,820	709,660	691,412
Service stations	131,887	137,246	134,962	151,952	106,193	146,276	137,306	132,438	101,214	89,261
Other retail stores	623,225	643,207	638,691	527,688	518,096	620,078	680,459	644,346	627,242	607,795
Retail stores total	2,662,702	2,656,436	2,579,675	2,280,248	2,143,958	2,445,648	2,607,281	2,547,461	2,447,955	2,330,369
All other outlets	392,160	289,380	284,577	276,099	270,337	317,818	336,863	409,547	352,943	321,760
Total all outlets	\$ 3,054,862	2,945,816	2,864,252	2,556,347	2,414,295	2,763,466	2,944,144	2,957,008	2,800,898	2,652,129

Source: Hinderliter, de Llamas and Associates

(1) Amounts have been revised to reflect prior year adjustments; Amounts do not include allocations from State or County Pools.

**TABLE 11****CITY OF SANTA MONICA, CALIFORNIA**

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Fiscal year	Governmental activities					Business-type activities				Total primary government	Percentage of net assessed valuation (1)	Per capita
	General obligation bonds	Tax allocation bonds*	Lease revenue bonds	Term loans payable*	Line of Credit*	Wastewater bonds	Certificates of participation	Term loans payable	Capital leases			
2013-14	\$ 11,205,890	\$ —	\$ 82,503,548	\$ 400,000	\$ —	\$ 9,704,216	\$ —	\$ 1,774,966	\$ —	\$ 105,588,620	0.38%	\$ 1,145
2012-13	12,518,284	—	87,039,302	400,000	—	17,763,125	—	2,045,117	—	119,765,828	0.46%	1,316
2011-12	12,650,793	—	90,574,837	400,000	—	19,319,815	—	2,308,422	—	125,253,867	0.51%	1,388
2010-11	15,044,398	103,546,185	61,882,893	101,468,020	50,000,000	20,727,517	—	2,565,054	—	355,234,067	1.49%	3,939
2009-10	16,793,432	66,727,384	65,049,340	400,000	23,471,605	22,107,109	—	2,837,400	—	197,386,270	0.82%	2,129
2008-09	18,507,466	69,348,470	67,835,516	400,000	15,485,324	23,431,702	—	3,103,408	—	198,111,886	0.85%	2,142
2007-08	20,196,498	71,839,556	71,836,328	—	—	24,711,294	—	3,363,238	—	191,946,914	0.91%	2,168
2006-07	21,860,531	74,183,320	75,687,140	—	—	25,945,886	420,000	3,617,046	—	201,713,923	1.02%	2,287
2005-06	23,494,564	77,183,512	78,637,954	—	—	26,948,352	820,000	3,864,987	—	210,949,369	1.17%	2,404
2004-05	25,103,599	77,782,218	81,486,391	—	—	28,149,531	1,205,000	4,107,207	—	217,833,946	1.32%	2,439

Note: Details regarding the City's outstanding debt can be found in Note 9 of the Financial Statements.

All bonds amounts are updated to reflect net of related premiums, discounts, and adjustments.

(1) Net assessed property valuations have been used because personal income is not available. See Table 6 for net assessed valuations.

\* Redevelopment debt was transferred to the Successor Agency on February 1, 2012.

**TABLE 12****CITY OF SANTA MONICA, CALIFORNIA**

Ratios of General Bonded Debt  
Last Ten Fiscal Years

	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>
General bonded debt outstanding										
General obligation bonds	\$ 11,205,890	12,518,284	12,650,793	15,044,398	16,793,432	18,507,466	20,196,499	21,860,531	23,494,565	25,103,599
Tax allocation bonds*	—	—	—	103,546,185	66,727,384	69,348,470	71,839,555	74,183,320	77,183,512	77,782,218
Total	<u>\$ 11,205,890</u>	<u>12,518,284</u>	<u>12,650,793</u>	<u>118,590,583</u>	<u>83,520,816</u>	<u>87,855,936</u>	<u>92,036,054</u>	<u>96,043,851</u>	<u>100,678,077</u>	<u>102,885,817</u>
Assessed value (in thousands) (1)	\$ 27,514,109	25,765,605	24,644,122	23,882,176	24,096,850	23,488,853	21,122,724	19,705,610	18,098,550	16,546,884
Percentage of assessed										
Property value	0.04%	0.05%	0.05%	0.50%	0.35%	0.37%	0.44%	0.49%	0.56%	0.62%
Population (2)	92,185	91,040	90,223	90,174	92,703	92,494	91,439	91,124	90,750	90,678
Per capita	\$ 122	138	140	1,315	901	950	1,007	1,054	1,109	1,135

(1) See Table 6 for Assessed Value Data

(2) See Table 16 for Population Data

\* Redevelopment debt was transferred to the Successor Agency on February 1, 2012.

All bonds amounts are net of related premiums, discounts, and adjustments.

**TABLE 13**

**CITY OF SANTA MONICA, CALIFORNIA**  
Direct and Overlapping Governmental Activities Debt  
As of June 30, 2014

	<b>Debt Outstanding</b>	<b>Estimated Percentage Applicable<sup>(1)</sup></b>	<b>Estimated share of Overlapping Debt</b>
Overlapping debt:			
Los Angeles County General Fund Obligations	\$ 1,835,420,030	2.415%	\$ 44,325,394
Los Angeles County Superintendent of Schools Certificates of Participation	9,529,882	2.415%	230,147
Los Angeles County Flood Control District	17,480,000	2.506%	438,049
Metropolitan Water District	132,275,000	1.260%	1,666,665
Santa Monica Community College District	305,103,121	66.027%	201,450,438
Los Angeles Unified School District	10,533,960,000	0.000%	21,068
Santa Monica-Malibu Unified School District	291,068,787	66.079%	192,335,344
Los Angeles County Regional Park and Open Space Assessment District	113,615,000	2.415%	2,743,802
Santa Monica Community College District Certificates of Participation	18,405,000	66.027%	12,152,269
Los Angeles Unified School District Certificates of Participation	365,858,657	0.000%	732
Los Angeles Community College District	3,642,560,000	0.010%	364,256
Santa Monica-Malibu Unified School District Certificates of Participation	12,391,501	66.079%	8,188,180
Overlapping Tax Increment Debt			98,435,000
Subtotal, overlapping debt			<u>562,351,344</u>
City direct governmental debt			
City of Santa Monica Parking Authority Lease Revenue Bonds (2002 Refunding)			3,115,304
City of Santa Monica General Obligation Bonds Main Library Improvements (2012)			11,205,890
City of Santa Monica Public Safety Lease Revenue Bonds (2009)			6,900,078
City of Santa Monica Public Safety Lease Revenue Bonds (2011)			6,997,029
City of Santa Monica Civic Parking Structure Lease Revenue Bonds (2004)			32,625,769
City of Santa Monica Parking Structure 6 Lease Revenue Bonds (2011)			32,865,368
State Dept of Housing and Community Development			<u>400,000</u>
Subtotal, direct debt			<u>94,109,438</u>
Total direct and overlapping governmental debt <sup>(2)</sup>			<u><u>\$ 656,460,782</u></u>

<sup>(1)</sup> Percentage of overlapping agency's assessed valuation located within boundaries of the city.

<sup>(2)</sup> Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bond and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.



**TABLE 14****CITY OF SANTA MONICA, CALIFORNIA**Computation of Legal Debt Margin  
Last Ten Fiscal Years

	<b>2013-14</b>	<b>2012-13</b>	<b>2011-12</b>	<b>2010-11</b>	<b>2009-10</b>	<b>2008-09</b>	<b>2007-08</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
Total net debt applicable to limit	\$ 80,994,650	87,000,048	91,804,168	151,252,964	133,493,200	141,302,416	148,656,800	156,937,600	165,988,287	165,375,304
Debt limit	2,908,716,082	2,720,223,142	2,594,319,674	2,531,305,352	2,545,129,908	2,449,428,970	2,214,502,370	2,068,018,972	1,877,324,663	1,713,217,857
Legal debt margin	2,827,721,432	2,633,223,094	2,502,515,506	2,380,052,388	2,411,636,708	2,308,126,554	2,065,845,570	1,911,081,372	1,711,336,376	1,547,842,553
Total net debt applicable to the limit as a percentage of debt limit	2.78%	3.20%	3.54%	5.98%	5.25%	5.77%	6.71%	7.59%	8.84%	9.65%

Net assessed value	27,514,108,574
Add: exempt property	<u>1,573,052,245</u>
Total gross assessed value	<u>\$29,087,160,819</u>

Debt limit - 10% of total assessed value (1)	2,908,716,082
----------------------------------------------	---------------

Amount of debt applicable to debt limit:	
Total bonded debt	89,670,000
Less:	
Assets in debt service funds available for payment of bonds	<u>8,675,350</u>

Total amount of debt applicable to debt limit	<u>80,994,650</u>
-----------------------------------------------	-------------------

Legal debt margin	<u>\$ 2,827,721,432</u>
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(1) Per Section 607 of the City Charter, bonded indebtedness of the City may not exceed 10% of total assessed valuation of property within the City, exclusive of any indebtedness incurred for the purpose of water supply or sewers or storm drains.

Source: City of Santa Monica Finance Department

**TABLE 15**

**CITY OF SANTA MONICA, CALIFORNIA**  
Wastewater Enterprise Revenue Bonds Coverage  
Last Ten Fiscal Years

Fiscal year	Gross revenues (1)	Direct operating expense (2)	Net revenue available for debt service	Debt service requirement			Coverage (3)
				Principal	Interest	Total	
2013-14	\$ 22,556,413	\$ 12,823,959	\$ 9,732,454	\$ 1,785,000	\$ 575,698	\$ 2,360,698	4.12
2012-13	22,490,999	9,853,573	12,637,426	1,700,000	674,700	2,374,700	5.32
2011-12	21,307,472	10,993,468	10,314,004	1,650,000	846,141	2,496,141	4.13
2010-11	19,117,006	9,547,632	9,569,374	1,600,000	972,738	2,572,738	3.72
2009-10	17,036,277	9,449,739	7,586,538	1,545,000	1,026,812	2,571,812	2.95
2008-09	15,978,030	8,305,013	7,673,017	1,500,000	1,071,812	2,571,812	2.98
2007-08	17,359,852	12,711,059	4,648,793	1,455,000	1,115,463	2,570,463	1.81
2006-07	16,401,212	12,613,626	3,787,586	1,260,000	1,311,589	2,571,589	1.47
2005-06	14,437,130	10,463,034	3,974,096	1,190,000	1,419,825	2,609,825	1.52
2004-05	14,233,699	9,818,457	4,415,242	1,130,000	1,470,675	2,600,675	1.70

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(1) Gross revenues included operating revenues plus nonoperating revenues and net interfund transfers through FY 2007-08. Starting in FY 2008-09 gross revenues included operating revenues plus operating transfers specifically related to wastewater operations.

(2) Excludes depreciation expense, write-off of disposed assets, and capital-related expenditures.

(3) Bond covenant requires a coverage ratio of 1.20

The Hyperion Project, Wastewater Enterprise Revenue Bonds were issued November 26, 1991 at an interest rate of 6.25% with ratings of A1 from Moody's Investors Service, Inc. and A+ from Standard & Poor's Corporation. Debt service began in FY 1992-93. These bonds were refunded by the issuance of insured Wastewater Enterprise Revenue Bonds, 1993 Refunding Series on December 22, 1993 with an interest rate of 5.3084% with ratings of Aaa and AAA by Moody's Investors Services, Inc. and Standard & Poor's Corporation, respectively. The Refunding Bonds were insured by AMBAC Indemnity.

On October 13, 2005 the City issued \$20,305,000 of Wastewater Enterprise Refunding Revenue Bonds bearing interest from 3.00% to 5.00% to defease \$21,535,000 of the outstanding 1993 Wastewater Enterprise Revenue Bonds, 1993 Refunding Series with ratings from Moody's Investor Services, Inc. of A1, Standard & Poor's Corporation of AA and Fitch Ratings of AAA. The Refunding Bonds are insured by Financial Guaranty Insurance Company.

On April 16, 2010 Moody's upgraded the underlying rating on the Refunding bond to Aa2 and on November 17, 2008 Standard & Poor's Corporation upgraded the underlying rating to AAA.

On May 30, 2012 the City issued \$8,955,000 Wastewater Refunding Revenue Bonds Series 2012A at interest from 2.00% to 4.00% to defease \$9,670,000 of the outstanding 1993 Wastewater Enterprise Revenue Bonds. Standard & Poor's Corporation rated AAA on the 2012A Refunding bond.

On December 16, 2013 Moody's upgraded the underlying rating of the 2005 bonds to Aa1 from Aa2.

On June 1, 2014, the City redeemed remaining balance \$7,810,000 of Wastewater Enterprise Refunding Revenue Bonds 2005.

Source: City of Santa Monica Finance Department

**TABLE 16****CITY OF SANTA MONICA, CALIFORNIA**

Demographic and Economic Statistics  
Last Ten Calendar Years

<b>Calendar year</b>	<b>Population (1)</b>	<b>Personal income (2) (millions)</b>	<b>Per capita personal income (3)</b>	<b>Unemployment rate (4)</b>	
2014	92,185	*	*	7.1	%
2013	91,040	\$ 604,832	\$ 46,337	8.4	
2012	90,223	575,044	44,423	8.4	
2011	90,174	561,142	43,688	10.5	
2010	92,703	565,365	42,784	10.3	
2009	92,494	551,271	42,818	9.5	
2008	91,439	552,450	42,916	5.5	
2007	91,124	539,163	41,875	4.0	
2006	90,750	505,197	39,011	4.2	
2005	90,678	477,101	36,917	4.8	

\* No data is available for 2014 as of publication date of CAFR

Note: Data shown is the Metropolitan Statistical Area of Los Angeles-Long Beach-Santa Ana, CA.  
Data by City is not available.

Source: (1) California Department of Finance  
(2) and (3) Bureau of Economic Analysis  
(4) State of California, Employment Development Department, Labor Market  
Information Division

**TABLE 17****CITY OF SANTA MONICA, CALIFORNIA**

Principal Employers  
Current Year and Nine Years Ago

<b>Employers</b>	<b>2013-14</b>			<b>2004-05</b>		
	<b>Number of employees</b>	<b>Rank</b>	<b>Percentage of total City employment</b>	<b>Number of employees</b>	<b>Rank</b>	<b>Percentage of total City employment</b>
City of Santa Monica	2,559	1	3.10 %	2,249	1	3.08 %
Santa Monica-UCLA Hospital	2,113	2	2.56	1,483	4	2.03
Santa Monica College	1,851	3	2.24	1,932	2	2.65
Saint John's Hospital Medical Center	1,790	4	2.17	1,445	5	1.98
Santa Monica-Malibu Unified School District	1,657	5	2.01	1,900	3	2.60
Activision Blizzard, Inc.	899	6	1.09	—	—	—
RAND Corporation	817	7	0.99	897	7	1.23
Universal Music Group	787	8	0.95	—	—	—
Riot Games	712	9	0.86	—	—	—
Lion's Gate Entertainment Corporation	608	10	0.74	—	—	—
ET Whitehall Santa Monica Partners LP	—	—	—	826	8	1.13
MTV Networks	—	—	—	1,060	6	1.45
Symantec Corporation	—	—	—	750	9	1.03
Rubin Postaer & Associates	—	—	—	450	10	0.62
Total jobs provided by principal employers	<u>13,793</u>			<u>12,992</u>		
Average total jobs in Santa Monica	82,578			73,000		
Principal employers as percent of total jobs	16.70%			17.81%		

Source: City of Santa Monica Economic Development Division, Housing and Economic Development Department

**TABLE 18**

**CITY OF SANTA MONICA, CALIFORNIA**  
 Full-Time Equivalent City Government Employees by Function/Program  
 Last Ten Fiscal Years

<b>Function/Program</b>	<b>2013-14</b>	<b>2012-13</b>	<b>2011-12</b>	<b>2010-11</b>	<b>2009-10</b>	<b>2008-09</b>	<b>2007-08</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
General government	232.9	230.7	238.6	221.7	222.7	217.0	191.6	186.1	179.7	164.9
Public safety										
Police										
Sworn	216.0	216.0	209.0	216.0	216.0	216.0	216.0	216.0	216.0	214.0
Non-sworn	217.4	220.4	225.4	221.4	227.4	223.4	246.9	243.0	242.0	283.6
Fire										
Sworn	108.0	108.0	108.0	105.0	109.0	106.0	107.0	106.0	106.0	104.0
Non-sworn	21.0	21.0	21.0	22.0	19.0	11.0	27.3	29.6	26.9	27.3
General services	256.1	184.3	184.3	261.9	261.3	260.1	268.9	131.7	124.7	117.6
Cultural and recreation services (2)	151.9	231.1	231.1	151.9	152.8	148.5	145.4	228.3	218.8	204.9
Library	114.8	106.1	106.1	107.1	107.3	107.3	107.1	107.1	105.4	83.9
Housing and community development	138.8	144.4	144.4	146.4	148.4	158.4	139.9	145.2	144.1	137.7
Beach recreation	49.9	46.6	46.6	46.6	47.6	46.5	24.8	24.3	23.3	23.3
Cable communications (1)	—	—	—	—	—	—	—	—	—	10.8
Water	46.0	46.0	46.0	47.0	47.0	47.0	52.2	52.2	52.2	52.2
Resource Recovery & Recycling	86.7	75.2	84.2	84.2	84.0	84.0	83.1	106.8	106.8	104.0
Pier	17.8	17.2	15.8	16.2	16.2	16.2	16.5	25.8	26.8	26.4
Wastewater	22.2	22.2	22.2	22.2	22.2	22.2	39.6	39.6	39.7	36.4
Civic Auditorium	—	11.0	30.3	34.4	34.4	34.4	35.0	35.0	35.0	34.9
Airport	12.5	12.2	4.0	12.2	12.2	12.2	12.4	12.3	11.3	11.3
Cemetery	7.1	12.1	12.1	12.1	11.1	10.1	10.2	9.5	9.5	9.5
Big Blue Bus	435.5	419.0	419.0	413.7	418.7	417.7	441.9	441.9	441.9	437.9
Vehicle management	28.0	28.0	28.0	28.0	28.0	28.0	28.8	24.8	24.8	24.8
Self insurance - workers' compensation	12.0	14.0	14.0	12.0	12.0	12.0	12.1	12.1	12.1	12.1
Total all funds	<u>2,174.6</u>	<u>2,165.5</u>	<u>2,190.1</u>	<u>2,182.0</u>	<u>2,197.3</u>	<u>2,178.0</u>	<u>2,206.7</u>	<u>2,177.3</u>	<u>2,147.0</u>	<u>2,121.5</u>

Note: Includes permanent and temporary employees (2,080 hours = 1 full-time position).

(1) Cable communications was merged into the General Fund in FY 05-06.

(2) Public landscape was transferred from Cultural and recreation services to Public works (General services) in FY 13-14.

Source: City of Santa Monica Budget

TABLE 19

**CITY OF SANTA MONICA, CALIFORNIA**  
Operating Indicators by Function/Program  
Last Nine Fiscal Years

<b>Function / program</b>	<b>2013-14</b>	<b>2012-13</b>	<b>2011-12</b>	<b>2010-11</b>	<b>2009-10</b>	<b>2008-09</b>	<b>2007-08</b>	<b>2006-07</b>	<b>2005-06</b>
<b>General government:</b>									
Electronic requests for government information	12,420,770	12,175,143	16,000,000	16,000,000	15,900,000	15,700,000	24,631,223	20,999,363	14,211,319
Hours of live public meeting coverage	284	330	300	300	300	216	444	332	310
<b>Public safety:</b>									
Number of emergency response incidents	13,637	13,540	12,842	12,000	12,005	11,690	11,553	12,551	11,435
Number of inspections	9,031	8,706	9,549	8,549	7,235	8,918	7,053	6,562	7,125
Calls to Police Department for service	128,323	120,320	105,642	104,097	109,045	107,604	106,497	109,328	105,308
Police reports issued	13,983	13,708	13,086	13,377	13,995	14,373	14,346	15,334	14,618
Number of crimes recorded	8,744	8,986	8,579	8,581	8,793	9,561	9,604	9,902	9,761
<b>General services:</b>									
Number of square feet of sidewalks repaired	6,025	3,279	40,000	40,000	33,670	190,000	140,000	127,170	97,522
Number of graffiti removals performed	37,948	34,289	20,000	20,000	19,500	18,481	25,251	22,865	11,780
Feet of sewer mains cleaned	1,933,560	2,328,874	2,316,757	1,751,717	1,768,024	1,532,184	783,932	1,179,759	647,841
<b>Cultural and recreation services:</b>									
Number of cars parked in beach lots	2,568,733	2,163,186	1,500,000	1,500,000	1,798,000	1,450,000	1,640,733	1,635,707	1,572,374
Senior services meals served	43,020	64,711	56,232	52,440	49,786	42,459	30,917	30,721	28,609
Number of low income persons receiving primary health care	3,519	3,568	4,164	4,453	3,942	4,344	3,650	3,231	3,345
Number of youth regularly attending homework assistance programs	583	469	466	458	423	558	547	511	534
<b>Library:</b>									
Library visitors	1,265,286	1,373,663	1,500,000	1,500,000	1,500,000	1,300,000	1,328,614	1,273,672	938,067
Materials used	2,021,936	2,225,571	2,100,000	2,100,000	2,100,000	1,900,000	1,795,844	1,607,534	1,202,754
Public access computer sessions	215,907	271,680	300,000	300,000	300,000	290,000	286,077	274,239	145,824
<b>Housing and community development:</b>									
Building and Safety plan checks completed	2,366	1,998	1,500	1,500	1,712	1,798	1,786	1,601	1,975
Building inspections performed	20,732	21,576	16,000	16,000	13,608	18,103	17,671	17,120	17,765
Transportation Managements plan checks completed	839	465	500	500	444	750	531	573	572
Resident parking passes sold	51,674	76,000	73,000	70,000	60,000	39,000	45,657	42,645	37,028
Number of traffic signs installed, replaced, repaired, or removed	2,417	2,859	5,600	5,600	4,600	5,600	5,633	5,447	10,647
Number of parking meters installed, replaced, repaired, or removed	5,874	6,100	23,000	23,000	49,000	45,257	45,532	42,645	27,182
<b>Water:</b>									
Number of direct customer accounts	17,760	17,705	17,902	17,823	17,709	17,356	17,272	17,175	17,171
Water sold to direct customers in whole acre feet	13,344	15,147	11,996	11,779	12,629	12,879	12,975	13,378	12,775
<b>Airport:</b>									
Number of tenant aircraft	274	420	420	420	420	420	420	420	420
Noise ordinance violations issued	153	160	142	148	154	210	244	223	242
<b>Big Blue Bus:</b>									
Revenue Miles	4,870,655	5,019,965	5,278,856	5,267,809	5,352,321	5,316,228	5,114,167	5,016,822	5,053,891
Farebox revenue (in millions)	13.68	14.09	11.86	11.74	11.63	11.51	10.91	9.72	9.80
Total passenger trips (in millions)	18.8	19.3	22.0	22.0	22.0	22.0	21.0	21.8	22.0
Number of customer relations phone calls	64,525	69,075	73,586	73,447	69,738	71,868	74,131	60,096	60,153
Total number of charters	3	3	90	349	202	224	554	1,121	1,918

Sources: Various City departments.

Note: Statistical Table implemented in FY05-06 per GASB Statement No. 44. Data from previous fiscal years not shown.

**TABLE 20****CITY OF SANTA MONICA, CALIFORNIA**

Capital Asset Statistics by Function/Program  
Last Nine Fiscal Years

<b>Function / program</b>	<b>2013-14</b>	<b>2012-13</b>	<b>2011-12</b>	<b>2010-11</b>	<b>2009-10</b>	<b>2008-09</b>	<b>2007-08</b>	<b>2006-07</b>	<b>2005-06</b>
<b>Public safety:</b>									
Number of police vehicles	223	241	239	215	215	244	232	213	174
Number of fire vehicles	64	56	52	54	57	58	58	60	55
Number of fire stations	4 (1)	5	5	5	5	5	5	5	5
Number of police substations including Public Safety Facility	3 (2)	4	4	4	4	4	4	4	4
<b>General services:</b>									
Square footage of asphalt paved streets	30,403,785	30,403,785	30,403,785	30,385,115	30,585,115	30,385,115	30,421,841	30,443,441	30,443,441
Square footage of concrete paved streets	1,128,034	1,106,834	1,106,834	1,125,504	1,125,504	1,125,504	1,088,778	1,067,178	1,067,178
Square footage of sidewalks	8,403,428	8,386,998	8,386,998	8,386,998	8,386,998	8,386,998	8,386,183	8,386,183	8,386,183
Square footage of curbs and gutters	1,930,214	1,927,564	1,917,714	1,883,714	1,834,166	1,776,089	1,702,071	1,663,271	1,663,271
<b>Cultural and recreation services:</b>									
Number of beach parking lots	17	17	17	17	17	16	16	16	16
Number of parks	29	29	27	27	26	26	26	24	23
Number of swim centers	2	2	2	2	2	2	1	1	1
<b>Library:</b>									
Number of facilities: main and branches	5	4	4	4	4	4	4	4	4
<b>Housing and community development:</b>									
Downtown structure visitors	6,455,602	6,790,058	6,659,246	5,958,593	4,078,062	3,928,900	3,768,746	3,817,550	3,791,646
<b>Water:</b>									
Number of feet of water main installed	9,510	9,510	12,384	—	—	—	22,660	22,660	22,660
Water main system (in miles)	205	205	205	205	205	205	205	205	205
Reclaimed water main system (in miles)	5	4	4	4	4	4	4	4	4
<b>Wastewater:</b>									
City sewage flow in million gallons/day	12.2	11.4	11.4	11.3	10.6	13.3	10.4	12.3	12.8
Sewer main system (in miles)	151	151	151	152	152	152	152	152	152
<b>Stormwater:</b>									
Daily gallons treated for recycling by SMURRF	108,000	123,000	122,890	330,000	275,000	275,000	330,000	330,000	330,000
Storm drain system (in miles)	59	59	59	58	58	58	58	58	58
<b>Airport:</b>									
Aircraft operations (departures and arrivals)	85,052 (3)	102,109	105,026	106,521	112,212	117,250	136,485	136,270	135,765
<b>Big Blue Bus:</b>									
Number of buses	201	192	200	214	199	197	202	202	211

(1) Prior year included the training tower.

(2) 2 police substations (Downtown and Pico Blvd) were eliminated and one was added (Pier).

(3) Decline in operations due to fee structure increases.

Sources: Various City departments.

Note: Statistical Table implemented in FY05-06 per GASB Statement No. 44. Data from previous fiscal years not shown.

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