

CITY OF SANTA MONICA CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019



City of Santa Monica California

Comprehensive Annual Financial Report

Year ended June 30, 2019

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City of Santa Monica, California
Year Ended June 30, 2019

INTRODUCTORY SECTION



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

December 16, 2019

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

Attached is the Comprehensive Annual Financial Report (CAFR) for the City of Santa Monica (City) for the fiscal year ended June 30, 2019 (FY 2018-19).

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 auditors' report. This letter of transmittal complements the MD&A and should be read in conjunction with it.

Lance, Soll & Lunghard LLP has issued an unmodified opinion on the City of Santa Monica's basic financial statements for FY 2018-19. 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 93,593 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 (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.

Santa Monica's level and breadth of services surpass those of other cities of comparable size. The City provides a full range of services, including police and fire protection, water and wastewater, street maintenance, public landscaping, a regional transit system that serves 13.2 million riders each year, parking, parks and recreation including 245 acres of beaches, five public libraries, planning, building and safety, the iconic Santa Monica Pier, an airport, a cemetery, and a high level of support for social services, cultural programs and public education. 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. It is City policy to use internal staff rather than contractors for core services, and as a result labor costs make up nearly 70% of General Fund operating expenses.

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

As a AAA rated city, Santa Monica has long relied on conservative fiscal assumptions to plan ahead with two-year operating budgets, five-year capital plans and rolling five-year fiscal forecasts. Beginning in FY 2018-19, the long range forecast period was extended to ten years and the capital planning period will be extended to ten years in FY 2019-20. Financial planning also takes the form of continuous review and refinement of fiscal policies and forecasts, and an understanding of the initiatives being undertaken by the entire organization. This responsible approach has provided residents with a scope and quality of community services that stands out among California cities. It has also allowed Santa Monica to be a pioneer in innovative approaches to community wellbeing and sustainability. It has ensured that our workforce is competitively compensated, well-trained and well-equipped. Of course, the City's financial health is impacted in part by the national and State economic climates, therefore prudent planning includes continuous assessments of these areas as well as local conditions.

Santa Monica currently enjoys a vibrant economy, but global trends such as artificial intelligence, user options, and connectivity have the possibility to reshape how we work, live, shop and interact. To understand how these changes or others may manifest, the City of Santa Monica has launched **Santa Monica 2050** – a strategy to evaluate and prepare the City for the future given the acceleration of technology and the changes that come with innovation. As part of the strategy development, the City recently convened local, regional, national, and international industry experts, academics, business leaders, and public sector leaders to share insights and ideas on how technological advancements and global trends might impact and manifest in Santa Monica and the greater Los Angeles Region. In the coming months, the City will seek community participation in the development of the **Santa Monica 2050** strategy. More information and updates on the progress of the evolving project can be found at SantaMonica.gov/2050economy.

The U.S. economy continues to grow, and the pace of growth has accelerated over the last few quarters. Economic growth as measured by gross domestic product (GDP) was positive in 2018 for the ninth consecutive year, one of the longest economic recoveries on record, but overall a fairly moderate recovery by historical standards. Economic growth has averaged just 2.3% annually during the post-recession period. However, growth in some recent quarters has increased to the 3.0% range. Most economists are projecting slower growth of less than 2.0% in 2020 and 2021 with some economists even projecting a

recession (generally considered negative growth for two consecutive quarters) in late 2020 or 2021. Unemployment has reached its lowest level in fifty years. The housing market has moderated and is expected to continue this trend in the near future. Inflation on a national basis continues to be low. The Federal Reserve after several years of increasing interest rates, has now begun to once again decrease the key Federal Funds rate in an effort to combat a potential slowing of economic growth. The course of interest rates is now uncertain over the next one to two years as the long-term policy impacts of the administration in Washington, particularly in the areas of trade and tariffs, is still uncertain. Also, history would indicate that the economy is likely to head into a recession sometime within the next few years.

The State is expected to grow modestly in the term. Job growth is expected to continue, but at a slower pace than in recent years, and the housing market is expected to rebound slightly after slowing in 2019. After several years of strong increases, State revenue growth is expected to slow, particularly from personal income taxes, and the risk of an overall economic slowdown have increased. Despite this moderation, the Legislative Analyst Office's (LAO) November 20, 2019 report on the State's Fiscal Outlook projects that the State will have surpluses through FY 2023-24 assuming no major new spending commitments. However, the size of the surpluses is decreasing and under a recession scenario. While the possibility of a recession in the next few years continues to pose significant risks to the State Budget, the LAO's analysis shows sufficient State reserves to weather the recession, again assuming no major increases in new spending.

Santa Monica's economy, while remaining relatively strong due in large part to its geographic location and its diversified tax revenue base, has begun to show signs of moderation. General Fund revenue growth has begun to slow after several years of strong increases. Also, as with the State and national economies, the threat of a recession could significantly alter revenue projections. More information on some of the City's key revenue sources is provided below. Property values in the City remain the third highest in Los Angeles County for a City with the 19th largest population. The FY 2018-19 assessed value increase was 7.6% after a 5.8% gain the previous year. Preliminary information from the Los Angeles County Assessor's Office indicates a FY 2019-20 increase of 6.7%. However, this number could change after all exemptions are applied. Moderate annual average increases of 3.0-4.0% are projected over the ensuing nine years.

Sales tax growth is expected to moderate going forward, reflecting a continued shift of sales to online platforms. In 2010 and 2016, Santa Monica voters passed transaction and use tax measures, totaling 1% overall. Both of these measures were accompanied by advisory measures that altogether recommended that Council allocate half of the revenue for school purposes, a quarter to fund affordable housing, and a quarter for general City services. This tax, which is assessed similarly to a sales tax, has no sunset. FY 2018-19 sales tax results were skewed upward due to the receipt of taxes that were due in the prior year. The delay reflects transfer of administrative responsibility for tax collection from the State Board of Equalization to the California Department of Tax and Fee Administration (CDTFA). Due to this anomaly, City sales tax revenues are actually expected to decrease in FY 2019-20, then grow by slightly under 2% in FY 2020-21.

Tourism provides a major stimulus to the local economy by creating jobs and producing revenues. Staff estimates that approximately 18% of General Fund revenues are generated by the tourism industry. However, this revenue source is also showing signs of moderation. Revenue from Transient Occupancy Taxes was essentially flat in FY 2018-19 with the prior year after increasing at an average annual rate of 9.2% over the previous seven years. Revenues are expected to grow slightly over the forecast period, the rate of increase is expected to be lower than in previous years. Revenues will be bolstered by a new hotel that opened at the end of FY 2018-19.

Business License Taxes are expected to increase slightly (1.5%) in FY 2019-20 and then remain relatively flat in FY 2020-21, reflecting the loss of several of the City's largest taxpayers due to relocations, before

resuming a moderate growth rate of about 1.5% annually. Utility Users Tax revenues are also expected to remain flat over the next several years as revenues from telecommunication services continue to drop due to non-taxed internet-enabled telecommunications services gaining ground over the more traditional services that are currently taxed. Parking Facility Taxes are expected to grow by just under 2% per year over the next several years. Interest rates, which fell to historically low levels over the last seven years, significantly impacting the City's investment income, increased the last two years. However, as noted above, rates have fallen from recent highs and the future course of rates is uncertain due to potential geopolitical and economic influences on the overall economy.

MANAGING FISCAL CHALLENGES

Despite the City's diverse tax revenue base, all major sources of tax revenue are seeing slowing growth. This comes at a time when pressure on expenditures is accelerating. The key challenges the City faces are steep increases in pension costs over the next seven years as the effects of the California Public Employees' Retirement System (CalPERS) discount rate decrease from 7.5% to 7.0% impact pension contribution rates starting in FY 2018-19, and continued increases in workers' compensation costs and healthcare costs, all of which are outpacing revenue growth. Even without an economic downturn in the next two years, the City will face increasingly hard choices in the next budget cycle.

Overall, the City's fiscal health continues to benefit from a number of cost saving measures approved by Council and implemented since FY 2010-11. The Miscellaneous employee bargaining group approved a second tier of reduced retirement benefits for new employees starting on or after July 1, 2012, and Miscellaneous group employees continue to contribute a portion of their pension costs, while Public Safety employee bargaining groups have approved annual incremental increases to their employee pension contributions. Over the past eight years, Police and Fire sworn employees have increased their contributions towards pensions to reach over 28% of the total pension cost for Classic CalPERS members (those joining CalPERS before January 1, 2013), while Classic Miscellaneous employees are contributing up to 28% of the pension cost. The passage of the Public Employee Pension Reform Act, or PEPR, in September 2012 is working to further control cost increases in the future, as new employees entering CalPERS after January 1, 2013 are receiving reduced retirement benefits. To date, approximately 40% of the City's permanent workforce is receiving reduced pension benefits.

Another cost-saving measure is the series of payments made to CalPERS beyond the actuarially required contribution. These additional discretionary payments reduce the City's net pension liability. In 2014, after a series of pay downs funded from year-end savings, Council adopted a policy that, provided that there are sufficient funds, the annual budget would include a minimum set-aside of \$1.0 million in the General Fund, and commensurate set-aside amounts in all other funds, to be used towards pay downs of the CalPERS unfunded liability. Based on the availability of additional funds, staff would annually assess the set-aside of additional CalPERS payments against other unfunded needs, and present the Council with a recommendation. In June 2017, responding to the prospect of additional significant pension contribution rate increases beginning in FY 2018-19, Council approved a \$45 million pay down of the City's pension unfunded liability. From FY 2010-11 through June 30, 2019, the City made \$78.8 million in pay downs that have resulted in over \$8.0 million in annual pension contribution savings.

In FY 2018-19, in light of continuing pension challenges, and following resident interest in the City's plan to manage pensions, the City Manager established an ad hoc Pension Advisory Committee (PAC) made up of residents and City employees. The Committee's purpose was to work with an independent actuary to study the issue and develop recommendations for the City Manager to consider in the development of the proposed budget. The PAC unanimously recommended an accelerated plan to pay down the City's current pension unfunded liability over 13 years, to conclude in 2032-33. It is projected that the accelerated 13-year repayment will save more than \$100 million in interest costs over 30 years (\$41

million Present Value). This pay down plan has superseded the previous annual pay down plan described above. The first accelerated payment in the amount of \$9.3 million was made on October 31, 2019. With the latest payment, the City has made a total of \$88.1 million in pay downs beyond the annual required contribution.

Yet another cost-saving measure is the City's prepayment of its annual employer contributions to CalPERS since FY 2007-08. The City continued this practice in FY 2018-19. Discounts received from such prepayments are used for pay downs of the net pension liability.

Despite the mitigating steps taken by the City, CalPERS has made a number of changes to actuarial assumptions that have increased contribution rates. In addition to the phase in of the half percent discount rate decrease, CalPERS will also shorten the period over which future actuarial gains and losses are amortized from 30 years to 20 years with the payments computed using a level dollar amount. In addition, the new policy removes the 5-year ramp-up and ramp-down on unfunded actuarial liability bases attributable to assumption changes and non-investment gains and losses, and removes the 5-year ramp-down on investment gains and losses. These changes will apply to new unfunded liability bases and will likely further increase contributions beginning in FY 2021-22.

During FY 2014-15, the City began to prefund its Other Postemployment Benefits (OPEB) obligation by paying into an Internal Revenue Code Section 115 irrevocable trust administered through the California Employees' Retirement Benefit Trust (CERBT), an affiliate of CalPERS. The City is paying the equivalent of its annual required OPEB contribution into the irrevocable trust. This has allowed the City to benefit from a higher discount rate used in calculating its OPEB unfunded liability.

To counter the trend of health insurance cost increases, members from all of the City's collective bargaining groups contribute to health insurance premiums. Additionally, the City has negotiated a new contract with a new insurance provider that will save over \$500,000 in 2019, with fixed rates for the following two years.

Risk Management is implementing and managing a variety of measures to help control workers' compensation costs. The BBB has finished two years of a three-year pilot program in which claims administration responsibilities for all BBB claims were transferred from the City's in-house workers' compensation unit to a private claims administrator; through June 30, 2019 BBB's total program liabilities were reduced from \$7.44 million to \$6 million. Risk Management's comprehensive case management program for the Police and Fire Departments has reduced the number of litigated workers' compensation claims from sworn personnel, thereby reducing medical expenses, temporary and permanent disability expenses, and legal expenses. Risk Management is continuing its implementation of a citywide Functional Evaluation Testing Program in which a certified functional evaluation testing vendor administers functional tests to all candidates applying for physically demanding jobs at the City. This type of testing, considered an industry best practice, has proven to reduce employee injuries and, over time, lower workers' compensation costs.

As fiscal challenges persist, it is important for the City to be strategic and transparent about how funds are spent. The FY 2019-21 Adopted Biennial Budget marks the beginning of a six-year transition from maintenance of effort budgeting to one based on our Framework Priorities and focusing on a government that works better and costs less and includes the following elements:

- The Budget is built on a new Framework for a Sustainable City of Wellbeing ("Framework"). The Framework organizes work around the achievement of seven major outcomes. Each outcome is further broken into sub-outcomes, work streams that define specific areas of focus. Each of these uses outcome metrics to assist in determining whether outcomes are achieved. For the first time as part of the budget process, department work is mapped to and organized around the

achievement of these outcomes. Over the next two years, these activities will each be measured in terms of how they contribute to the outcome, and the resources they require, to determine their value.

- A plan to proactively achieve the repayment of the City's existing unfunded pension liability through an accelerated 13-year pay down of the unfunded liability, described above.
- A phased effort to close projected General Fund budget shortfalls beyond the term of the current budget, and reallocate limited resources to outcome areas that may require greater investment:
 - In the FY 2019-21 Proposed Budget, a slate of budget reductions based on more streamlined and efficient practices. These changes come from reduced contract costs, staffing adjustments and the elimination of 28.0 full-time equivalent vacant positions. These reductions amount to \$13.3 million in FY 2019-20 and an additional \$4.0 million in FY 2020-21.
 - Staff has identified more impactful program changes that may result in restructuring, discontinuation or shifting to another public, non-profit or private entity for service delivery. These will require additional analysis and outreach to determine feasibility, and impacts to the community, our partners, or specific vulnerable populations. These proposals will first be presented to a Budget Task Force appointed by the City Manager for this purpose. The Task Force is composed of eight community members and seven staff members. This group will review two sets of proposals: 1) proposed changes slated for analysis during the current year, to be incorporated in the FY 2020-21 Budget. A \$1.5 million General Fund permanent reduction target for these changes has already been incorporated into the Proposed Budget Plan for FY 2020-21; and 2) proposed changes slated for analysis during FY 2020-21, to be incorporated into the FY 2021-25 budgets. These are anticipated to result in a \$2.5 million permanent General Fund budget reduction.
 - In addition, staff is working on additional restructuring and streamlining that is anticipated to ultimately yield \$2 million in General Fund savings before the third biennial cycle.

THE DISSOLUTION OF REDEVELOPMENT

On June 27, 2012, the State Legislature passed and the Governor signed AB 1484, a measure clarifying legislation related to the dissolution of redevelopment. On October 21, 2013, the Successor Agency reached a settlement agreement with the Department of Finance (DOF) to pay \$56.7 million as full remittance of unobligated cash and cash-equivalent balances previously held by the Redevelopment Agency (RDA) as identified in the Due Diligence Reviews. The settlement was paid in full on January 14, 2015. On January 16, 2015, the DOF issued a Finding of Completion to the Agency, allowing it 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 LRPMP was approved on December 29, 2015, and during the course of FY 2015-16, the DOF approved the repayment of three City/Agency loans totaling approximately \$70 million. The remaining balance of \$34.0 million will be received over the next three years. The Successor Agency has received Final and Conclusive Determinations on all of its indebtedness, ensuring that the DOF will continue to approve the use of tax increment funds for debt service payments.

The most significant and lasting impacts of the dissolution of redevelopment are the loss of ongoing funding for affordable housing rehabilitation and production in the City, and the suspension of the Civic Center Joint Use Project with the Santa Monica-Malibu Unified School District and the rehabilitation of the Civic Auditorium. However, the passage of Measures GS and GSH has established a regular, albeit

decreased, revenue stream to fund affordable housing. In July 2018, the Oversight Board of the Successor Agency transitioned from a local board to a County-wide Oversight Board. This County-wide Board is responsible for reviewing, approving and submitting the Successor Agency's Required Obligation Payment Schedules to the State Department of Finance once a year. Because the Successor Agency has received Final and Conclusive determinations on all debt payment schedules, the City does not expect this change to have any significant financial or operational impact.

POLICIES, RESERVES AND TRANSPARENCY

An additional safeguard to the City's fiscal sustainability lies in the General Fund's economic uncertainty reserve. The Council created this reserve in FY 2008-09 at \$8.2 million and increased it in FY 2010-11 by \$1.5 million to a total current balance of \$9.7 million. The reserve is to 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, in case of a shortfall. Corrective actions to date have allowed the City to avoid the need to use any of the reserve.

The City ended the fiscal year with a positive operating balance and a General Fund fund balance of \$340.7 million which includes nonspendable, restricted, committed, assigned, and unassigned fund balances, each with varying constraints that control how amounts can be spent.

The City has and continues to dedicate resources to ensuring its transparency to the public. The City convened a new Audit Subcommittee in FY 2015-16. This Subcommittee is meeting a minimum of four times per year to review the work and reports of the City's internal and external auditors and the progress made on internal controls process improvements.

During FY 2018-19, the City Council adopted a Compensation Philosophy, which establishes a consistent methodology for determining if the City's processes to recruit and retain highly qualified staff continue to be in line with the City's overarching goal of being an "employer of choice" while continuing to be fiscally responsible with a goal of this being evaluated every five years. It also adopted a Fiscal Sustainability Philosophy and Guiding Principles to Handle Pension Liability.

In October 2018, the Council adopted a Performance Management Policy that institutionalizes the City's commitment to data-driven decision-making. The policy defines the City's approach to developing, establishing, monitoring, and reporting on outcomes, and establishes the commitment to use this outcome data in resource allocation decisions.

On June 25, 2019, the Council adopted a Fiscal Sustainability Philosophy included in the City's Fiscal Policy. The philosophy commits the City to a long term view of financial planning that addresses economic and fiscal risks to ensure the City lives within its means and has the resources to invest in its infrastructure, facilities, equipment, training and workforce to preserve and enhance community wellbeing.

The Council also adopted Principles for Pension Funding, as developed by the ad hoc Pension Advisory Committee. These principles, incorporated in the City's Fiscal Policy, set forth the plan to follow a 13-year accelerated pay down of the pension unfunded liability, with an alternative timeline in case of emergency.

The open data portal allows the public easy access to a growing database of information, in addition to the Opengov application that allows users to view the City's budget from a number of perspectives.

CITYWIDE BUDGET

The City of Santa Monica employs a two-year budget process. In year one of the biennial budget cycle, the City Council formally adopts authorized appropriations for the first year of the two-year budget and approves “planned” appropriations for the second fiscal year. In year two of the budget cycle, the City Council considers revisions and formally adopts authorized appropriations for the second fiscal year. Although the budget cycle covers a two-year period, the City Charter requires that the City Council adopt an annual appropriations ordinance for each budget year.

The City's Capital Improvement Program (CIP) Budget, also a biennial budget, is adopted in the second year of the operating biennial budget process. The CIP Budget includes a Five-Year Capital Improvement Plan that will be extended to ten years in FY 2019-20.

In addition to this budget planning process, the City maintains budgetary controls to ensure compliance with the annual appropriated budget approved by the City Council. The City Manager is authorized to transfer budgeted amounts within departments by fund to meet the City's needs. However, revisions that alter the total budget or move amounts from one fund or department to another must be approved by the City Council.

The City maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Purchase orders, contracts, and other commitments for the expenditure of money are secured in order to reserve that portion of the applicable appropriation. Encumbrances outstanding at year-end are reported as reservations of fund balance. Unencumbered amounts lapse at year-end and may be appropriated as part of the following year's budget.

On June 25, 2019, Council approved the FY 2019-21 Biennial Operating Budget, adopting the FY 2019-20 proposed budget and approving the FY 2020-21 budget plan. Council also adopted the second year of the FY 2018-20 Biennial Capital Improvement Program Budget. On November 12, 2019, Council approved certain revisions to the FY 2019-20 Revised Budget that adjusted revenues, expenditures and staffing.

The FY 2019-20 Adopted Budget includes \$712.9 million in expenditures, net of reimbursements and transfers, for all funds. This represents a decrease of 6.7% compared to the revised FY 2018-19 Budget, primarily due to operating changes and capital projects that help achieve the outcome areas outlined in the Framework for a Sustainable City of Wellbeing. Citywide revenues, net of reimbursements and transfers, are estimated at \$651.6 million, a decrease of \$11.8 million or 1.8% below the FY 2018-19 estimated actual.

The General Fund operating budget for FY 2019-20, net of reimbursements and transfers, is \$395.0 million and the Capital Improvement Program adds an additional \$25.5 million, for a total General Fund budget of \$420.5 million. Operating expenditures are anticipated to increase \$15.0 million, or 3.9%, as compared to the revised budget for FY 2018-19. General Fund revenues for FY 2019-20 are budgeted at \$417.5 million, an increase of \$11.1 million or 2.7% from the FY 2018-19 estimated actual revenues.

The FY 2019-20 Budget reflects self-supporting funds in generally sound financial condition. The Water and Wastewater Funds are making progress on numerous projects that will help achieve water self-sufficiency by 2023, including the Arcadia Water Treatment Plant Expansion Project in the Water Fund and the Sustainable Water Infrastructure Project (SWIP) in the Wastewater Fund. Additional funding is required in the short term to complete capital projects, maintain operations and ensure that water and

wastewater fund reserve levels remain healthy. To address the funds' ability to meet these needs, a water and wastewater rate study will be completed and presented to Council on January 28, 2020. The results from the rate study will set water and sewer bill rates for calendar years 2020 to 2024. The rate study will also evaluate the minimum fund reserve requirements.

Resource Recovery and Recycling (RRR) Fund will maintain a positive but decreasing fund balance until FY 2025-26 as the global market for recyclable materials is expected to worsen due to the China Waste Ban and RRR's fund position is adversely impacted by the global domino effect. Staff will likely recommend an increase to solid waste rates to respond to higher recycling costs, potentially new zero waste programming in order to achieve the goal of "Zero Waste by 2030" as outlined in the Council-approved Zero Waste Plan, and to ensure that the RRR Fund is self-sufficient.

The Big Blue Bus (BBB) Fund will maintain a positive fund balance over the next eight years. Despite the challenges associated with the decline in county-wide ridership, the department remains committed to making the necessary service improvements, investments and operational efficiencies to achieve greater service delivery while maintaining a balanced budget. In alignment with the City's Vision for zero-emissions by 2030, BBB will introduce its first zero-emission battery electric bus (BEB) during the first year of the biennial budget. BBB will take delivery of 19 BEBs in the second year of the biennial.

The Pier Fund is not able to sustain an adequate balance to cover both its operating costs and large capital expenditures. It has been Council practice to subsidize the Pier as a public space, rather than create a loan receivable to the General Fund. The Pier Fund has a projected operating structural deficit of \$0.5 million in FY 2021-22 due to anticipated decreases in lease revenues due to construction impacts of various planned capital projects. The Pier Fund will require an operating subsidy from the General Fund in FY 2021-23.

The Housing Authority Fund has a projected operating structural deficit of approximately \$0.9 million to \$1.5 million annually throughout the forecast period. Operating subsidies are made from Successor Agency residual receipts funds that are set aside for affordable housing in the Special Revenue Source Fund.

MAJOR CAPITAL PROJECTS

The City Services Building project consists of constructing a 50,200 square foot office building annexed to historic City Hall to house City staff and provide a one-stop hub to better serve the community. This project is being built to obtain a full Living Building Certification. Due to this high environmental standard associated with the design of the City Services Building, the Series 2017 Bonds carry the designation of "Green Bonds" and fund the entire project budget. Debt service costs will ultimately be offset by lease savings when City staff from various non-City-owned office spaces moves into the City Services Building. Construction is 63% complete and scheduled to be completed in April 2020.

The Fire Station 1 project involves building a new 25,000 square foot facility at 1337-45 7th Street to replace the existing 60-year station at a different location. Construction is 54% complete and scheduled to be completed in early 2020. Additionally, the Fire Training Facility project will convert Fire Station 4 to a functional set of classrooms and offices for training purposes, creating a new training drill yard, environmental burn building, and hydrant(s) structures. Lease revenue bonds were issued in Spring 2018 for these projects.

The City Yards Modernization project is a phased major renovation of the existing 14.7-acre facility located at 2500 Michigan Avenue. The project will retrofit and address long standing functional and space needs of the City's corporation yards. The current facility accommodates more staff than originally

intended when it was built in the 1950s, and the buildings are beyond its useful life. The City Yards houses a majority of Public Works' field operations equipment and staff and site uses include resource recycling and recovery, water and wastewater operations, fleet maintenance, shop buildings and fire training space. While design costs and initial construction for this project were funded using General Fund resources, the remaining construction will require bond financing in 2020. Construction is 8% complete and scheduled to be completed in late December 2023.

The Sustainable Water Infrastructure Project (SWIP) improves drought resiliency, increases water supply, and reduces stormwater discharges into the Santa Monica Bay. The project consists of three elements. Element 1 is a modular reverse osmosis (RO) unit at the Santa Monica Urban Runoff Recycling Facility (SMURRF) and new solar panels that will help offset the energy required for the new RO. Element 2 is a below grade stormwater and sewer treatment facility with 1 million gallons per day (MGD) capacity. Element 3 is a new stormwater harvesting tank with 1.5 million gallon (MG) capacity. The project is scheduled to be completed in late 2022.

The North Beach Trail project includes improvements to the Ocean Front Walk north of the Pier and the bike path north from Bay Street to the northern City limit to solve the circulation conflicts on the bike path and identify options for either widening the bike path or creating a parallel pedestrian path where the bike path is frequently utilized by non-cyclists. This project is in construction and is scheduled to be completed in Winter 2020.

The Early Childhood Lab School, led by Santa Monica College in partnership with the City, will design and construct an early childhood education center that will serve as a 'lab school' for Santa Monica College students in the early childhood education department and will provide infant, toddler, pre-school services for approximately 110 children. Construction should be complete and the facility open in August 2020.

The Bus Replacement project includes the purchase of 19 40-foot and 7 30-foot Gillig with near-zero ultra-low emission CNG engines and 1 40-foot prototype battery electric bus. The 30-foot buses were delivered in March 2018 and the 40-foot buses will begin arriving in Fall 2018. The prototype battery electric bus is scheduled to be delivered in March 2019. Buses will be equipped with but not limited to, bicycle racks, advanced fleet management system, and near-zero emission engines. Staff is developing a plan to procure additional 40-foot battery electric buses by October 2019.

The Civic Center Multipurpose Sports Field Project constructs a new universally accessible sports field complex originally incorporated into the Civic Center Specific Plan in 2005 and prioritized for design and construction by the City Council in 2017. The design accommodates children and adults of all abilities, including Santa Monica High School students from the campus across the street. The Civic Center Multipurpose Sports Field Project will be built on a 3.5-acre site, which is currently the location of the Civic Center Parking Lot, located at 1840 4th Street and adjacent to the Santa Monica Civic Auditorium. Construction is 18% complete and the project will be completed in July 2020.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Santa Monica for its CAFR for the fiscal year ended June 30, 2018. 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-five 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 the City Clerk's Office, and sent to City Council and Audit Subcommittee members, 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.

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 December 16, 2019

City Council

Kevin McKeown, Mayor

Terry O'Day, Mayor Pro Tempore

Gleam Davis

Sue Himmelrich

Ana Maria Jara

Greg Morena

Ted Winterer

Administration and Department Heads

City Manager

Assistant City Manager

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

Rick Cole

Katie Lichtig

Anuj Gupta

Lane Dilg

Denise Anderson-Warren

Gigi Decavalles-Hughes

Lori Gentles

Joseph Cevetello

Cynthia Renaud

Bill Walker

David Martin

Patty Wong

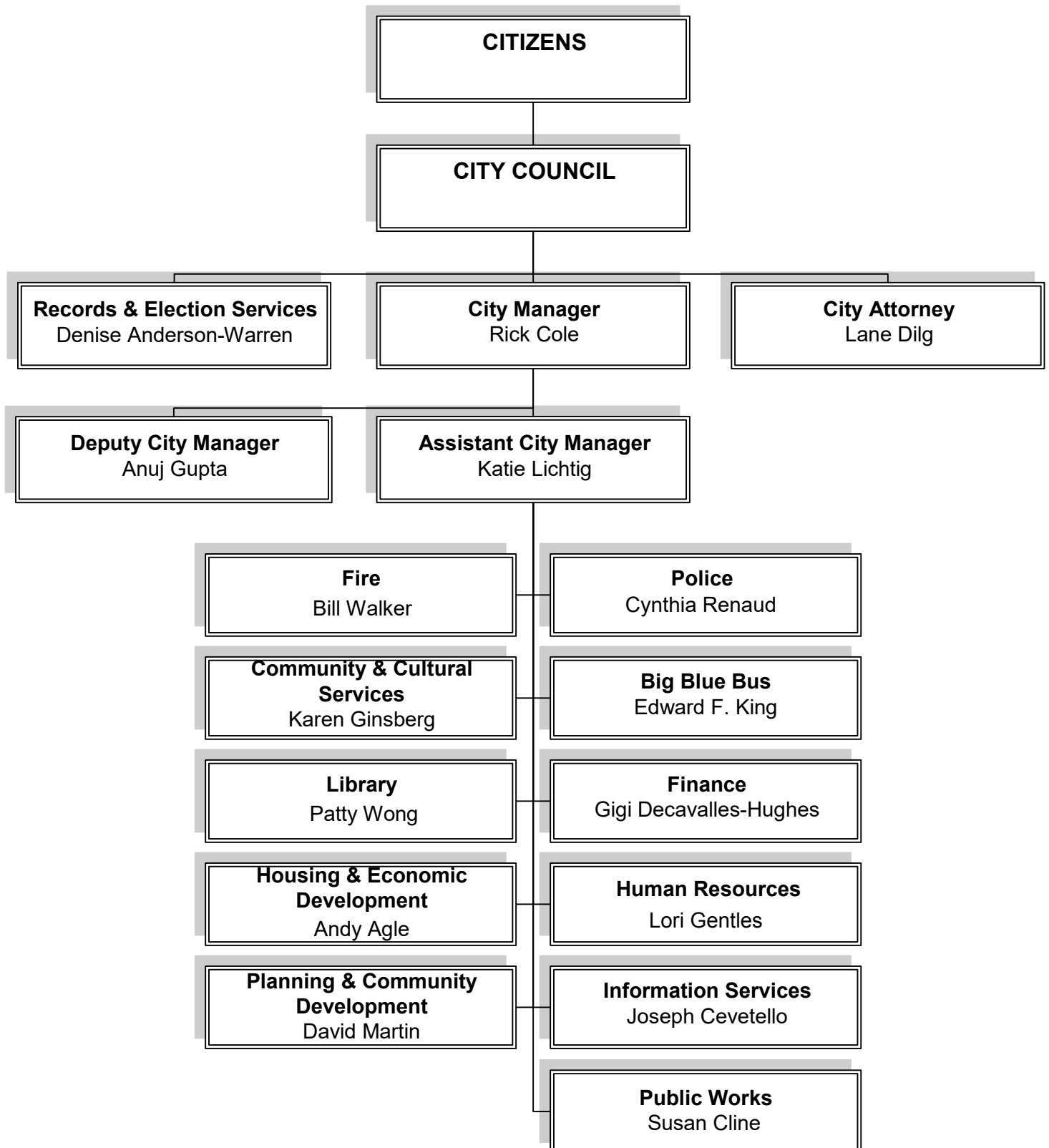
Karen Ginsberg

Edward F. King

Andy Agle

Susan Cline

**ORGANIZATION OF THE
CITY OF SANTA MONICA**
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Government Finance Officers Association

**Certificate of
Achievement
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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, 2018

Christopher P. Morill

Executive Director/CEO

City of Santa Monica, California
Year Ended June 30, 2019

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the 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 City of Santa Monica, California, (the City) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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



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

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 of Santa Monica, California, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of revenues, expenditures, and changes in fund balance – budget and actual for the general fund and the low and moderate income housing assets fund, the schedule of changes in the net pension liability and related ratios, the schedule of contributions – pension plans, the schedule of changes in the net OPEB liability and related ratios and the schedule of contribution – OPEB 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 nonmajor fund financial 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 nonmajor fund financial 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects in relation to the basic financial statements as a whole.

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



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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Lance, Soll & Lughard, LLP

Brea, California
December 16, 2019

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis For the fiscal year ended June 30, 2019 (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, 2019. 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

- Total assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources, also known as net position, by \$1,602.1 million, as of June 30, 2019. Of this amount, \$1,183.4 million represents net investment in capital assets, \$246.8 million represents net position restricted for specific purposes, and \$171.9 million represents unrestricted net position. Governmental activities and business-type activities reported unrestricted net positions of \$14.7 and 157.2 million which is a reduction of \$39.7 and an increase of \$20.8 million respectively. The decrease in governmental activities and increase in business-type activities unrestricted net position is primarily due to a \$34 million transfer from governmental activities to business-type activities to account for Olympic Wellfield pollution remediation activity in the business-type activities. \$971.7 million represents net position for governmental activities and \$630.4 million represents net position for business-type activities.
- For the fiscal year ended June 30, 2019, the City's total net position increased by \$21.6 million, to \$1,602.1 million at June 30, 2019 from \$1,580.5 million at June 30, 2018 (as restated). This increase was due to a decrease in governmental activities net position of \$12.9 million and an increase in business-type activities net position of \$34.5 million during FY 2018-19.
- At the end of the current fiscal year, the City's governmental funds reported total ending fund balances of \$641.6 million, compared to \$698.5 million at the end of the prior fiscal year, which is a decrease of \$56.9 million or 8.1%.
- The General Fund reported an ending fund balance of \$340.7 million as of June 30, 2019, compared to \$435.8 million as of June 30, 2018, which represents a decrease of \$95.1 million or 21.8%. The main reasons for the overall decrease in fund balance are transfers out of \$78.3 million and increased spending on capital projects such as the City Services Building, City Yards Modernization and Fire Station 1.
- The City's net capital assets increased by \$40.1 million or 3.2% to \$1,286.5 million as of June 30, 2019 from \$1,246.4 million as of June 30, 2018.
- The City's long-term debt (excluding issuance premiums) decreased by \$6.8 million or 4.0% to \$164.3 million as of June 30, 2019 from \$171.1 million as of June 30, 2018. The decrease is due annual debt service payments made during FY 2018-19.
- The City's net pension liability decreased from \$466.8 million at June 30, 2018 to \$447.8 million at June 30, 2019; a decrease of \$19.0 million or 4.1%. The decrease in the liability was primarily due to the better than expected plan experience and investment returns.

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued
For the fiscal year ended June 30, 2019
(Unaudited)

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 inflows of resources, with the difference between the assets, deferred outflows of resources, liabilities and deferred inflow 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 general government, public safety (police and fire), general services, library, cultural and recreation and housing and community development. The business-type activities of the City include water, wastewater, stormwater, resource recovery and recycling, pier, airport, cemetery, Big Blue Bus, community broadband, and Parking Authority.

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, the Housing Authority of the City of Santa Monica, and the Santa Monica Redevelopment Successor Agency.

The government-wide financial statements can be found on pages 1 and 2 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.

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

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued For the fiscal year ended June 30, 2019 (Unaudited)

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, Special Revenue Source Fund, and Low and Moderate Income Housing Asset Fund which are considered to be major funds. Data for the other 16 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 information section of this report.

The City Council adopts an annual appropriated budget for its General Fund and twelve of the special revenue funds (no budget is adopted for the Rent Control Fund and Asset Seizure Fund) and one capital project fund. The City Council does not adopt budgets for the two permanent funds or the one debt service fund. A comparison schedule has been provided for the General Fund and Low and Moderate Income Housing Asset Fund in the required supplementary information to the basic financial statements.

The governmental funds financial statements can be found on pages 4 through 7 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, recycling, 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 10 through 13 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, 2019 (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 16 through 17 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 19 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 \$1.6 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 73.8%, 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/inflows 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, \$246.8 million or 15.4%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$171.9 million or 10.2%, may be used to meet the City's ongoing obligations to citizens and creditors and other basic operations depending on the City's ability to readily realize liquid assets for use. At the end of the current fiscal year, the City reports positive balances in all three categories of net position for both governmental activities and business-type activities. Both activities had positive net position in the prior fiscal year. This category of unrestricted net position for governmental activities includes the City's holdings in various notes receivable from developers totaling \$37.3 million with maturity terms up to 55 years which are not expected to be repaid soon. As such, these assets cannot be expected to be available to meet any of the City's current ongoing obligations. Instead, current obligations would need to be paid with currently held cash and investments or future revenues.

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued For the fiscal year ended June 30, 2019 (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	
	6/30/19	6/30/18	6/30/19	6/30/18	6/30/19	6/30/18
				(restated)		(restated)
Current and other assets	\$ 788.8	850.4	332.4	270.6	1,121.2	1,121.0
Capital assets	825.5	799.1	461.0	447.3	1,286.5	1,246.4
Total assets	1,614.3	1,649.5	793.4	717.9	2,407.7	2,367.4
Deferred outflows of resources	93.3	116.6	20.9	27.6	114.2	144.2
Current and other liabilities	69.0	66.8	39.3	30.9	108.3	97.7
Long-term liabilities	644.9	690.1	138.3	111.8	783.2	801.9
Total liabilities	713.9	756.9	177.6	142.7	891.5	899.6
Deferred inflows of resources	21.9	24.6	6.4	6.9	28.3	31.5
Net position:						
Net investment in capital assets	730.1	720.8	453.3	437.6	1,183.4	1,158.4
Restricted	226.9	209.4	19.9	21.9	246.8	231.3
Unrestricted	14.7	54.4	157.2	136.4	171.9	190.8
Total net position	\$ 971.7	984.6	630.4	595.9	1,602.1	1,580.5

Total current and other assets increased \$0.2 million or 0.1% from the prior fiscal year. Governmental activities decreased by \$61.6 million and business-type activities increased by \$61.8 million.

Total deferred outflows of resources decreased \$30.0 million or 20.8% from the prior fiscal year. Governmental activities decreased by \$23.3 million and business-type activities decreased by \$6.7 million. GASB 68 requires that certain differences between expected and actual net liability components are reported on the Statement of Net Position as deferred outflows of resources the fiscal period they arise, and they are subsequently amortized. The amounts vary from year to year dependent on the difference between the expected and actual amounts. The decrease is primarily due to the amortization of these past deferred items.

Total current and other liabilities increased \$10.6 million or 10.8% from the prior fiscal year. Governmental activities increased by \$2.2 million and business-type activities increased by \$8.4 million. This increase is primarily due to additional payables outstanding at year-end from large capital projects and other capital-related expenses.

Total long-term liabilities decreased \$18.7 million or 2.3% from the prior fiscal year. The decrease in this category is primarily due to the \$19.0 million decrease in the net pension liability.

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued For the fiscal year ended June 30, 2019 (Unaudited)

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

CITY OF SANTA MONICA Summary of Changes in Net Position (in millions)						
	Governmental activities		Business-type activities		Total	
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
Revenues						
Program revenues:						
Charges for services	\$ 136.2	140.9	120.9	126.0	257.1	266.9
Operating grants and contributions	32.8	28.0	59.3	44.3	92.1	72.3
Capital grants and contributions	5.9	5.4	23.8	16.5	29.7	21.9
General revenues:						
Sales and use taxes	73.7	68.5	—	—	73.7	68.5
Business license taxes	31.9	31.5	—	—	31.9	31.5
Property taxes	62.6	56.9	—	—	62.6	56.9
Transient occupancy taxes	60.8	60.6	—	—	60.8	60.6
Utility users taxes	28.3	29.3	—	—	28.3	29.3
Real property transfer taxes	9.8	8.2	—	—	9.8	8.2
Parking facility taxes	12.7	11.6	—	—	12.7	11.6
Other taxes	3.3	3.3	—	—	3.3	3.3
Investment income	21.6	4.4	7.1	1.5	28.7	5.9
Other revenue	11.3	11.2	3.0	4.6	14.3	15.8
Total revenues	<u>490.9</u>	<u>459.8</u>	<u>214.1</u>	<u>192.9</u>	<u>705.0</u>	<u>652.7</u>
Expenses						
General government	87.3	94.2	—	—	87.3	94.2
Public safety	160.5	152.3	—	—	160.5	152.3
General services	85.5	85.6	—	—	85.5	85.6
Cultural and recreation services	73.3	73.8	—	—	73.3	73.8
Library	15.0	14.8	—	—	15.0	14.8
Housing and community development	60.3	58.4	—	—	60.3	58.4
Interest on long-term debt	6.2	4.4	—	—	6.2	4.4
Water	—	—	23.5	25.7	23.5	25.7
Resource recovery and recycling	—	—	27.3	26.3	27.3	26.3
Community broadband	—	—	2.5	1.9	2.5	1.9
Pier	—	—	9.3	7.9	9.3	7.9
Wastewater	—	—	20.4	18.8	20.4	18.8
Airport	—	—	9.6	12.9	9.6	12.9
Stormwater management	—	—	0.4	0.4	0.4	0.4
Cemetery	—	—	1.8	2.1	1.8	2.1
Big Blue Bus	—	—	100.1	95.3	100.1	95.3
Parking Authority	—	—	0.4	0.2	0.4	0.2
Total expenses	<u>488.1</u>	<u>483.5</u>	<u>195.3</u>	<u>191.5</u>	<u>683.4</u>	<u>675.0</u>
Excess (deficiency) of revenues over expenses before special items and transfers	2.8	(23.7)	18.8	1.4	21.6	(22.3)
Special items	—	43.7	—	6.4	—	50.1
Transfers	(15.7)	1.4	15.7	(1.4)	—	—
Change in net position	<u>(12.9)</u>	<u>21.4</u>	<u>34.5</u>	<u>6.4</u>	<u>21.6</u>	<u>27.8</u>
Beginning net position, as restated	984.6	963.2	595.9	589.5	1,580.5	1,552.7
Ending net position	<u>\$ 971.7</u>	<u>984.6</u>	<u>630.4</u>	<u>595.9</u>	<u>1,602.1</u>	<u>1,580.5</u>

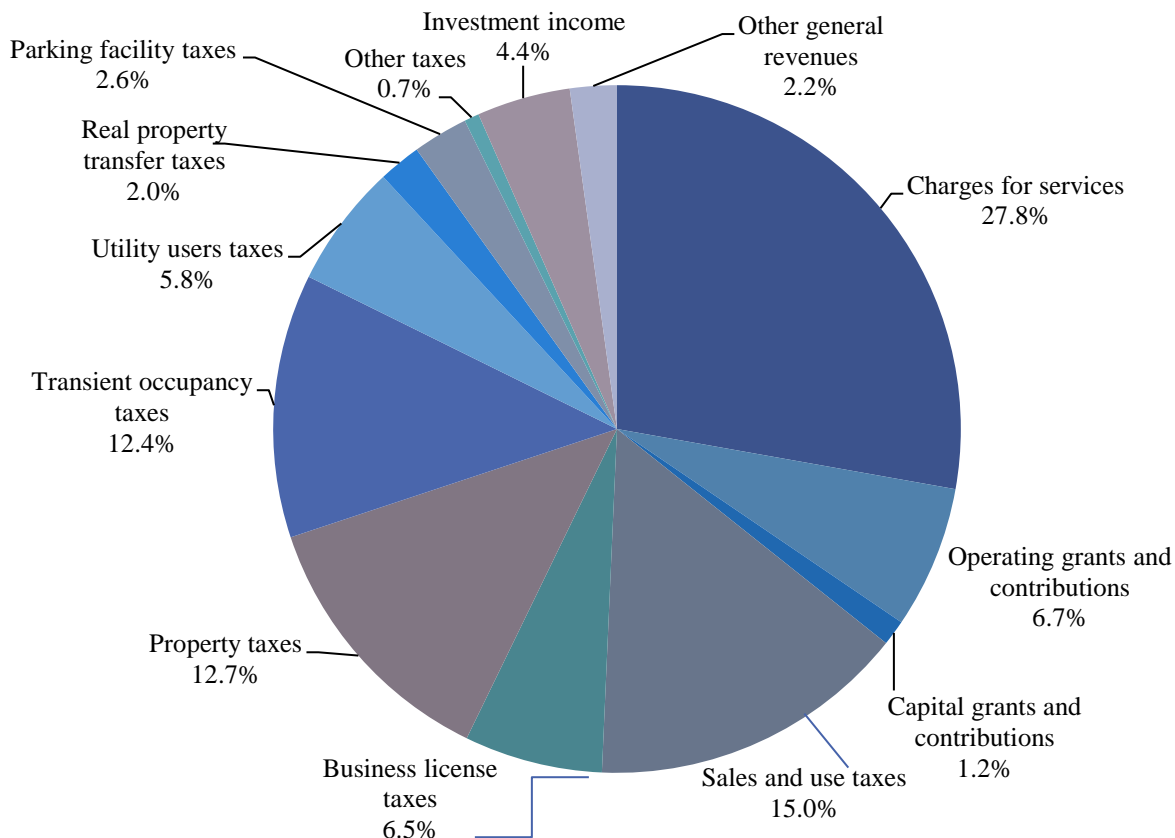
CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued
For the fiscal year ended June 30, 2019
(Unaudited)

Governmental Activities. The City's governmental activities net position decreased by \$12.9 million, or 1.3%. Analysis of revenues and expenses are discussed below and on the following pages.

Revenue Sources: Governmental Activities. As shown in the chart below, the largest category of revenue for governmental activities is charges for services, which represents 27.8% of total governmental activities revenue. The category totaled \$136.2 million in FY 2018-19, compared to \$140.9 million in FY 2017-18, which is a decrease of \$4.7 million or 3.3% due to a decrease in parking citations and interfund and billable services. The second largest category is sales and use taxes, which increased \$5.2 million or 7.6% from the prior fiscal year due to a portion of FY 2017-18 sales and use taxes being paid in FY 2018-19 because of the shifting of the collection and payment function from the State Board of Equalization to the new Department of Tax and Fee Administration. The third largest category is property taxes, which represent 12.7% of total governmental activities revenue. Property taxes increased \$5.7 million or 10% from the prior fiscal year. The increase was primarily due to continued strong increase in City assessed valuation.

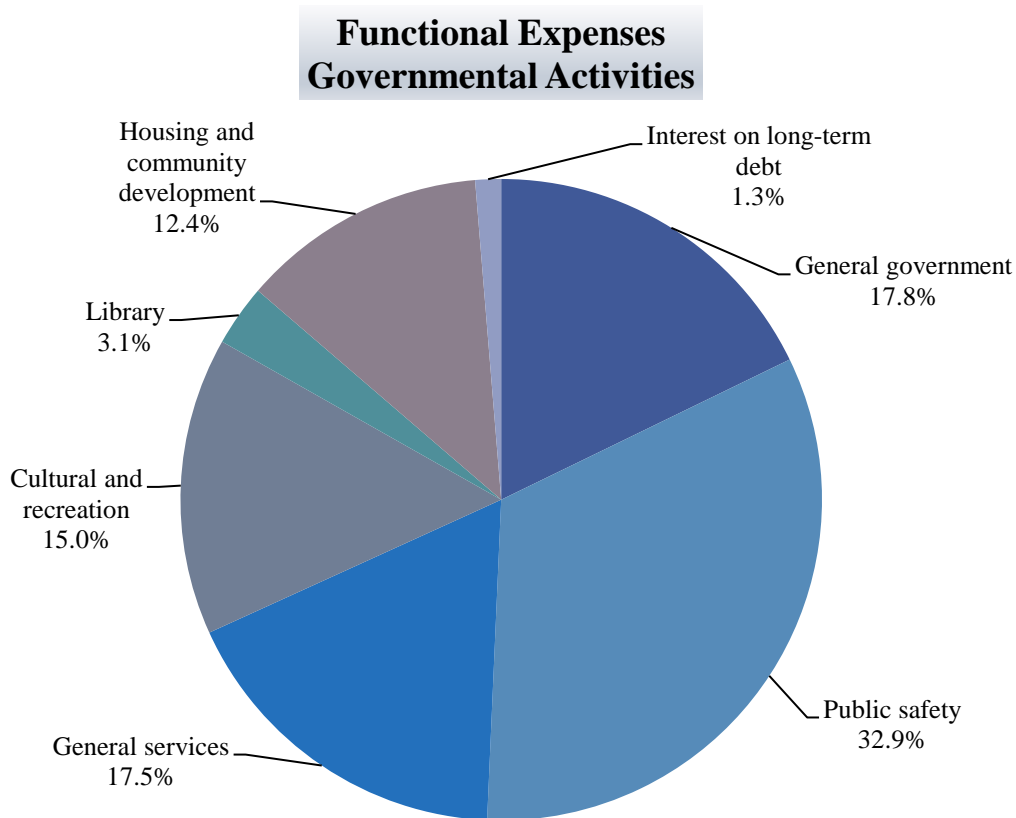
Sources of Revenue Governmental Activities



CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued
For the fiscal year ended June 30, 2019
(Unaudited)

Functional Expenses: Governmental Activities. As displayed in the chart below, general government, public safety, general services, cultural and recreation, and housing and community development accounted for 95.6% of total governmental activities expenses.

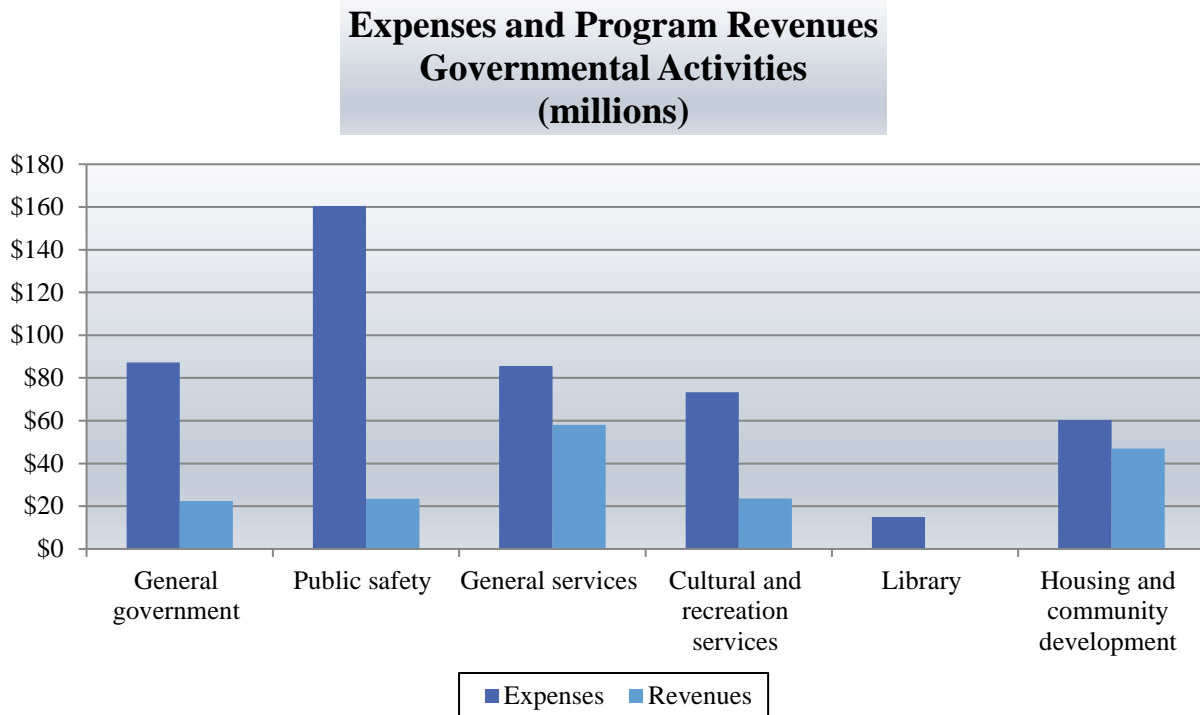


Total governmental activities expenses increased \$4.6 million or 1.0% from the prior fiscal year. The three categories with the largest variance from the prior year were general government, public safety, and housing and community development. General government expenses decreased \$6.9 million or 7.3%. Public safety expenses increased \$8.2 million or 5.4%. Housing and community development increased \$1.9 million or 3.2%. The decrease in general government is primarily due to lower pension expense including the amortization of related deferred inflows/outflows. The increase in public safety expense was due to increased pension expense, mostly related to the amortization of deferred outflows in the police and fire safety pension plans, and also salaries and overtime in a response to the City's changing crime environment. The increase in housing and community development was related to increases in housing vouchers, serial inebriate program and rent control expenses.

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued
For the fiscal year ended June 30, 2019
(Unaudited)

Program Expenses: Governmental Activities. The following chart compares program revenues and expenses for governmental activities (excluding interest on long-term debt):



The comparison of direct expenses and program revenues identifies the extent to which each function is self-financing or draws from the general revenues of the City. A higher percentage of program revenues to direct expenses indicates that a function is generally self-financed through program revenues generated by activities within that function. In contrast, a lower percentage of program revenues to direct expenses indicates that a function is primarily financed through general revenues.

The function with the highest percentage of program revenues to direct expenses in FY 2018-19 is housing and community development, which had expenses of \$60.3 million and program revenues of \$47.0 million, which is a ratio of 77.9%. This high percentage indicates that most of the expenses in this category are financed by revenues generated by activities within the housing and community development category.

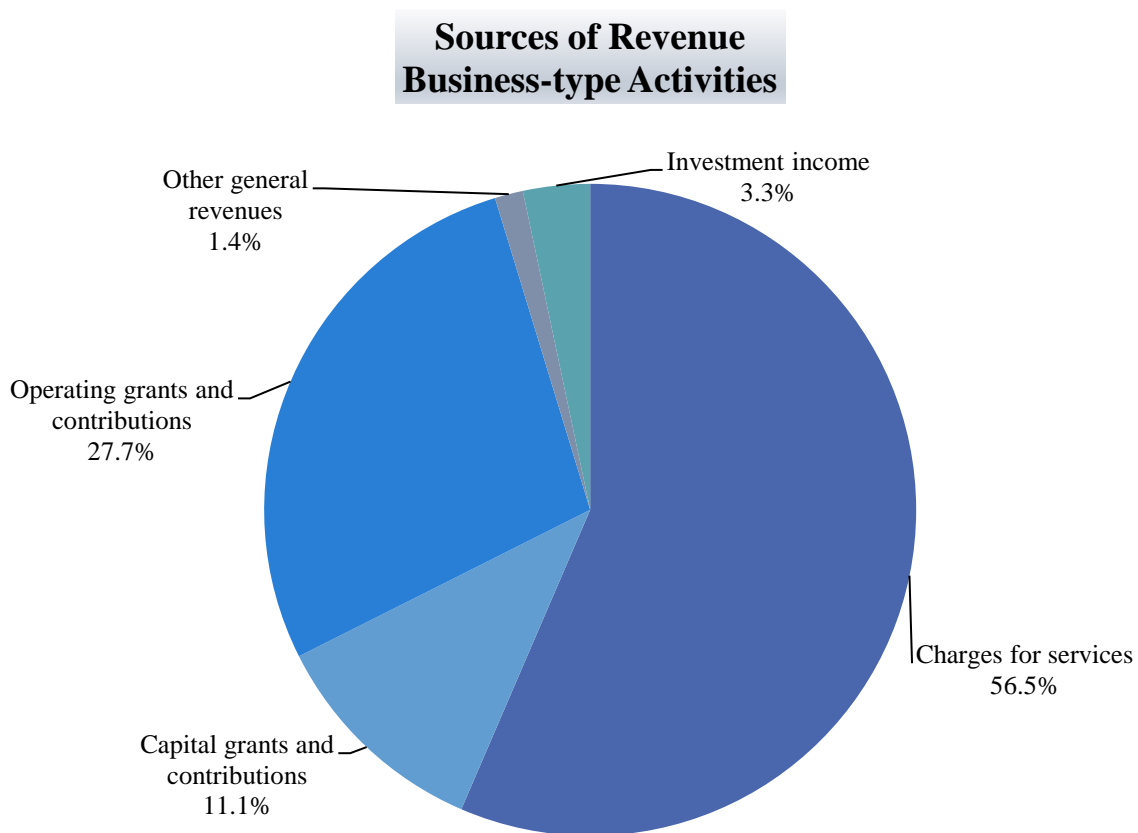
The function with the lowest percentage of program revenues to direct expenses in FY 2018-19 is the Library, which had expenses of \$15.0 million and program revenues of \$0.5 million, a ratio of 3.3%. This low percentage indicates that most of the expenses in this category are financed by the general revenues of the City.

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued
For the fiscal year ended June 30, 2019
(Unaudited)

Business-type Activities. The City's business-type activities net position increased \$34.5 million or 5.8% from the prior fiscal year as restated.

Revenue Sources: Business-type activities. The chart below displays the key sources of revenue for business-type activities as a percentage of total revenues. The top three sources of revenue for business-type activities are charges for services, operating grants and contributions, and capital grants and contributions. These three categories account for 95.3% of the total business-type activities revenues of \$214.1million.

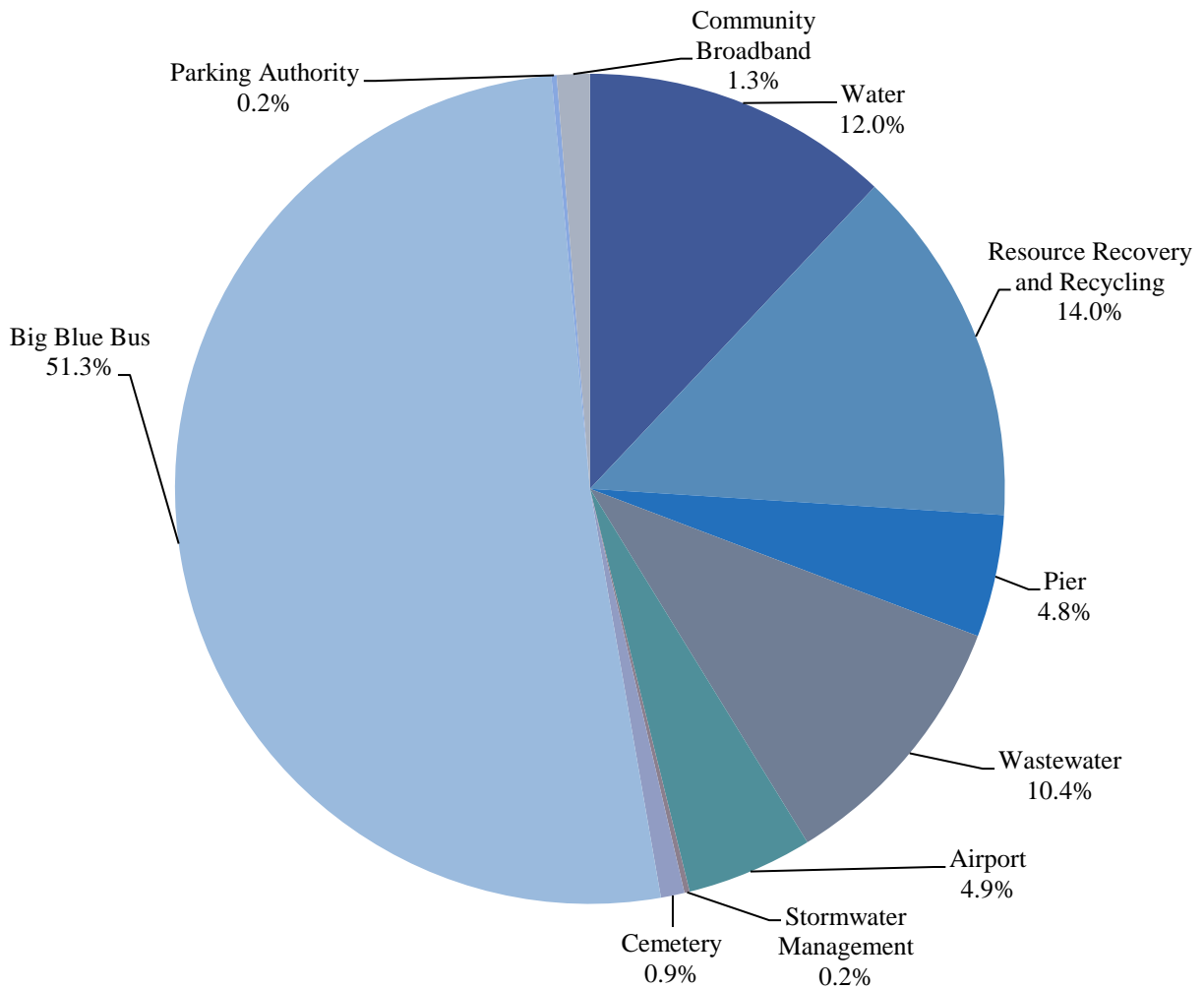


CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued
For the fiscal year ended June 30, 2019
(Unaudited)

Expenses: Business-type Activities. The chart below displays individual business-type activities as a percentage of total business-type activity expenses. The Big Blue Bus, Resource Recovery and Recycling, Water, and Wastewater activities accounted for 87.7% of total business-type activity expenses. Other business-type activities of the City include the Airport, Pier, Cemetery, Stormwater Management, Parking Authority, and Community Broadband.

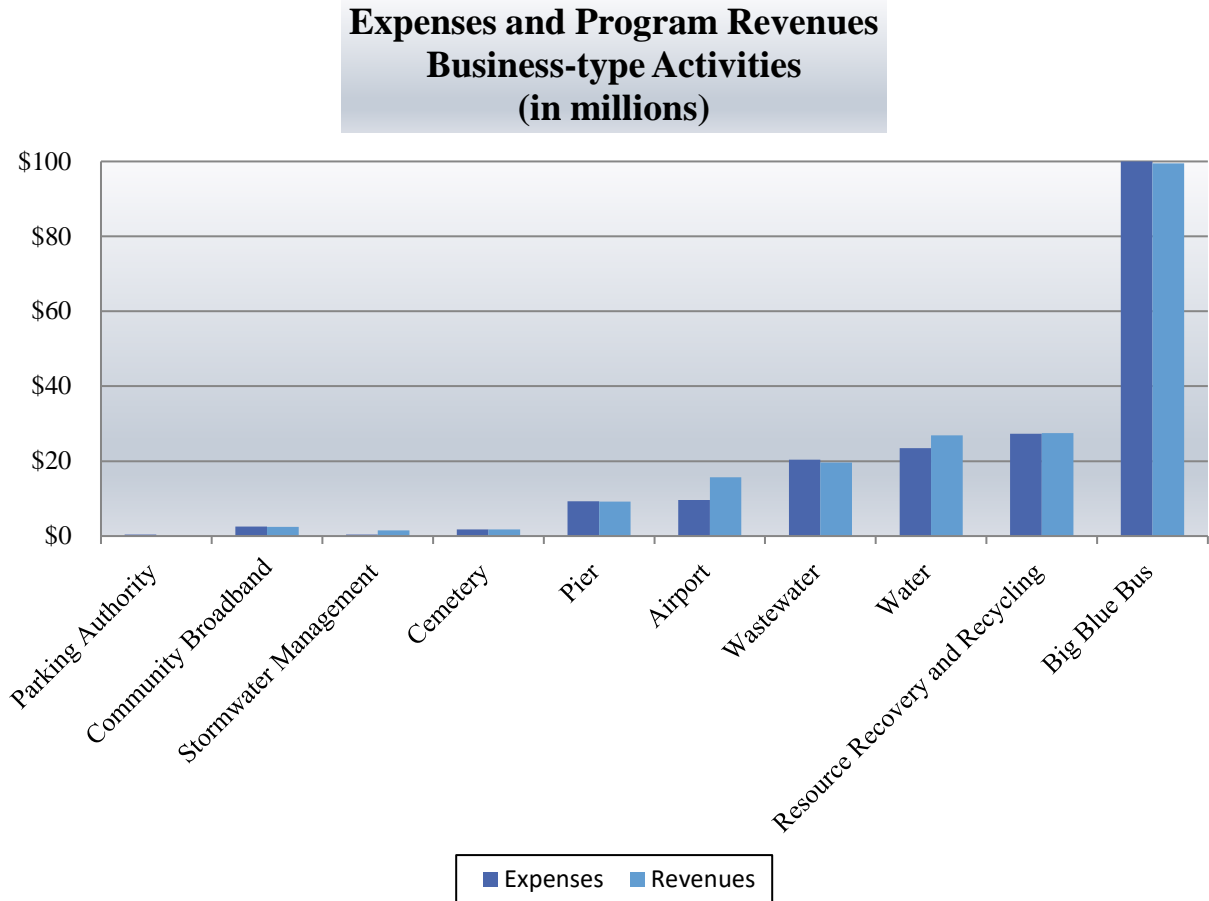
Business-type Activities Expenses



CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued
For the fiscal year ended June 30, 2019
(Unaudited)

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



For discussion and analysis of key points of business-type activities, see the following section on the City's major proprietary funds.

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.

The City's governmental funds total fund balance decreased \$57.0 million, or 8.1% from the prior fiscal year. The primary reasons for the decrease are discussed on the following pages.

General Fund

The General Fund is the chief operating fund of the City. Total fund balance in the General Fund decreased \$95.1 million or 21.8% from the prior fiscal year.

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued For the fiscal year ended June 30, 2019 (Unaudited)

Key factors in changes in revenues and expenditures from the prior year are as follows:

1. Total General Fund revenues increased \$12.5 million or 3.1% from the prior fiscal year. The largest revenue source in the General Fund is sales and use taxes, which increased \$5.2 million or 7.6%. The second largest revenue source in the General Fund is property taxes, which increased \$5.6 million or 9.8%. The third largest revenue source is transient occupancy taxes, which increased \$0.2 million or 0.3%. Combined, these three categories represented 47.4% of total General Fund revenues for FY 2018-19. Sales and use taxes increased due to a portion of FY2017-18 sales and use taxes being paid in FY 2018-19 due to the shifting of the collection and payment function from the State Board of Equalization to the new Department of Tax and Fee Administration. Property taxes increased primarily due to continued strong increases in City assessed valuation. Transient occupancy while increasing slightly, was below what was anticipated due to a decline in tourism in the second half of the year as a result of geopolitical and economic factors.
2. Total General Fund expenditures, excluding debt issuance costs, increased \$38.0 million or 9.4% from the prior fiscal year. This increase was due primarily to an increase in general government expenditures of \$12.5 million or 14.0% and an increase in public safety expenditures of \$23.8 million or 16.6%. These two expenditure categories represent the largest expenditure categories of the General Fund which account for 61% of all General Fund expenditures for FY 2018-19. General Government increased due to several large capital projects currently under construction including the City Services Building at \$16.2 million, and City Yards Modernization at \$6.9 million. Public Safety increased due to the construction of Fire Station 1 at \$13.5 million plus increases in pension expenditures of \$3.0 million and salaries and wages of \$4.9 million.

Additionally, the General Fund transferred \$53.5 million to the Water fund in relation to the Olympic Wellfield remediation project.

Special Revenue Source Fund

Total fund balance in the Special Revenue Source Fund increased \$25.4 million or 19.5% from the prior fiscal year primarily due to transfers in. Total revenues decreased \$0.1 million or 0.9%. The decrease in revenues was due to the \$1.2 million decrease in other revenue and a decrease in charges for services of \$0.5 million, offset by a \$1.6 million increase in investment income.

Net transfers in increased \$4.8 million or 27.6%; net transfers out decreased \$0.7 million or 33.3% in FY 2018-19. The increase in transfers in is primarily due to the increase in affordable housing transfers from the Parking Authority related to increased Successor Agency loan repayments.

Low and Moderate Income Housing Asset Fund

Total fund balance in the Low and Moderate Income Housing Asset Fund increased \$3.5 million or 6.2% from the prior fiscal year. Total revenues and transfers in increased \$1.4 million or 61% from the prior fiscal year. The biggest reason for the increase in fund balance is an increase in interfund transfers in from \$2.0 million for FY 2017-18 to \$3.1 million for FY 2018-19. Transfers in represent the Fund's mandatory 20% share in the repayment of Successor Agency loans under SB107. The amount of the loan repayment is based on a formula primarily driven by property tax in the former redevelopment

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued For the fiscal year ended June 30, 2019 (Unaudited)

project areas. The total loans repaid in FY2017-18 was \$10.0 million versus \$15.7 million in FY 2018-19.

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 all the City's enterprise funds increased \$33.3 million, or 5.9% from the prior fiscal year.

Water Fund

The total net position of the Water Fund increased \$38.6 million, or 60.0% from the prior fiscal year. Revenues reflect a \$1.0 million increase in water service charges primarily from a 9% water rate increase offset by a decrease in customer water usage. The primary reason for the increase is the transfer in of \$53.5 million and a special item of \$21.3 million from the General Fund, both related to the Water Fund assuming the pollution remediation obligation for the Olympic Wellfield contamination. Additionally, investment income increased by \$2.0 million mostly due to market conditions at the current year end versus the prior year end.

Wastewater Fund

The total net position of the Wastewater Fund decreased \$2.1 million, or 1.0% from the prior fiscal year. Contractual services increased by \$2.2 million primarily due to increases in City of Los Angeles sewer disposal fees. The increase was partially due to a \$1.1 million true up payment related to the City of Los Angeles reconciling the prior year's fees.

Resource Recovery and Recycling Fund

The total net position of the Resource Recovery and Recycling Fund increased \$0.8 million or 28.6%.

The increase was primarily related to investment income which increased \$0.9 million due to differing market conditions at the end of FY 2018-19 and FY 2017-18. Additionally, the City's cost of recycling increased due to the market for recyclable materials eroding.

Big Blue Bus Fund

The total net position of the Big Blue Bus Fund decreased \$2.1 million, or 1% from the prior fiscal year. Operating expenses increased \$2.6 million or 2.6% from the prior fiscal year primarily due to an increase in personnel expenses from hiring additional staff to reduce overtime and enhance service delivery; this was partially offset by a reduction in workers' compensation insurance payments.

General Fund Budgetary Variances

Revenue Original Budget to Final Amended Budget. The final revenue budget of \$407.6 million for the General Fund exceeded the original budget of \$403.5 million by \$4.1 million or 1.0%. Revenue budget changes are approved by the City Council. The primary components of the variance were sales and use taxes which increased \$1 million or 1.4%, with an original budget of \$69.1 million and a final budget of \$70.1 million, due to a change in the timing of the payments from the State. A portion of FY2017-18 sales and use tax were not paid until FY 2018-19 due to the shifting of the collection and

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued For the fiscal year ended June 30, 2019 (Unaudited)

payment function from the State Board of Equalization to the new Department of Tax and Fee Administration. Also, licenses and permits increased \$1.8 million or 4.1%, with an original budget of \$44.3 million and a final budget of \$46.1 million, due to a rise in parking revenues from increased parking rates. The final budget for transit occupancy taxes, \$61.9 million, was \$1.3 million or 2.1% over the original budget of \$60.6 million due to higher than expected room rental rates.

Revenue Final Amended Budget to Actuals. Actual General Fund revenues totaled \$416.0 million, exceeding the final budget of \$407.6 million, by \$8.4 million. The primary components of the variance were sales and use taxes with actual revenues exceeding final budgeted amounts by \$3.6 million or 5.1% due to the change in State agencies administering sales and use taxes and other taxes for which actual revenues exceeded the final budget by \$3.0 million or 15.3%. This was primarily due to increases in documentary transfer tax and investment income. Investment income exceeded the final budgeted amount by \$7.9 million or 106.8% due to mark to market adjustments.

Expenditure Original Budget to Final Amended Budget. The final General Fund expenditure budget is greater than the original budget by \$197.9 million, or 45.9%. The increase is primarily due to the capital budgeting process. The original capital budget includes only amounts adopted by Council 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. Funds are reserved as Assigned Continuing Capital Projects to cover these costs. The final budget includes both newly adopted and rolled over amounts. Significant projects that were rolled over include Fire Station 1, City Yards Improvements and the City Services Building at \$15.8 million, \$39.3 million and \$38.1 million, respectively.

Expenditure Final Amended Budget to Actuals. Actual expenditures (budgetary basis) for the General Fund totaled \$559.2 million, while the final budget totaled \$629.2 million, a variance of \$70.0 million. Almost all of the variance is due to capital improvement expenditures, which had actual expenditures of \$178.8 million, compared to the final budget of \$239.6 million, a variance of \$60.8 million. Many capital projects are constructed over numerous fiscal periods and the variance in this category is due to the timing between the establishment of the budget at the beginning of the project and actual capital improvement project spending. Unexpended capital budget will be reappropriated into FY 2019-20 to continue work on projects that have not yet been completed. Actual operating expenditures totaled \$380.4 million, compared to the final budget of \$389.6 million, which is a variance of \$9.2 million or 2.4%. This small variance demonstrates accurate budgetary forecasting and prudent program management within spending limits.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City's capital assets (net of accumulated depreciation) as of June 30, 2019 amounted to \$1,286.5 million, an increase of \$40.1 million from the prior fiscal year. The increase was primarily due to the continued construction of large projects such as Fire Station 1, the City Services Building and the City Yards Modernization.

This investment in a broad range of capital assets, including land, infrastructure, buildings and improvements, equipment, and construction in progress, is detailed as follows:

CITY OF SANTA MONICA, CALIFORNIA
Management's Discussion and Analysis, Continued
For the fiscal year ended June 30, 2019
(Unaudited)

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

	Governmental activities		Business-type activities		Total	
	6/30/19	6/30/18	6/30/19	6/30/18	6/30/19	6/30/18
Land	\$ 200.3	200.3	53.4	53.4	253.7	253.7
Land held under easement	72.2	72.2	—	—	72.2	72.2
Construction in progress	72.1	48.8	17.7	5.8	89.8	54.6
Buildings	213.8	221.8	81.9	86.3	295.7	308.1
Improvements other than buildings	106.8	94.4	9.9	10.8	116.7	105.2
Machinery and equipment	24.1	18.0	90.1	83.0	114.2	101.0
Infrastructure	135.2	142.3	135.4	137.2	270.6	279.5
Utility systems	0.5	0.8	—	—	0.5	0.8
Intangibles	0.5	0.5	72.6	70.8	73.1	71.3
Capital assets, net	<u>\$ 825.5</u>	<u>799.1</u>	<u>461.0</u>	<u>447.3</u>	<u>1,286.5</u>	<u>1,246.4</u>

Some of the City's major capital asset events in FY 2018-19 were:

Governmental Activities:

1. Major projects included \$16.2 million for the construction of the new City Services Building, \$6.9 million for the design and construction for City Yards Modernization, \$4.2 million for fire apparatus replacement and \$13.5 million for the construction of Fire Station 1.
2. The amount in construction in progress increased as there are several major projects that have a targeted completion date of 2020 and beyond. These major projects include the new City Services Building, Fire Station 1, and the City Yards Modernization, with ending balances as of June 30, 2019 of \$34.1 million, \$16.4 million, and \$8.8 million, respectively.

Business-Type Activities:

1. Major projects included \$11.9 million for the purchase of nineteen new buses in the Big Blue Bus Fund and \$4.5 million increase in intangibles for capital payments made to the City of Los Angeles for Santa Monica's shared cost of the Amalgamated System in the Wastewater Fund.
2. The assets above are net of \$15.4 million historical cost for the disposal of buses and other vehicles that met or exceeded their useful lives.

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

As of June 30, 2019, the City had \$71.0 million in construction commitments. For additional information on commitments see note 14.

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued For the fiscal year ended June 30, 2019 (Unaudited)

Long-term Debt. At the end of the current fiscal year, the City's total long-term debt outstanding (excluding issuance premiums) was \$164.3 million, a decrease from the prior year of \$6.9 million or 4.0%, representing debt service payments for existing debt. This decrease was due to payments of \$5.7 million in revenue bonds and \$1.2 million in general obligation bonds.

CITY OF SANTA MONICA Outstanding Debt (in millions)

	Governmental activities		Business-type activities		Total	
	6/30/19	6/30/18	6/30/19	6/30/18	6/30/19	6/30/18
General obligation bonds (backed by the City)	\$ 4.3	5.5	—	—	4.3	5.5
Revenue bonds (backed by specific tax, fee and lease revenues)	152.1	155.6	6.8	9.0	158.9	164.6
Notes and loans	0.2	0.4	0.9	0.7	1.1	1.1
Total	<u>\$ 156.6</u>	<u>161.5</u>	<u>7.7</u>	<u>9.7</u>	<u>164.3</u>	<u>171.2</u>

The City of Santa Monica maintains a “AAA” rating from both Standard and Poor’s and Fitch, and a “Aaa” rating from Moody’s. There were no changes to any bond ratings during FY 2018-19.

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 2019-21 is the city’s first biennial budget to implement the performance-based budget built on a new framework for a Sustainable City of Wellbeing. The framework is the City’s strategic direction to achieve the desired outcomes. Management feels that there are adequate resources available to fund the proposed expenditures.

In preparing the budget for FY 2019-21, many factors were taken into consideration:

- The seven outcomes outlined in the Framework for Sustainable City of Wellbeing which includes: Connected and Engaged Community; Inclusive, Affordable, and Diverse Local Economy; Lifelong Opportunities for Personal Growth; Physical, Mental and Natural Environment; a Safe Place for All; and, Reliable, Effective, and Efficient Government.
- Commitment to eliminate the unfunded pension liability in 13 years through an accelerated 13-year pay-down.
- Budget reductions based on streamlined and efficient practices realigning programs and services to current industry standards, community usage and anticipated future needs.
- Investing in a 21st Century government including a new City Hall extension, new Fire Station and modernized City Yards; in addition, developing a digital City Hall to deliver 24/7 responsiveness

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued For the fiscal year ended June 30, 2019 (Unaudited)

to the community, creating work efficiencies and continuing excellent service and safety to the community.

- Keeping the neighborhoods safe by continuously deploying Police new hires to directly impact crime and safety; and expanding ambassador services to Reed Park for a six-month pilot program.
- Restructuring Water Resources staffing to implement and maintain new and existing infrastructure and major support to water projects advancing the City's efforts to achieve water self-sufficiency by 2023.
- Extending and enhancing intensive initiatives to reduce Homelessness in the City; leveraging non-City resources and partnerships to support ongoing costs.
- Expanding the "Preserving Our Diversity (POD) pilot program which provides low-income seniors with cash-based financial assistance and care management from 22 households to a range of 200 to 400 households.
- Implementing innovative approaches for creating a model for effective public service in the 21st Century, including managing and measuring performance; taking on 'total workplace' initiatives that modernize the way the City conducts business – from increased automation and mobile workspaces, to open and collaborative offices; making public services and information easily accessible and fostering two-way interaction and civic engagement.

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 or call (310) 458-8281.

City of Santa Monica, California
Year Ended June 30, 2019

BASIC FINANCIAL STATEMENTS

CITY OF SANTA MONICA, CALIFORNIA

Statement of Net Position

June 30, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (note 5)	\$ 464,227,416	239,260,739	703,488,155
Receivables (net of allowances for uncollectibles):			
Accounts	15,648,599	12,635,491	28,284,090
Interest	2,815,496	19,221,755	22,037,251
Taxes	6,644,365	3,474	6,647,839
Settlement	-	7,340,000	7,340,000
Notes (note 6)	169,515,958	-	169,515,958
Other governments	3,082,358	6,971,500	10,053,858
Internal balances	10,193,934	(10,193,934)	-
Inventory	-	3,314,087	3,314,087
Deposits	61,785	-	61,785
Prepays	1,741,832	110,238	1,852,070
Restricted cash and investments (note 5)	11,970,291	46,163,517	58,133,808
Restricted cash and investments with fiscal agent (note 5)	95,109,814	120	95,109,934
Notes receivable from Successor Agency	7,766,028	7,612,125	15,378,153
Capital assets (note 7):			
Capital assets not being depreciated:			
Land	200,323,024	53,380,750	253,703,774
Land held under easement	72,237,823	-	72,237,823
Construction in progress	72,054,574	17,730,616	89,785,190
Capital assets being depreciated:			
Buildings	340,429,097	148,326,983	488,756,080
Improvements other than buildings	194,445,830	27,518,253	221,964,083
Utility systems	1,742,913	-	1,742,913
Machinery and equipment	57,163,244	223,341,385	280,504,629
Infrastructure	376,441,741	240,517,854	616,959,595
Intangibles	695,710	110,840,095	111,535,805
Less accumulated depreciation	(490,073,578)	(360,676,938)	(850,750,516)
Total capital assets, net	825,460,378	460,978,998	1,286,439,376
TOTAL ASSETS	1,614,238,254	793,418,110	2,407,656,364
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refundings	68,021	190,666	258,687
Deferred outflows from pensions (note 16)	89,531,071	20,057,526	109,588,597
Deferred outflows from OPEB (note 16)	3,653,877	676,387	4,330,264
TOTAL DEFERRED OUTFLOWS OF RESOURCES	93,252,969	20,924,579	114,177,548
LIABILITIES			
Accounts payable	29,437,352	12,640,745	42,078,097
Accrued liabilities	7,032,231	3,082,275	10,114,506
Accrued interest payable	2,917,693	78,294	2,995,987
Contracts payable (retained percentage)	2,091,359	629,400	2,720,759
Unearned revenue (note 8)	26,301,690	3,935,403	30,237,093
Deposits payable from restricted assets	1,194,316	18,975,489	20,169,805
Long-term liabilities:			
Compensated absences due within one year (note 2)	8,832,969	2,865,892	11,698,861
Compensated absences due in more than one year (note 2)	4,777,646	740,319	5,517,965
Claims payable due within one year (note 15)	16,691,082	3,840,574	20,531,656
Claims payable due in more than one year (note 15)	46,718,005	3,255,173	49,973,178
Loans and bonds payable due within one year (note 9)	4,955,000	2,525,130	7,480,130
Loans and bonds payable due in more than one year (note 9)	166,858,662	5,405,431	172,264,093
Pollution remediation obligation due within one year (note 4)	322,540	7,127,106	7,449,646
Pollution remediation obligation due in more than one year (note 4)	2,332,867	30,559,095	32,891,962
Net OPEB liability (note 16)	23,239,269	4,301,935	27,541,204
Net pension liability (note 16)	370,207,482	77,627,092	447,834,574
TOTAL LIABILITIES	713,910,163	177,589,353	891,499,516
DEFERRED INFLOWS OF RESOURCES			
Deferred gain on refunding	54,376	-	54,376
Deferred inflows from pensions (note 16)	20,712,716	6,169,734	26,882,450
Deferred inflows from OPEB (note 16)	1,095,063	202,714	1,297,777
TOTAL DEFERRED INFLOWS OF RESOURCES	21,862,155	6,372,448	28,234,603
NET POSITION			
Net investment in capital assets	730,135,331	453,239,103	1,183,374,434
Restricted for (note 12):			
Housing and community development	136,648,018	5,178,223	141,826,241
Culture and recreation services	17,848,361	-	17,848,361
Transportation	27,504,151	-	27,504,151
Clean beaches and ocean parcel tax	9,503,360	-	9,503,360
Debt service	5,048,924	2,298,946	7,347,870
Miscellaneous	16,500,684	-	16,500,684
Perpetual care - nonexpendable	13,813,783	-	13,813,783
Rail reserve and Prop 1B	-	12,447,859	12,447,859
Unrestricted	14,716,293	157,216,757	171,933,050
TOTAL NET POSITION	\$ 971,718,905	630,380,888	1,602,099,793

See accompanying notes to basic financial statements.

CITY OF SANTA MONICA, CALIFORNIA

Statement of Activities

For the fiscal year ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 87,251,208	19,645,270	2,622,324	96,487	(64,887,127)	-	(64,887,127)
Public safety	160,531,648	21,765,362	708,320	938,210	(137,119,756)	-	(137,119,756)
General services	85,528,797	45,214,114	7,985,647	4,828,495	(27,500,541)	-	(27,500,541)
Cultural and recreation services	73,315,694	23,412,204	198,857	-	(49,704,633)	-	(49,704,633)
Library	14,985,755	437,269	24,824	-	(14,523,662)	-	(14,523,662)
Housing and community development	60,314,000	25,710,747	21,295,055	-	(13,308,198)	-	(13,308,198)
Interest on long-term debt	6,187,333	-	-	-	(6,187,333)	-	(6,187,333)
Total governmental activities	488,114,435	136,184,966	32,835,027	5,863,192	(313,231,250)	-	(313,231,250)
Business-Type Activities:							
Water	23,490,062	26,851,412	18,040	-	-	3,379,390	3,379,390
Resource recovery and recycling	27,292,721	27,444,457	-	-	-	151,736	151,736
Community broadband	2,519,298	2,489,716	-	-	-	(29,582)	(29,582)
Pier	9,265,493	9,188,924	-	-	-	(76,569)	(76,569)
Wastewater	20,423,956	19,626,512	-	-	-	(797,444)	(797,444)
Airport	9,627,471	15,690,488	-	-	-	6,063,017	6,063,017
Stormwater management	380,752	1,515,810	-	-	-	1,135,058	1,135,058
Cemetery	1,805,703	1,730,351	-	-	-	(75,352)	(75,352)
Big Blue Bus	100,093,505	16,313,026	59,321,394	23,851,525	-	(607,560)	(607,560)
Parking authority	422,090	-	-	-	-	(422,090)	(422,090)
Total business-type activities	195,321,051	120,850,696	59,339,434	23,851,525	-	8,720,604	8,720,604
Total Primary Government	\$ 683,435,486	257,035,662	92,174,461	29,714,717	(313,231,250)	8,720,604	(304,510,646)
General revenues:							
Taxes:							
Property					62,615,270	-	62,615,270
Sales and use					73,709,191	-	73,709,191
Transient occupancy					60,762,881	-	60,762,881
Utility users					28,306,582	-	28,306,582
Business license					31,947,056	-	31,947,056
Parking facility					12,699,044	-	12,699,044
Real property transfer					9,808,072	-	9,808,072
Other					3,275,912	-	3,275,912
Other revenue					11,328,286	3,049,645	14,377,931
Investment income					21,569,426	7,051,704	28,621,130
Transfers					(15,670,477)	15,670,477	-
Total general revenues and transfers					300,351,243	25,771,826	326,123,069
Change in net position					(12,880,007)	34,492,430	21,612,423
Net position at beginning of year, as restated (note 18)					984,598,912	595,888,458	1,580,487,370
Net position at end of year					\$ 971,718,905	630,380,888	1,602,099,793

See accompanying notes to basic financial statements.

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 (Capital Projects Fund Type) – To account for receipt and expenditure of monies restricted, committed or assigned for specific uses.

Low and Moderate Income Housing Asset Fund (Special Revenue Fund Type) – 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. Under SB107, 20% of all Successor Agency/City loan payments are distributed to this fund.

CITY OF SANTA MONICA, CALIFORNIA

Balance Sheet Governmental Funds June 30, 2019

		<u>Capital Projects Fund</u>	<u>Special Revenue Fund</u>		
	<u>General Fund</u>	<u>Special Revenue Source Fund</u>	<u>Low and Moderate Income Housing Asset Fund</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
ASSETS					
Cash and investments (note 5)	\$ 267,538,714	80,186,067	7,242,797	39,335,270	394,302,848
Restricted cash and investments (note 5)	404,113	-	-	11,566,178	11,970,291
Receivables (net, where applicable, of allowances for uncollectibles):					
Accounts	13,236,612	2,507	-	2,294,958	15,534,077
Notes (note 6)	-	93,946,943	52,362,933	23,206,082	169,515,958
Taxes	6,634,511	-	-	9,854	6,644,365
Interest	1,885,469	372,500	31,515	277,072	2,566,556
Other governments	-	-	-	3,082,358	3,082,358
Due from other funds (note 11)	3,320,119	-	-	-	3,320,119
Deposits	58,528	-	-	3,257	61,785
Prepays	1,680,473	-	-	51,242	1,731,715
Restricted cash and investments with fiscal agent (note 5)	76,373,131	-	-	18,736,683	95,109,814
Advances to other funds (note 11)	10,012,863	-	-	-	10,012,863
Notes receivable Successor Agency (note 17)	7,766,028	-	-	-	7,766,028
Total assets	<u>\$ 388,910,561</u>	<u>174,508,017</u>	<u>59,637,245</u>	<u>98,562,954</u>	<u>721,618,777</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 25,663,456	162,342	254	2,025,052	27,851,104
Accrued liabilities	6,656,858	26	-	278,747	6,935,631
Contracts payable (retained percentage)	1,643,674	137,700	-	309,985	2,091,359
Due to other funds (note 11)	-	-	-	3,320,119	3,320,119
Unearned revenue (note 8)	7,860,529	17,913,970	-	527,191	26,301,690
Deposits payable	673,751	475,000	-	45,565	1,194,316
Advances from other funds (note 11)	-	-	-	4,263,891	4,263,891
Total liabilities	<u>42,498,268</u>	<u>18,689,038</u>	<u>254</u>	<u>10,770,550</u>	<u>71,958,110</u>
Deferred inflows of resources (note 8)	<u>5,733,513</u>	<u>-</u>	<u>-</u>	<u>2,368,820</u>	<u>8,102,333</u>
Fund balances (note 13)					
Nonspendable	11,554,753	-	-	13,864,136	25,418,889
Restricted	69,975,839	75,064,003	59,636,991	75,131,084	279,807,917
Committed	1,943,558	80,754,976	-	-	82,698,534
Assigned	182,199,922	-	-	-	182,199,922
Unassigned	75,004,708	-	-	(3,571,636)	71,433,072
Total fund balances	<u>340,678,780</u>	<u>155,818,979</u>	<u>59,636,991</u>	<u>85,423,584</u>	<u>641,558,334</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 388,910,561</u>	<u>174,508,017</u>	<u>59,637,245</u>	<u>98,562,954</u>	<u>721,618,777</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, 2019

Fund balances - total governmental funds	\$	641,558,334
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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.		825,221,846
(2) Pension deferrals from reporting under GASB 68		68,418,876
(3) OPEB deferrals from reporting under GASB 75		2,543,652
(4) Deferred gain on refunding of debt is not a current financial resource and, therefore, is not reported in the balance sheet.		(54,376)
(5) Deferred loss on refundings of debt is not a current financial resource and, therefore, is not reported in the balance sheet.		68,021
(6) Long-term liabilities and accrued interest are not due and payable in the current period and therefore are not reported in the balance sheet.		(581,935,131)
(7) Revenue earned, but unavailable to pay for current period expenditures, is reporting as deferred inflows in the balance sheet, but recognized as revenue in the statement of activities.		8,102,333
(8) 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.		7,795,350

Net position of governmental activities	\$	<div style="border-top: 1px solid black; border-bottom: 3px double black; padding: 2px 0;">971,718,905</div>
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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, 2019

		Capital Projects Fund	Special Revenue Fund		
	General Fund	Special Revenue Source Fund	Low and Moderate Income Housing Asset Fund	Nonmajor governmental funds	Total governmental funds
Revenues:					
Property taxes	\$ 62,615,270	-	-	-	62,615,270
Sales and use taxes	73,709,191	-	-	-	73,709,191
Transient occupancy taxes	60,762,881	-	-	-	60,762,881
Utility user taxes	28,306,582	-	-	-	28,306,582
Business license taxes	31,947,056	-	-	-	31,947,056
Other taxes	22,576,476	-	-	3,206,552	25,783,028
Licenses and permits	44,987,628	-	-	111,819	45,099,447
Intergovernmental	1,860,596	-	-	36,455,291	38,315,887
Charges for services	45,279,116	948,558	-	19,619,987	65,847,661
Fines and forfeitures	14,877,572	-	-	-	14,877,572
Investment income	15,284,964	1,814,310	277,697	3,111,009	20,487,980
Rental income	7,561,578	-	-	1,425,366	8,986,944
Other revenue	6,220,509	5,787,717	291,448	921,259	13,220,933
Total revenues	415,989,419	8,550,585	569,145	64,851,283	489,960,432
Expenditures:					
Current:					
General government	101,784,875	2,168,026	-	1,384,701	105,337,602
Public safety	167,607,704	2,012	-	682,536	168,292,252
General services	69,726,299	420,743	-	13,269,227	83,416,269
Cultural and recreation services	59,371,679	945,506	-	11,181,864	71,499,049
Library	13,628,409	-	-	35,344	13,663,753
Housing and community development	29,771,917	394,766	187,603	26,209,393	56,563,679
Debt service expenditures:					
Principal	-	-	-	4,630,000	4,630,000
Interest	-	-	-	6,310,437	6,310,437
Bond issuance costs	4,025	-	-	-	4,025
Total expenditures	441,894,908	3,931,053	187,603	63,703,502	509,717,066
Excess (deficiency) of revenues over (under) expenditures	(25,905,489)	4,619,532	381,542	1,147,781	(19,756,634)
Other financing sources (uses):					
Transfers in	9,082,615	22,199,396	3,133,730	12,164,756	46,580,497
Transfers out	(78,309,472)	(1,435,774)	-	(4,040,071)	(83,785,317)
Total other financing sources (uses)	(69,226,857)	20,763,622	3,133,730	8,124,685	(37,204,820)
Net change in fund balances	(95,132,346)	25,383,154	3,515,272	9,272,466	(56,961,454)
Fund balances at beginning of year	435,811,126	130,435,825	56,121,719	76,151,118	698,519,788
Fund balances at end of year	\$ 340,678,780	155,818,979	59,636,991	85,423,584	641,558,334

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, 2019

Net change in fund balances – total governmental funds	\$	(56,961,454)
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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.		55,835,209
2) The cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense in the statement of activities.		(29,369,515)
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.		(26,235)

Measurement focus:

4) Change in accrued interest payable.		(689,269)
5) Principal payments on long-term obligations use current financial resources but have no effect on net position.		4,830,000
6) Bond premiums are recorded as other financing sources in the fund statements but are amortized in the statement of activities.		847,647
7) Deferred gain and loss on refunding is amortized in the statement of activities.		(35,274)
8) The increase in compensated absences liability does not use current financial resources but is recorded as an increase in expense in the statement of activities.		(276,567)
9) Interest income related to successor agency advances are recorded as revenue in the statement of activities but are reported as deferred inflows of resources in the fund statements.		72,883
10) Interest income related to airport advances were previously recorded as revenue in the statement of activities was recognized as income in the fund statements		(72,053)
11) Interest income recorded as revenue in the fund statements in the current year but reported as interest income in the prior year statement of activities		(730,509)
12) Grant revenue previously recognized in the statement of activities is recorded as revenue in the fund statements.		(3,203,814)
13) Grant revenue earned but not yet available being recorded on the statement of activities that are not recorded on the fund statements.		2,368,820
14) Pollution remediation expense activity was recorded in the fund statements and reduced the liability in the statement of activities.		665,434
15) Pollution remediation liability was transferred from the governmental activities to the business type activities.		21,327,312
16) Unavailable revenue has no impact on current financial resources but increases net position in the statement of activities.		265,274
17) GASB 75 OPEB reporting timing differences.		(370,455)
18) GASB 68 pension reporting timing differences.		(4,553,313)

Internal service funds:

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

The net revenue/(expense) of certain internal service funds is reported with governmental activities.		(2,804,128)
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Change in net position (statement of activities, governmental activities)	\$	(12,880,007)
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See accompanying notes to basic financial statements.

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 systems within the City.

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.

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, 2019

	Business-Type Activities - Enterprise Funds						
	Water	Wastewater	Resource Recovery and Recycling	Big Blue Bus	Nonmajor enterprise funds	Total enterprise funds	Total internal service funds
ASSETS							
Current assets:							
Cash and investments (note 5)	\$ 103,374,387	41,950,680	10,815,837	26,790,583	29,866,521	212,798,008	96,387,299
Restricted cash and investments (note 5)	355,474	2,299,754	-	13,926,695	6,636,611	23,218,534	-
Receivables (net, where applicable, of allowances for uncollectibles):							
Accounts	3,878,831	2,616,943	3,527,217	1,686,646	780,666	12,490,303	259,710
Notes receivable Successor Agency	-	-	-	-	7,352,725	7,352,725	-
Interest	285,788	195,144	111,466	125,072	125,267	842,737	348,970
Settlement	7,340,000	-	-	-	-	7,340,000	-
Due from other governments	-	-	-	6,971,500	3,474	6,974,974	-
Inventory	-	-	-	3,266,173	-	3,266,173	47,914
Prepaids	48,277	16,554	2	18,813	26,385	110,031	10,312
Total current assets	115,282,757	47,079,075	14,454,522	52,785,482	44,791,649	274,393,485	97,054,205
Noncurrent assets:							
Restricted cash and investments (note 5)	1,428,792	4,506,039	17,010,272	-	-	22,945,103	-
Notes receivable Successor Agency noncurrent	-	-	-	-	259,400	259,400	-
Accrued interest non current	-	-	-	-	18,278,988	18,278,988	-
Capital assets (note 7):							
Land	21,006	3,189,132	-	48,807,900	1,362,712	53,380,750	-
Construction in progress	1,781,004	8,536,749	-	1,332,300	3,332,019	14,982,072	2,748,544
Buildings	1,532,511	251,447	314,223	129,881,355	16,347,447	148,326,983	-
Improvements other than buildings	1,015,098	297,592	99,731	13,967,895	12,137,937	27,518,253	-
Machinery and equipment	3,778,029	1,649,296	246,078	176,077,592	1,326,612	183,077,607	41,795,468
Infrastructure	53,573,310	158,822,132	-	-	28,122,412	240,517,854	-
Intangibles	3,575,000	107,265,095	-	-	-	110,840,095	-
Less: accumulated depreciation	(32,534,055)	(105,388,734)	(546,719)	(166,728,888)	(33,231,952)	(338,430,348)	(23,539,748)
Net capital assets	32,741,903	174,622,709	113,313	203,338,154	29,397,187	440,213,266	21,004,264
Total noncurrent assets	34,170,695	179,128,748	17,123,585	203,338,154	47,935,575	481,696,757	21,004,264
TOTAL ASSETS	149,453,452	226,207,823	31,578,107	256,123,636	92,727,224	756,090,242	118,058,469
DEFERRED OUTFLOWS OF RESOURCES							
Deferred loss on refunding	-	190,666	-	-	-	190,666	-
Deferred outflows from pensions	1,686,582	616,973	2,575,138	12,828,675	1,491,569	19,198,937	1,435,537
Deferred outflows from OPEB	58,458	17,321	116,051	393,188	49,798	634,816	63,222
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,745,040	824,960	2,691,189	13,221,863	1,541,367	20,024,419	1,498,759
LIABILITIES							
Current liabilities:							
Accounts payable	2,098,690	3,734,260	1,403,950	3,222,070	1,315,062	11,774,032	2,452,960
Accrued liabilities	181,339	60,952	269,433	2,333,299	171,804	3,016,827	162,048
Contracts payable (retained percentage)	206,164	28,582	-	93,548	301,106	629,400	-
Compensated absences due within one year (note 2)	252,498	74,431	359,655	1,832,177	219,455	2,738,216	210,845
Claims payable due within one year (note 15)	-	-	-	-	-	-	20,531,656
Unearned revenue (note 8)	-	-	-	3,935,403	-	3,935,403	-
Accrued interest payable	-	75,563	-	-	2,731	78,294	-
Loans and bonds payable due within one year (note 9)	-	2,210,000	-	-	315,130	2,525,130	-
Liabilities payable from restricted assets - deposits	355,474	-	17,010,272	47,975	1,561,768	18,975,489	-
Pollution remediation obligation due within one year (note 4)	7,127,106	-	-	-	-	7,127,106	-
Total current liabilities	10,221,271	6,183,788	19,043,310	11,464,472	3,887,056	50,799,897	23,357,509
Long-term liabilities:							
Compensated absences due in more than one year (note 2)	128,605	46,868	103,733	295,955	142,331	717,492	78,032
Advances from other funds (note 11)	-	-	-	-	5,748,972	5,748,972	-
Claims payable due in more than one year (note 15)	-	-	-	-	-	-	49,973,178
Loans and bonds payable due in more than one year (note 9)	-	5,405,431	-	-	-	5,405,431	-
Pollution remediation obligation due in more than one year (note 4)	30,559,095	-	-	-	-	30,559,095	-
Net OPEB liability	371,806	110,165	738,104	2,500,741	316,723	4,037,539	402,102
Net pension liability	6,527,447	2,387,821	9,966,355	49,649,828	5,772,709	74,304,160	5,555,849
Total long-term liabilities	37,586,953	7,950,285	10,808,192	52,446,524	11,980,735	120,772,689	56,009,161
TOTAL LIABILITIES	47,808,224	14,134,073	29,851,502	63,910,996	15,867,791	171,572,586	79,366,670
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows from pensions	518,796	189,781	792,118	3,946,123	458,812	5,905,630	441,573
Deferred inflows from OPEB	17,520	5,191	34,781	117,838	14,925	190,255	18,948
TOTAL DEFERRED INFLOWS OF RESOURCES	536,316	194,972	826,899	4,063,961	473,737	6,095,885	460,521
NET POSITION							
Net investment in capital assets	32,741,903	167,197,944	113,313	203,338,154	29,082,057	432,473,371	21,004,264
Restricted for Rail Reserve and Prop 1B (note 12)	-	-	-	12,447,859	-	12,447,859	-
Restricted for housing	-	-	-	-	5,178,223	5,178,223	-
Restricted for debt service	-	2,298,946	-	-	-	2,298,946	-
Unrestricted	70,112,049	43,206,848	3,477,582	(14,415,471)	43,666,783	146,047,791	18,725,773
TOTAL NET POSITION	\$ 102,853,952	212,703,738	3,590,895	201,370,542	77,927,063	598,446,190	39,730,037
Net position, business-type activities - internal service funds						36,379,660	
Net adjustment to reflect the allocation of the internal service funds net income						(4,444,962)	
Net position of business-type activities						<u>\$630,380,888</u>	

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, 2019

	Business-Type Activities - Enterprise Funds						
	Water	Wastewater	Resource Recovery and Recycling	Big Blue Bus	Nonmajor enterprise funds	Total enterprise funds	Total internal service funds
Operating revenues							
Charges for services	\$ 26,851,412	19,626,512	27,444,457	14,069,316	29,616,436	117,608,133	46,419,817
Total operating revenues	26,851,412	19,626,512	27,444,457	14,069,316	29,616,436	117,608,133	46,419,817
Operating expenses							
Personnel services	6,540,952	2,519,126	11,184,209	60,891,788	7,222,634	88,358,709	5,283,139
Administrative indirect	1,563,307	717,765	1,225,155	4,723,037	1,846,166	10,075,430	1,225,131
Contractual services	1,785,392	6,046,846	5,480,654	3,165,138	3,542,244	20,020,274	1,624,945
Repairs and maintenance	1,225,342	1,290,672	2,204,693	1,054,955	1,296,171	7,071,833	2,096,463
Materials and supplies	2,178,348	563,071	5,997,221	9,634,265	4,069,432	22,442,337	6,256,665
Utilities	2,600,926	63,539	64,008	462,399	964,354	4,155,226	87,144
Water purchases	4,005,039	-	-	-	-	4,005,039	-
Casualty property and liability costs	289,117	177,259	134,352	3,990,838	732,465	5,324,031	153,775
Claims expense net of claims reserve adjustment	-	-	-	-	-	-	22,965,417
Insurance and bonds	-	-	-	-	-	-	5,749,122
Miscellaneous fees and costs	113,857	-	70	158,384	-	272,311	2,027,784
Depreciation and amortization	1,316,634	6,988,763	7,986	17,479,077	2,068,768	27,861,228	3,462,807
Other	1,507,360	1,588,125	798,909	211,509	1,675,323	5,781,226	440,666
Total operating expenses	23,126,274	19,955,166	27,097,257	101,771,390	23,417,557	195,367,644	51,373,058
Operating income (loss)	3,725,138	(328,654)	347,200	(87,702,074)	6,198,879	(77,759,511)	(4,953,241)
Nonoperating revenues (expenses)							
Operating grants	-	-	-	627,179	-	627,179	-
Shared sales tax proceeds	-	-	-	57,882,876	-	57,882,876	-
Investment income	2,140,281	1,734,379	954,363	1,016,451	1,278,039	7,123,513	3,083,341
Interest expense	(1,994)	(207,422)	-	-	(49,638)	(259,054)	-
Gain (loss) on disposal of capital assets	-	-	(315,060)	59,881	-	(255,179)	318,917
Other nonoperating revenues	553,719	528,915	224,393	2,255,993	2,681,782	6,244,802	110,679
Total nonoperating revenues (expenses) net	2,692,006	2,055,872	863,696	61,842,380	3,910,183	71,364,137	3,512,937
Income (loss) before capital contributions, transfers and special items	6,417,144	1,727,218	1,210,896	(25,859,694)	10,109,062	(6,395,374)	(1,440,304)
Capital contributions	-	-	-	23,646,413	-	23,646,413	-
Transfers in (note 11)	55,873,794	1,303,378	5,774	585,959	1,338,376	59,107,281	2,452,526
Transfers out (note 11)	(2,437,468)	(882,069)	(464,169)	(462,563)	(17,511,474)	(21,757,743)	(2,597,244)
Special item (note 19)	(21,327,312)	-	-	-	-	(21,327,312)	-
Change in net position	38,526,158	2,148,527	752,501	(2,089,885)	(6,064,036)	33,273,265	(1,585,022)
Net position at beginning of year, as restated (note 18)	64,327,794	210,555,211	2,838,394	203,460,427	83,991,099	565,172,925	41,315,059
Net position at end of year	\$ 102,853,952	212,703,738	3,590,895	201,370,542	77,927,063	598,446,190	39,730,037
Change in net position						\$ 33,273,265	
Net adjustment to reflect the consolidation of internal service fund activities related to enterprise funds						1,219,165	
Change in net position of business-type activities						\$ 34,492,430	

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, 2019

	Business-type activities - Enterprise Funds						
	Water	Wastewater	Resource Recovery and Recycling	Big Blue Bus	Nonmajor enterprise funds	Total enterprise funds	Total internal service funds
Cash flows from operating activities:							
Cash received from customers	\$ 26,903,902	19,714,797	28,756,320	14,317,417	29,619,316	119,311,752	46,479,398
Cash payments for materials and services	(6,892,366)	(8,398,139)	(15,826,821)	(22,480,290)	(14,496,056)	(68,093,672)	(19,218,856)
Cash payments to employees for services	(6,430,029)	(2,492,420)	(11,424,992)	(58,287,392)	(5,926,546)	(84,561,379)	(5,223,344)
Cash paid for claims and related services	—	—	—	—	—	-	(9,730,971)
Other revenue received	553,719	528,915	224,393	2,255,993	2,681,782	6,244,802	110,679
Net cash provided by (used in) operating activities	<u>14,135,226</u>	<u>9,353,153</u>	<u>1,728,900</u>	<u>(64,194,272)</u>	<u>11,878,496</u>	<u>(27,098,497)</u>	<u>12,416,906</u>
Cash flows from noncapital financing activities:							
Sales tax proceeds	—	—	—	59,740,737	—	59,740,737	—
Repayment of advances to/(from) other funds	—	—	—	—	(2,003,473)	(2,003,473)	—
Repayment of promissory note	—	—	—	—	15,000,000	15,000,000	—
Transfers in	48,533,794	1,303,378	5,774	585,959	1,338,376	51,767,281	2,452,526
Transfers out	(2,437,468)	(882,069)	(464,169)	(462,563)	(17,511,474)	(21,757,743)	(2,597,244)
Net cash provided by noncapital financing activities	<u>46,096,326</u>	<u>421,309</u>	<u>(458,395)</u>	<u>59,864,133</u>	<u>(3,176,571)</u>	<u>102,746,802</u>	<u>(144,718)</u>
Cash flows from capital and related financing activities:							
Capital contributions received	—	—	—	30,938,117	—	30,938,117	—
Acquisition and construction of capital assets	(3,175,954)	(11,734,409)	—	(15,560,311)	(337,140)	(30,807,814)	(11,494,463)
Proceeds from sale of capital assets	—	—	315,060	61,073	—	376,133	830,713
Reduction in long-term obligations	—	—	—	—	(307,144)	(307,144)	—
Interest paid on long-term obligations	(1,994)	(1,895,351)	—	—	(52,300)	(1,949,645)	—
Net cash provided by (used in) capital and related financing activities	<u>(3,177,948)</u>	<u>(13,629,760)</u>	<u>315,060</u>	<u>15,438,879</u>	<u>(696,584)</u>	<u>(1,750,353)</u>	<u>(10,663,750)</u>
Cash flows from investing activities							
Investments income	2,006,369	1,712,934	941,941	1,011,239	1,022,185	6,694,668	3,042,228
Net cash provided by investing activities	<u>2,006,369</u>	<u>1,712,934</u>	<u>941,941</u>	<u>1,011,239</u>	<u>1,022,185</u>	<u>6,694,668</u>	<u>3,042,228</u>
Net increase (decrease) in cash and cash equivalents	59,059,973	(2,142,364)	2,527,506	12,119,979	9,027,526	80,592,620	4,650,666
Cash and cash equivalents at beginning of year	46,098,680	50,898,837	25,298,603	28,597,299	27,475,606	178,369,025	91,736,633
Cash and cash equivalents at end of year	<u>\$ 105,158,653</u>	<u>48,756,473</u>	<u>27,826,109</u>	<u>40,717,278</u>	<u>36,503,132</u>	<u>258,961,645</u>	<u>96,387,299</u>
Cash and investments	\$ 103,374,387	41,950,680	10,815,837	26,790,583	29,866,521	212,798,008	96,387,299
Restricted cash and investments	1,784,266	6,805,793	17,010,272	13,926,695	6,636,611	46,163,637	—
Total cash and cash equivalents	<u>\$ 105,158,653</u>	<u>48,756,473</u>	<u>27,826,109</u>	<u>40,717,278</u>	<u>36,503,132</u>	<u>258,961,645</u>	<u>96,387,299</u>

(Continued)

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, 2019

	Business-type activities - Enterprise Funds						
	Water	Wastewater	Resource Recovery and Recycling	Big Blue Bus	Nonmajor enterprise funds	Total enterprise funds	Total internal service funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:							
Operating income (loss)	\$ 3,725,138	(328,654)	32,140	(87,702,074)	6,198,879	(78,074,571)	(4,953,241)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Add depreciation	1,316,634	6,988,763	7,986	17,479,077	2,068,768	27,861,228	3,462,807
Other revenue received	553,719	528,915	224,393	2,255,993	2,681,782	6,244,802	110,679
Change in assets and liabilities and deferred outflows and inflows of resources:							
(Increase) decrease in accounts receivable	13,110	88,285	(152,713)	143,647	48,766	141,095	3,847,064
Decrease in due from other governments	—	—	—	1,249,075	—	1,249,075	—
(Increase) decrease in prepaids	(39,449)	(7,726)	(2)	(4,400)	14,153	(37,424)	(238)
(Increase) in inventory	—	—	—	(167,858)	—	(167,858)	(23,957)
Increase (decrease) in accounts payable	(348,835)	2,066,151	393,303	(179,933)	(374,050)	1,556,636	467,034
Increase (decrease) in accrued liabilities	10,405	(12,897)	789	(29,727)	267	(31,163)	32,548
Increase (decrease) in contracts payable	61,118	(9,287)	—	70,143	(10,004)	111,970	—
Increase (decrease) in unearned revenue	—	—	—	16,843	(9,591)	7,252	—
Increase (decrease) in deposits payable from restricted assets	39,380	—	1,464,576	—	(36,295)	1,467,661	—
Increase (decrease) in compensated absences payable	(19,167)	(29,802)	4,954	111,229	12,342	79,556	(9,665)
Increase in claims payable	—	—	—	—	—	—	9,446,963
Increase in pollution remediation obligation	8,703,488	—	—	—	—	8,703,488	—
Net OPEB liability and related changes in deferred outflows and inflows of resources	(115,720)	(22,917)	(85,677)	(415,104)	71,565	(567,853)	(66,650)
Net pension liability and related changes in deferred outflows and inflows of resources	235,405	92,322	(160,849)	2,978,817	1,211,914	4,357,609	103,562
Total adjustments	10,410,088	9,681,807	1,696,760	23,507,802	5,679,617	50,976,074	17,370,147
Net cash provided by (used in) operating activities	\$ 14,135,226	9,353,153	1,728,900	(64,194,272)	11,878,496	(27,098,497)	12,416,906
Schedule of non-cash capital and related financing activities:							
Capital assets acquired through accounts payable	\$ 640,802	1,379,770	—	1,299,295	—	3,319,867	89,045
Gain/(Loss) on disposal of capital assets	—	—	—	59,881	—	59,881	830,712

See accompanying notes to basic financial statements

Fiduciary Fund Financial Statements

Private-Purpose Trust Fund is fiduciary in nature and used to receive and distribute the Redevelopment Property Tax Trust Fund distributions and use them to extinguish enforceable obligations approved by the Successor Agency Oversight Board and the California Department of Finance. 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 are not part of the City. The General Trust Fund and Street Light Fund account for assets held by the City in an agency capacity, such as fees collected on behalf of and remitted to other government agencies and payroll deductions remitted to various other agencies.

CITY OF SANTA MONICA, CALIFORNIA

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2019

	Total Private-Purpose Trust Fund	Total Agency Funds
ASSETS		
Restricted cash (note 5)	\$ 20,156,779	4,533,225
Restricted cash and investments with fiscal agent (note 5)	6,985,359	-
Accounts receivable	4	74,473
Total assets	<u>27,142,142</u>	<u>4,607,698</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on refunding	<u>1,652,766</u>	
LIABILITIES		
Accounts payable and accrued liabilities	-	4,607,698
Long term liabilities:		
Loans and bonds payable, due within one year (note 17)	14,127,746	-
Loans and bonds payable, due in more than one year (note 17)	142,210,678	-
Accrued interest payable, due in more than one year	27,511,809	-
Total liabilities	<u>183,850,233</u>	<u>4,607,698</u>
NET POSITION		
Restricted for the dissolution of the Former Redevelopment Agency	<u>\$ (155,055,325)</u>	

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, 2019

	Private-Purpose Trust Fund
Additions:	
Property tax distribution	\$ 30,191,330
Investment income	45,179
Total additions	<u>30,236,509</u>
Deductions:	
Project expenses	253,201
Interest expense	8,264,139
Total deductions	<u>8,517,340</u>
Change in net position	21,719,169
Net position at beginning of year	<u>(176,774,494)</u>
Net position at end of year	<u><u>\$ (155,055,325)</u></u>

See accompanying notes to basic financial statements.

(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* (Parking Authority) was established by the City in 1950 for the acquisition or building of parking facilities owned by the City Parking Authority.

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 assisting the City in financing capital improvements, working capital, and liability or other 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.

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. While the Arts Foundation meets the requirements of being reported as a component unit of the City, the

operating results are immaterial to the City as a whole and therefore it is not included in the City's basic financial statements.

The *Santa Monica Pier Corporation*, originally named the Santa Monica Pier Restoration Corporation, is an organization created in 1984 as a nonprofit public benefit corporation. The Pier Corporation maintains and operates public educational and recreational programs and events at the Santa Monica Pier as part of a service agreement with the City. It also assists the City with public outreach on Santa Monica Pier related issues. The governing Board of the Corporation is appointed by the City of Santa Monica City Council for the benefit of the citizens of Santa Monica. The Pier Corporation is not presented in the basic financial statements because the economic resources received or held by the individual organization are not significant to the primary government. Separate financial statements for this organization can be obtained from the City's Director of Finance.

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 general government, public safety, general services, cultural and recreation services, library and housing and community development. The business-type activities of the City include water, wastewater, stormwater, resource recovery and recycling, pier, airport, cemetery, community broadband, Big Blue Bus, and parking authority.

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, which 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, 2019, the City implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. GASB Statement No. 88 improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowing and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. Reference Note 9 for information on the City's long-term liabilities.

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 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.

In governmental funds, 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. 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. 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 **Low and Moderate Income Housing Asset Fund** under Senate Bill 341, requires that housing assets transferred to the City's Housing Successor Agency, together with any funds generated from housing assets, 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, for program monitoring and preserving the long-term affordability of units subject to affordability restrictions, homeless prevention and rapid rehousing services, and the development of affordable housing for lower income households.

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 the sanitary sewer system within the City.

The **Resource Recovery and Recycling Fund** accounts for the activities of the City's refuse collection, street sweeping and cleaning, and recycling programs.

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

Additionally, the City reports the following fund types:

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 to expenditures 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 Successor Agency's creditors for 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 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 the average month-end balances for the prior three months 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. Changes in fair value are allocated to each participating fund on an annual basis.

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. LAIF is not reported at fair value.

For purposes of the statement of cash flows, the City has defined cash and cash equivalents to be equity in the City's cash and investment pool as well as petty cash.

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 in spendable form and are not available for appropriation. 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, 2019, the allowance for uncollectible accounts for governmental and business-type activities is \$666,071 and \$564,221 respectively.

Unbilled service receivables are accrued at year-end.

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 the prior 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, the assessed value may be 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.

Restricted cash represents amounts restricted under agreements with grantors, trustees, developers, customers and lessees. Additionally, restricted cash in the Successor Agency is restricted by redevelopment dissolution legislation.

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 capital expense 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 acquisition value at the date of donation and capital assets received in a service concession arrangement are reported at acquisition value. The cost

of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are expensed when incurred.

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.

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:

Assets	Years
Buildings	5 to 85
Improvements other than buildings	5 to 50
Infrastructure	15 to 75
Utility systems	20 to 100
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 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 International Association of Sheet Metal, Air, Rail and Transportation Workers – Transportation Division 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 or inflows 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

In addition to assets, the statement of net position, governmental fund balance sheet, proprietary statement of net position, and statement of fiduciary net position will sometimes report a separate section for *deferred outflows of resources*. The deferred outflows of resources is a separate financial statement element that represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position and governmental fund balance sheet will sometimes report a separate section for *deferred inflows of resources*. The deferred inflows of resources is a separate financial statement element that represents an acquisition of net position or fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The City reports the following items as deferred outflows of resources:

- Deferred outflows from pensions
- Deferred outflows from OPEB
- Deferred loss on refundings

The City reports the following items as deferred inflows of resources:

- Deferred inflows from pensions
- Deferred inflows from OPEB
- Deferred gain on refunding

Deferred outflows from pensions and OPEB include contributions made subsequent to the measurement date. Deferred outflows and inflows relating to pensions and OPEB are the result of differences between the expected and actual experience, changes in assumptions, and difference between projected and actual earnings on investments. See note 16 for a detailed discussion of deferred outflows and inflows related to pensions and OPEB.

The deferred gain and loss on refunding is attributable to the unamortized portion of the gain or loss on refunding of debt.

Finally, on the governmental funds balance sheet, when an asset is recorded but the revenue is not available, a deferred inflow of resources is reported for unavailable revenue 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, liabilities and deferred inflows related to those assets. 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 and deferred inflows to those assets. 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, 2019, 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. Amounts that can only be used for specific purpose pursuant to constraints imposed by the government's highest level of decision making authority, the City Council, are reported as committed fund balance. The City Council can create committed fund balance through ordinance, resolution or other council action that is equally binding. 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 and represents the most binding constraint. Once adopted, ordinances become effective upon 30 days after 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 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 expended 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.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's defined benefit retirement plans, Miscellaneous and Public Safety Police and Fire, of the California Employees' Retirement System ("CalPERS") and additions to/deductions from the Plans' fiduciary net position have

been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefits (OPEB)

For the purposes of measuring the net OPEB liability, the deferred inflows of resources related to OPEB, and the OPEB expense, information about the fiduciary net position of the City's OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined using the same actuarial methods and assumptions. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Measurement Period	June 30, 2017 to June 30, 2018

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) COMPENSATED ABSENCES

City employees earn vacation leave at varying amounts based on length of service. All employees may accrue up to the amount earned for a three-year period. In the event of termination of employee, death, or retirement, employees (or their estates) are paid for unused vacation.

	Balance at July 1, 2018	Additions	Reductions	Balance at June 30, 2019	Due within one year	Due beyond one year
Governmental Activities	\$ 13,322,300	8,946,320	8,658,005	13,610,615	8,832,969	4,777,646
Business-type activities	3,548,068	2,862,655	2,804,512	3,606,211	2,865,892	740,319
Total	<u>\$ 16,870,368</u>	<u>11,808,975</u>	<u>11,462,517</u>	<u>17,216,826</u>	<u>11,698,861</u>	<u>5,517,965</u>

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

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

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:

	Total governmental funds	Long-term assets and liabilities (1)	Total governmental activities internal service funds (2)	Other adjustments and eliminations	Statement of net position totals
Assets					
Cash and investments	\$ 394,302,848	—	69,924,568	—	464,227,416
Restricted cash and investments	11,970,291	—	—	—	11,970,291
Receivables (net, where applicable, of allowances for uncollectibles):					
Accounts	15,534,077	—	114,522	—	15,648,599
Notes	169,515,958	—	—	—	169,515,958
Taxes	6,644,365	—	—	—	6,644,365
Interest	2,566,556	—	248,940	—	2,815,496
Other governments	3,082,358	—	—	—	3,082,358
Internal balances	—	—	4,444,962	5,748,972	10,193,934
Due from other funds	3,320,119	—	—	(3,320,119)	—
Deposits	61,785	—	—	—	61,785
Prepays	1,731,715	—	10,117	—	1,741,832
Restricted cash and investments with fiscal agent	95,109,814	—	—	—	95,109,814
Advances to other funds	10,012,863	—	—	(10,012,863)	—
Notes Receivable Successor Agency	7,766,028	—	—	—	7,766,028
Capital assets, net	—	825,221,846	238,532	—	825,460,378
Total assets	<u>721,618,777</u>	<u>825,221,846</u>	<u>74,981,641</u>	<u>(7,584,010)</u>	<u>1,614,238,254</u>
Deferred Outflows of Resources					
Deferred loss on refundings	—	68,021	—	—	68,021
Deferred outflows from pensions	—	88,954,123	576,948	—	89,531,071
Deferred outflows from OPEB	—	3,632,226	21,651	—	3,653,877
Total deferred outflow of resources	<u>—</u>	<u>92,654,370</u>	<u>598,599</u>	<u>—</u>	<u>93,252,969</u>
Liabilities, Deferred Inflows of Resources and Fund Balances/Net Position					
Liabilities:					
Accounts payable	27,851,104	—	1,586,248	—	29,437,352
Accrued liabilities	6,935,631	—	96,600	—	7,032,231
Accrued interest payable	—	2,917,693	—	—	2,917,693
Contracts payable (retained percentage)	2,091,359	—	—	—	2,091,359
Due to other funds	3,320,119	—	—	(3,320,119)	—
Unearned revenue	26,301,690	—	—	—	26,301,690
Deposits payable from restricted assets	1,194,316	—	—	—	1,194,316
Advances from other funds	4,263,891	—	—	(4,263,891)	—
Compensated absences due within one year	—	8,749,800	83,169	—	8,832,969
Compensated absences due in more than one year	—	4,722,441	55,205	—	4,777,646
Claims payable due within one year	—	—	16,691,082	—	16,691,082
Claims payable due in more than one year	—	—	46,718,005	—	46,718,005
Loans and bonds payable due within one year	—	4,955,000	—	—	4,955,000
Loans and bonds payable due in more than one year	—	166,858,662	—	—	166,858,662
Pollution remediation obligation due within one year	—	322,540	—	—	322,540
Pollution remediation obligation due in more than one year	—	2,332,867	—	—	2,332,867
Net OPEB liability	—	23,101,563	137,706	—	23,239,269
Net pension liability	—	367,974,565	2,232,917	—	370,207,482
Total liabilities	<u>71,958,110</u>	<u>581,935,131</u>	<u>67,600,932</u>	<u>(7,584,010)</u>	<u>713,910,163</u>
Deferred Inflows of Resources					
Unavailable revenue	8,102,333	—	—	(8,102,333)	—
Deferred gain on refunding	—	54,376	—	—	54,376
Deferred inflows from pensions	—	20,535,247	177,469	—	20,712,716
Deferred inflows from OPEB	—	1,088,574	6,489	—	1,095,063
Total deferred inflows of resources	<u>8,102,333</u>	<u>21,678,197</u>	<u>183,958</u>	<u>(8,102,333)</u>	<u>21,862,155</u>
Total fund balances/net position	<u>\$ 641,558,334</u>	<u>314,262,888</u>	<u>7,795,350</u>	<u>8,102,333</u>	<u>971,718,905</u>

- 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 \$238,532 net of accumulated depreciation, are not included in this amount.

Less accumulated depreciation/amortization

\$	1,314,002,266
	(488,780,420)
\$	<u>825,221,846</u>

Deferred outflows from pension

88,954,123

Deferred inflows from pension

(20,535,247)

\$ 68,418,876

Deferred outflows from OPEB

3,632,226

Deferred inflows from OPEB

(1,088,574)

\$ 2,543,652

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

General obligation bonds

(4,340,000)

Revenue bonds

(152,100,000)

Loans payable

(200,000)

Accrued interest on long-term debt

(2,917,693)

Unamortized premium on long-term debt

(15,173,662)

Employee compensated absences

(13,472,241)

Accrued pollution remediation costs

(2,655,407)

Accrued OPEB liability

(23,101,563)

Net pension liability

(367,974,565)

Total long-term liabilities

\$ (581,935,131)

- 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.

\$ 3,350,388

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.

4,444,962

\$ 7,795,350

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	\$212,798,008	26,462,731	—	239,260,739
Receivables (net, where applicable, of allowances for uncollectibles):				
Accounts	12,490,303	145,188	—	12,635,491
Interest	19,121,725	100,030	—	19,221,755
Taxes	3,474	—	—	3,474
Notes receivable Successor Agency	7,612,125	—	—	7,612,125
Settlement	7,340,000	—	—	7,340,000
Due from other governments	6,971,500	—	—	6,971,500
Internal balances	—	(4,444,962)	(5,748,972)	(10,193,934)
Inventory	3,266,173	47,914	—	3,314,087
Prepays	110,031	207	—	110,238
Restricted cash and investments	46,163,637	—	—	46,163,637
Capital assets, net	440,213,266	20,765,732	—	460,978,998
Total assets	756,090,242	43,076,840	(5,748,972)	793,418,110
Deferred Outflows of Resources				
Deferred loss on refunding	190,666	—	—	190,666
Deferred outflows from pensions	19,198,937	858,589	—	20,057,526
Deferred outflows from OPEB	634,816	41,571	—	676,387
Total deferred outflows of resources	20,024,419	900,160	—	20,924,579
Liabilities				
Accounts payable	11,774,032	866,713	—	12,640,745
Accrued liabilities	3,016,827	65,448	—	3,082,275
Accrued interest payable	78,294	—	—	78,294
Contracts payable (retained percentage)	629,400	—	—	629,400
Internal balances	5,748,972	—	(5,748,972)	-
Unearned revenue	3,935,403	—	—	3,935,403
Liabilities payable from restricted assets	18,975,489	—	—	18,975,489
Compensated absences due within one year	2,738,216	127,676	—	2,865,892
Compensated absences due in more than one year	717,492	22,827	—	740,319
Claims payable due within one year	—	3,840,574	—	3,840,574
Claims payable due in more than one year	—	3,255,173	—	3,255,173
Loans and bonds payable due within one year	2,525,130	—	—	2,525,130
Loans and bonds payable due in more than one year	5,405,431	—	—	5,405,431
Pollution remediation obligation due within one year	7,127,106	—	—	7,127,106
Pollution remediation obligation due in more than one year	30,559,095	—	—	30,559,095
Net OPEB liability	4,037,539	264,396	—	4,301,935
Net pension liability	74,304,160	3,322,932	—	77,627,092
Total liabilities	171,572,586	11,765,739	(5,748,972)	177,589,353
Deferred Inflows of Resources				
Deferred inflows from pensions	5,905,630	264,104	—	6,169,734
Deferred inflows from OPEB	190,255	12,459	—	202,714
Total deferred inflows of resources	6,095,885	276,563	—	6,372,448
Total Net Position	\$598,446,190	31,934,698	—	630,380,888

- 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.

\$ 36,379,660

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.

\$ (4,444,962)

(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 2003 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 \$122.1 million also related to MTBE contamination of the City’s Charnock Well Field. Of this amount, \$18.0 million was deposited into an escrow account specifically to be used for the design and building of a remediation plant. The account was to be replenished by the consortium of oil companies once exhausted until the remediation construction was complete. The City has received all 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.

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 groundwater 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 \$64.8 million over 30 years which included the City receiving title to property valued at \$3.2 million. Under the agreement, the City has agreed to construct and operate facilities for treatment of certain contaminants and treat to applicable drinking water standards any water that it produces from the Olympic Well Field. At the end of FY 2016-17, the City had received cash payments of \$42,895,400. During FY 2017-18, the City and Gillette agreed to modify their agreement whereby a lump sum payment of \$10,415,000 was made by Gillette in exchange for a release from any and all future liabilities.

On May 15, 2012, the City entered into a settlement and release agreement with The Boeing Company (Boeing) also in relation to groundwater contamination of the City’s Olympic Well Field. The agreement calls for Boeing to make payments to the City ranging from \$150,000 to \$5,000,000 annually 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 construct and operate facilities for treatment of certain contaminants and treat to applicable drinking water standards any water that it produces from the Olympic Well Field.

During the fiscal year, the City transferred the Olympic Well Field pollution remediation obligation of \$32,337,312 and \$11,010,000 settlement receivable from Boeing from the General Fund to the Water Fund and from the governmental activities to the business-type activities. This resulted in a special item in the Water Fund and a transfer from the governmental activities to the business-type activities of \$21,327,312.

Using the expected cash flow technique utilizing present value, the City has measured the potential water treatment liability under the agreements by the anticipated cost of construction/remediation/operating contracts, which include a contingency of 10% for unforeseen costs.

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 \$2,655,407 in the governmental activities of which \$322,540 is due within one year and \$37,686,201 in the business-type activities, of which \$7,127,106 is due within one year. These liabilities are reported in the business-type and governmental activities in the Statement of Net Position.

(5) CASH AND INVESTMENTS

Cash and investments as of June 30, 2019 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 703,488,155
Restricted cash and investments	58,133,808
Restricted cash with fiscal agent	95,109,934
Fiduciary funds:	
Restricted cash and investments	24,690,004
Restricted cash with fiscal agent	6,985,359
Total cash and investments	<u>\$ 888,407,260</u>

Cash and investments as of June 30, 2019 consist of the following:

Cash on hand	\$ 26,037
Deposits with financial institutions	51,003,280
Investments	837,377,943
Total cash and investments	<u>\$ 888,407,260</u>

All interest income legally accrues to the benefit of the General Fund in the absence of a legal provision to the contrary. Accordingly, accumulated interest income from the Special Revenue Source Fund in the amount of \$1,553,011 has been included as interest income in the General Fund.

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).

Investment types authorized by state law	Authorized by investment policy	*Maximum maturity	*Maximum percentage of portfolio	*Maximum investment in one issuer
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%
Municipal Bonds	Yes	5 years	None	None
CA Local Agency obligations	Yes	5 years	None	None
Banker's acceptances	Yes	180 days	10%	30%

Investment types authorized by state law	Authorized by investment policy	*Maximum maturity	*Maximum percentage of portfolio	*Maximum investment in one issuer
Commercial paper-Pooled funds	Yes	270 days	40%	10%
Commercial paper-Non-pooled funds	Yes	270 days	25%	10%
Negotiable certificates of deposit	Yes	5 years	30%	10%
CD/Deposit 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
Supranationals	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
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. However, in most cases, the bond agreements generally conform to the City's 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.

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

Authorized investment type	Maximum maturity	Maximum percentage allowed	Maximum investment in one issuer
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 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 the amount invested in equities to 60% of the total portfolio with the balance to be invested primarily in fixed income securities. The table also identifies certain provisions of these 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
U.S. agency securities	None	None	None
Equities	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 dates, 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 changes if the investments are not called on or before certain pre-determined dates. The fair value of these investments, which primarily 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 as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees and others) 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)				N/A
		12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months	
Held by City:						
Federal agency securities	\$ 436,803,938	169,848,598	119,391,405	147,563,935	—	—
Corporate medium term notes	157,956,383	17,963,270	28,294,575	111,698,538	—	—
Municipal bonds	25,142,276	10,093,781	—	15,048,495	—	—
Commercial Paper	9,987,333	9,987,333	—	—	—	—
Supranationals	43,464,110	5,000,000	4,987,450	33,476,660	—	—
State investment pool	63,119,240	63,119,240	—	—	—	—
Held by others:						
Treasury notes/bonds	7,391,377	4,094,139	824,553	1,505,995	966,690	—
Federal agency securities	21,447,641	21,447,641	—	—	—	—
Corporate medium term notes	2,035,622	—	—	1,370,027	665,595	—
Common stock	7,975,736	—	—	—	—	7,975,736
Money market funds	62,054,287	62,054,287	—	—	—	—
Total	\$ 837,377,943	363,608,289	153,497,983	310,663,650	1,632,285	7,975,736

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City's investments as of June 30, 2019 (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.

Investment type	Amount	Minimum legal rating**	Actual ratings - Standard & Poor's										Not rated
			AAA/A+1	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	
Held by City:													
Federal agency securities	\$ 436,803,938	N / A	—	417,097,809	—	—	—	—	—	—	—	—	19,706,129
Corporate medium term notes	157,956,383	A	25,596,350	17,115,956	14,317,785	28,046,860	20,842,293	36,257,200	7,639,275	8,140,664	—	—	—
Municipal bonds	25,142,276	N/A	2,466,366	2,011,500	8,906,980	11,757,430	—	—	—	—	—	—	—
Commercial Paper	9,987,333	N/A	9,987,333	—	—	—	—	—	—	—	—	—	—
Supranationals	43,464,110	AA	43,464,110	—	—	—	—	—	—	—	—	—	—
State investment pool	63,119,240	N / A	—	—	—	—	—	—	—	—	—	—	63,119,240
	736,473,280												
Held by others:													
Treasury notes/bonds	7,391,377	N / A	—	7,391,377	—	—	—	—	—	—	—	—	—
Federal agency securities	21,447,641	N / A	—	21,447,641	—	—	—	—	—	—	—	—	—
Corporate medium term notes	2,035,622	N / A	—	—	—	—	—	—	139,710	387,314	694,368	814,230	—
Common stock	7,975,736		—	—	—	—	—	—	—	—	—	—	7,975,736
Money market funds	62,054,287	*	61,675,125	—	—	—	—	—	—	—	—	—	379,162
	\$ 837,377,943		143,189,284	465,064,283	23,224,765	39,804,290	20,842,293	36,257,200	7,778,985	8,527,978	694,368	814,230	91,180,267

*Money market mutual funds must have the highest rating of at least two nationally recognized rating organizations or must have the investment advisor registered with the SEC with no less than 5 yrs. experience and have assets under management in excess of \$500 million. The unrated money market fund amount is part of the Cemetery and Mausoleum Perpetual Care Funds and therefore is not subject to the minimum legal rating. However, it does meet the second criteria of no less than 5 year experience and have assets under management in excess of \$500 million.

** For purposes of categorization, the "minimum legal rating" applies to the entire rating category. For example, rating category "A" includes ratings of A+, A, and A-.

As of June 30, 2019, all investments were in compliance with State law and the City's Investment Policy at the time of purchase. State law requires that any investment subject to a credit downgrade subsequent to the time of purchase shall be reviewed for possible sale within a reasonable amount of time after the downgrade.

The portfolio includes two Starbucks bonds with a fair market value of \$8,140,664 as of June 30, 2019 that were downgraded by S&P from A to A- in November 2017 and further downgraded to BBB+ in June 2018. Staff reviewed the reason for the most recent downgrade as well as analyzed the financial status of the company over the remaining life of the bonds. The estimated probability of default of the bonds ranges is ranging from .002% to .07% depending on the maturity dates of the bonds. Weighing this very low risk of default against the fact that the City would realize a loss of approximately \$0.1 million from selling the bonds at this time, the City concluded that holding the bonds is the appropriate course of action at this time.

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 Investments</u>
FNMA (Fannie Mae)	Federal agency securities	\$ 71,440,737	9.7 %
Federal Farm Credit Bank	Federal agency securities	47,929,800	6.5
FHLMC (Freddie Mac)	Federal agency securities	163,269,943	22.2
Federal Home Loan Bank	Federal agency securities	134,457,329	18.3

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. The collateral is held by the pledging financial institution's trust department

and is considered held in the City's name. The investments held by the City were not subject to custodial credit risk at June 30, 2019.

As of June 30, 2019, 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 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 (SA) 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 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, 2019, \$63,118,394 was invested in the City's account and \$846 was invested in the SA account. The total amount invested by all public agencies in LAIF at that date was \$24.6 billion. The LAIF is part of the State's Pooled Money Investment Account (PMIA). As of June 30, 2019, the investments in the PMIA totaled \$105.7 billion, nearly all of which is invested in non-derivative financial products. The weighted average of LAIF investments was 173 days as of June 30, 2019. LAIF is not rated. LAIF does not impose limits or restrictions on participant withdrawals, and the entire balance of the City's investment in the portfolio is available for withdrawal at any time. LAIF is not registered with the Securities and Exchange Commission. Deposits and withdrawals in LAIF are made on the basis of \$1 and not fair value. Accordingly, the City's investment in this pool is measured on uncategorized inputs not defined as Level 1, 2, or 3.

Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of June 30, 2019:

Investment Type	Totals	Level			Uncategorized
		1	2	3	
Federal agency securities	\$ 436,803,938	—	436,803,938	—	—
Corporate medium term notes	157,956,383	—	157,956,383	—	—
Municipal bonds	25,142,276	—	25,142,276	—	—
Supranationals	43,464,110	—	43,464,110	—	—
Commercial Paper	9,987,333	—	9,987,333	—	—
Local Agency Investment Fund	63,119,240	—	—	—	63,119,240
Held by Others:					
Treasury notes/bonds	7,391,377	7,391,377	—	—	—
Federal agency securities	21,447,641	—	21,447,641	—	—
Corporate medium term notes	2,035,622	—	2,035,622	—	—
Common stock	7,975,736	7,975,736	—	—	—
Money market mutual funds	62,054,287	61,675,125	379,162	—	—
Investments at Fair Value	<u>\$ 837,377,943</u>	<u>77,042,238</u>	<u>697,216,465</u>	<u>—</u>	<u>63,119,240</u>

Deposits and securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Federal Agency Securities, Municipal Bonds, Corporate Medium Term Notes, and Supranationals are classified in Level 2 of the fair value hierarchy and are valued using information provided by the firm FT Interactive Data using institutional bond quotes.

(6) NOTES RECEIVABLE

Notes receivable related to governmental activities total \$169,515,958 as follows:

	Balance at June 30, 2018	Transfers	Increases	Decreases	Balance at June 30, 2019
Special Revenue Source Fund					
Community Corporation of Santa Monica (a)	\$ 448,280	-	-	-	448,280
Community Corporation of Santa Monica (b)	7,114,401	-	-	-	7,114,401
Community Corporation of Santa Monica (c)	4,420,698	-	-	-	4,420,698
FAME Santa Monica Senior Apartments (d)	7,416,347	-	-	-	7,416,347
Step Up (e)	2,029,437	-	-	-	2,029,437
Santa Monica Housing Partners (f)	19,400,000	-	-	-	19,400,000
Mountain View Mobile Home Park resident (g)	87,830	-	-	-	87,830
Community Corporation of Santa Monica (h)	3,350,000	-	-	-	3,350,000
Community Corporation of Santa Monica (i)	6,774,763	-	-	-	6,774,763
Community Corporation of Santa Monica (j)	5,280,138	-	4,178,147	-	9,458,285
Community Corporation of Santa Monica (k)	-	-	143,498	-	143,498
Community Corporation of Santa Monica (l)	-	-	5,912,737	-	5,912,737
Community Corporation of Santa Monica (m)	-	-	8,395,583	-	8,395,583
Community Corporation of Santa Monica (n)	-	-	11,995,084	-	11,995,084
EAH, Inc (o)	-	-	7,000,000	-	7,000,000
Total Special Revenue Source Fund	56,321,894	-	37,625,049	-	93,946,943
Low and Moderate Income Housing Asset Fund					
Community Corporation of Santa Monica (p)	7,979,656	-	-	-	7,979,656
Community Corporation of Santa Monica (q)	2,738,277	-	-	-	2,738,277
Community Corporation of Santa Monica (r)	4,437,001	-	-	-	4,437,001
FAME Santa Monica Senior Apartments (s)	4,058,652	-	-	-	4,058,652
Step Up (t)	3,011,818	-	-	-	3,011,818
Community Corporation of Santa Monica (u)	4,234,506	-	-	-	4,234,506
Community Corporation of Santa Monica (v)	2,900,000	-	-	-	2,900,000
Community Corporation of Santa Monica (w)	5,408,035	-	-	-	5,408,035
Step Up (x)	5,870,000	-	-	-	5,870,000
Santa Monica Housing Partners (y)	5,684,455	-	-	-	5,684,455
Community Corporation of Santa Monica (z)	729,866	-	-	44,128	685,738
EAH, Inc (aa)	-	-	5,354,795	-	5,354,795
Total Low and Moderate Income Housing Asset Fund	47,052,266	-	5,354,795	44,128	52,362,933
Other Nonmajor Governmental Funds					
Ocean Park Community Center (bb)	400,000	-	-	-	400,000
Community Corporation of Santa Monica (cc)	6,345,807	-	-	-	6,345,807
Community Corporation of Santa Monica (dd)	841,600	-	-	-	841,600
Community Corporation of Santa Monica (ee)	1,691,965	-	-	-	1,691,965
Low- and moderate-income housing (DPRLP) (ff)	200,000	-	-	-	200,000
Low- and moderate-income housing (DPRLP) (ff)	200,000	-	-	-	200,000
Ocean Park Community Center (gg)	800,000	-	-	-	800,000
Step Up (hh)	1,300,000	-	-	-	1,300,000
Community Corporation of Santa Monica (ii)	669,456	-	-	-	669,456
Low- and moderate-income housing (jj)	719,619	-	-	-	719,619
MERL Program (kk)	6,010,493	-	-	112,636	5,897,857
MERL Program (ll)	4,162,967	-	-	23,189	4,139,778
Total nonmajor governmental funds	23,341,907	-	-	135,825	23,206,082
Total notes receivable	\$ 126,716,067	-	42,979,844	179,953	169,515,958

Special Revenue Source Fund

- a. 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, 2019, \$448,280 had been disbursed to the borrower. See item “p” below for the amount disbursed from the Low and Moderate Income Housing Asset Fund.
- 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, 2019, \$7,114,401 had been disbursed to the borrower. See item “q” below for amounts disbursed from Low and Moderate Income Housing Asset Fund.
- c. 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, 2019, \$4,420,698 had been disbursed to the borrower. See item “r” below for the amount disbursed from the Low and Moderate Income Housing Asset Fund.
- d. 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 19th Street. This loan was superseded by a loan in the amount of \$11,475,000 dated November 17, 2011. It is a 0% interest loan for 55 years. As of June 30, 2019, \$7,416,347 had been disbursed to the borrower. See item “s” below for the amount disbursed from the Low and Moderate Income Housing Asset Fund.
- e. 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 a 3% interest loan for 55 years. As of June 30, 2019, \$2,029,437 had been disbursed to the borrower. See item “t” below for the amount disbursed from the Low and Moderate Income Housing Asset Fund.
- f. 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 the 55-year anniversary of conversion to permanent financing. As of June 30, 2019, \$19,400,000 had been

disbursed to the borrower.

- g. A shared appreciation promissory note dated October 18, 2012 in the amount of \$87,830 was executed with residents for a unit purchase in Mountain View Mobile Home Park at 1930 Stewart Street. This is a 55-year loan with a 0% interest rate. As of June 30, 2019, \$87,830 had been loaned 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, 2019, \$3,350,000 had been disbursed to the borrower. See item “v” below for the amount disbursed from the Low and Moderate Income Housing Asset Fund.
- i. 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-four low- and very low-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, 2019, \$6,774,763 had been disbursed to the borrower.
- j. A revised promissory note dated March 12, 2019 in the amount of \$10,570,940 was executed with Community Corporation of Santa Monica for an affordable housing project located at 1820 & 1826 14th Street. This is a 0% interest loan with the principal amount due and payable after a two-year deferral period. As of June 30, 2019, \$9,458,285 had been disbursed to the borrower.
- k. A promissory note dated December 27, 2017 in the amount of \$467,735 was executed with Community Corporation of Santa Monica for an affordable housing project located at 1342 Berkeley Street. This is a 0% interest loan with a two-year term and option to extend for additional two and one-half years. Payments are deferred during loan term including any extensions. The loan is due and payable at the end of the loan term. As of June 30, 2019, \$143,498 had been disbursed to the borrower.
- l. A promissory note dated February 15, 2019 in the amount of \$7,419,140 was executed with Community Corporation of Santa Monica for an affordable housing project located at 2120 Lincoln Boulevard. This is 0% interest loan with a two-year term and option to extend for additional two and one-half years. Payments are deferred during loan term including any extensions. The loan is due and payable at the end of the loan term. As of June 30, 2019, \$5,912,737 had been disbursed to the borrower.
- m. A promissory note dated March 4, 2019 in the amount of \$10,658,973 was executed with Community Corporation of Santa Monica for an affordable housing project located at 1819 Pico Boulevard et al. This is a 0% interest loan with a two-year term and option to extend for additional two and one-half years. Payments are deferred during loan term including any extensions. The loan is due and payable at the end of the loan term. As of June 30, 2019, \$8,395,583 had been disbursed to the borrower.
- n. A promissory note dated May 7, 2019 in the amount of \$14,098,131 was executed with Community Corporation of Santa Monica for an affordable housing project located at 1834-48 14th Street. This is a

0% interest loan with a two-year term and option to extend for additional two and one-half years. Payments are deferred during loan term including any extensions. The loan is due and payable at the end of the loan term. As of June 30, 2019, \$11,995,084 had been disbursed to the borrower.

- o. A promissory note dated May 29, 2019 in the amount of \$8,300,000 was executed with Laurel EAH NC, LLC for the acquisition and predevelopment expenses for an affordable housing project located at 1413 Michigan Avenue. This is a 0% interest loan with a two-year term and option to extend for additional two and one-half years. Payments are deferred during loan term including any extensions. The loan is due and payable at the end of the loan term. As of June 30, 2019, \$7,000,000 had been disbursed to the borrower.

Low and Moderate Income Housing Asset Fund

- p. 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, 2019, the outstanding balance is \$7,979,656. See item “a” above for the amount disbursed from the Special Revenue Source Fund.
- q. 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, 2019, \$2,738,277 had been disbursed to the borrower. See item “b” above for amounts disbursed from the Special Revenue Source Fund.
- r. 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, 2019, the outstanding balance is \$4,437,001. See item “c” above for the amount disbursed from the Special Revenue Source Fund.
- s. 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 19th Street. This loan was superseded by a loan in the amount of \$11,475,000 dated November 17, 2011. It is a 0% interest loan for 55 years. As of June 30, 2019, \$4,058,652 had been disbursed to the borrower. See item “d” above for the amount disbursed from the Special Revenue Source Fund.
- t. 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 a 3% interest loan for 55 year. As of June 30, 2019, \$3,011,818 had been disbursed to the borrower. See item “e” above for the amount disbursed from the Special Revenue Source Fund.

- u. 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 was 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, 2019, \$4,234,506 had been disbursed to the borrower.
- v. 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, 2019, \$2,900,000 had been disbursed to the borrower. See item “h” above for the amount disbursed from the Special Revenue Source Fund.
- w. Promissory notes dated October 26, 2004, October 26, 2004 and June 12, 2007 in the amount of \$4,458,035, \$1,691,965 and \$950,000, respectively for a total of \$7,100,000 were executed with 26th and Santa Monica Family Housing Limited Partnership, c/o Community Corporation of Santa Monica, for an affordable housing project located at 1349 26th Street. Forty-four low- and very low-income housing units were 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, 2019, \$5,408,035 had been disbursed to the borrower. See item “ee” below for the amount disbursed from the CDBG Fund.
- x. Two promissory notes dated February 13, 2007, one in the amount of \$5,870,000 and one for \$1,300,000 for a total of \$7,170,000 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, 2019, \$5,870,000 had been disbursed to the borrower. See item “hh” below for the amount disbursed from the Miscellaneous Grants Fund.
- y. 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 14th 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, 2019, the outstanding balance is \$5,684,455.
- z. 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, 2019, \$685,738 had been disbursed to the borrower.
- aa. A promissory note dated September 12, 2018 in the amount of \$6,585,000 was executed with Magnolia Villas EAH, LLC for the acquisition and predevelopment expenses for an affordable housing project

located at 1445-1453 10th Street. This is a 0% interest loan with a two-year term and option to extend for additional two and one-half years. Payments are deferred during loan term including any extensions. The loan is due and payable at the end of the loan term. As of June 30, 2019, \$5,354,795 had been disbursed to the borrower.

Nonmajor Governmental Funds

- bb. 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, 2019, \$400,000 had been disbursed to the borrower. This was disbursed from the TORCA Fund. See item “gg” below for the amount disbursed from the Miscellaneous Grants Fund.
- cc. 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 was for the acquisition, predevelopment expenses and construction of low- and very low-income housing. This is a 3% interest loan with the principal amount due and payable February 8, 2061, 55-years from February 8, 2006. As of June 30, 2019, \$6,345,807 had been disbursed to the borrower. This was disbursed from the TORCA Fund.
- dd. A promissory note dated December 22, 1988 in the amount of \$841,600 was executed with Community Corporation of Santa Monica for low- and very low-income housing at 2020-2030 Cloverfield Boulevard. This is a 35-year loan with 10.44% interest rate per annum. As of June 30, 2019, \$841,600 had been disbursed to the borrower. This was disbursed from the CDBG Fund.
- ee. Promissory notes dated October 26, 2004, October 26, 2004 and June 12, 2007 in the amount of \$4,458,035, \$1,691,965 and \$950,000, respectively for a total of \$7,100,000 were executed with 26th and Santa Monica Family Housing Limited Partnership, c/o Community Corporation of Santa Monica, for an affordable housing project located at 1349 26th Street. Forty-four low- and very low-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, 2019, \$1,691,965 had been disbursed to the borrower. This was disbursed from the CDBG Fund. See item “w” above for the amount disbursed from the Low and Moderate Income Housing Asset Fund.
- ff. 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, 2019. These were disbursed from the Miscellaneous Grants Fund.

- gg. 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, 2019, \$800,000 had been disbursed to the borrower. This was disbursed from the Miscellaneous Grants Fund. See item “bb” above for the amount disbursed from the TORCA Fund.
- hh. Two promissory notes dated February 13, 2007, one in the amount of \$5,870,000 and one for \$1,300,000 for a total of \$7,170,000 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, 2019, \$1,300,000 had been disbursed to the borrower. This was disbursed from the Miscellaneous Grants Fund. See item “x” above for the amount disbursed from the Low and Moderate Income Housing Asset Fund.
- ii. On October 22, 1998, 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 was funded from the City’s Pico Neighborhood Trust Fund but now known as CDBG Housing 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, 2019, the outstanding balance is \$669,456.
- jj. 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, 2019, the outstanding balances of such loans total \$719,619.
- kk. 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, 2019, the CDBG Program Emergency Supplemental Fund outstanding balance is \$5,897,857. See item “ll” below for the amount disbursed from the Miscellaneous Grants Fund.

- II. 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, 2019, the Miscellaneous Grants Fund outstanding balance is \$4,139,778. See item “kk” above for the amount disbursed from the CDBG fund.

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:

Fund	Loan amount authorized	Loan amount disbursed	Amounts repaid/forgiven	Loan balance at June 30, 2019
CDBG (kk)	\$ 21,739,088	21,727,929	15,830,072	5,897,857
Miscellaneous Grants (ll)	7,790,695	7,790,695	3,650,917	4,139,778
Total	<u>\$ 29,529,783</u>	<u>29,518,624</u>	<u>19,480,989</u>	<u>10,037,635</u>

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.

(7) CAPITAL ASSETS

Capital assets activity for the primary government for fiscal year ended June 30, 2019 is as follows:

	Balance at July 1, 2018	Increases	Decreases	Transfers	Balance at June 30, 2019
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 200,323,024	—	—	—	200,323,024
Land held under easement	72,237,823	—	—	—	72,237,823
Construction in progress	48,824,161	51,149,357	—	(27,918,944)	72,054,574
Total capital assets, not being depreciated	321,385,008	51,149,357	—	(27,918,944)	344,615,421
Capital assets, being depreciated:					
Buildings	340,429,097	—	—	—	340,429,097
Improvements other than buildings	172,223,443	1,140,524	—	21,081,863	194,445,830
Utility systems	1,742,913	—	—	—	1,742,913
Machinery and equipment	48,829,408	3,545,328	(328,033)	5,116,541	57,163,244
Infrastructure	374,721,201	—	—	1,720,540	376,441,741
Intangibles	695,710	—	—	—	695,710
Total capital assets being depreciated	938,641,772	4,685,852	(328,033)	27,918,944	970,918,535
Less accumulated depreciation for:					
Buildings	(118,641,750)	(7,936,572)	—	—	(126,578,322)
Improvements other than buildings	(77,870,668)	(9,713,295)	—	—	(87,583,963)
Utility systems	(918,184)	(329,893)	—	—	(1,248,077)
Machinery and equipment	(30,822,933)	(2,594,111)	301,798	—	(33,115,246)
Infrastructure	(232,486,768)	(8,860,326)	—	—	(241,347,094)
Intangibles	(159,435)	(41,441)	—	—	(200,876)
Total accumulated depreciation	(460,899,738)	(29,475,638)	301,798	—	(490,073,578)
Total capital assets, being depreciated, net	477,742,034	(24,789,786)	(26,235)	27,918,944	480,844,957
Subtotal governmental activities	799,127,042	26,359,571	(26,235)	—	825,460,378
Business-type activities:					
Capital assets, not being depreciated:					
Land	53,380,750	—	—	—	53,380,750
Construction in progress	5,849,977	12,407,147	—	(526,508)	17,730,616
Total capital assets, not being depreciated	59,230,727	12,407,147	—	(526,508)	71,111,366
Capital assets, being depreciated:					
Buildings	147,870,482	—	(7,513)	464,014	148,326,983
Improvements other than buildings	27,329,659	188,594	—	—	27,518,253
Machinery and equipment	214,848,180	24,311,822	(15,881,111)	62,494	223,341,385
Infrastructure	236,232,527	4,285,327	—	—	240,517,854
Intangibles	106,321,795	4,518,300	—	—	110,840,095
Total capital assets being depreciated	732,602,643	33,304,043	(15,888,624)	526,508	750,544,570
Less accumulated depreciation for:					
Buildings	(61,584,770)	(4,850,341)	7,513	—	(66,427,598)
Improvements other than buildings	(16,510,029)	(1,120,340)	—	—	(17,630,369)
Machinery and equipment	(131,871,946)	(16,419,316)	15,054,254	—	(133,237,008)
Infrastructure	(99,047,235)	(6,058,278)	—	—	(105,105,513)
Intangibles	(35,506,813)	(2,769,637)	—	—	(38,276,450)
Total accumulated depreciation	(344,520,793)	(31,217,912)	15,061,767	—	(360,676,938)
Total capital assets, being depreciated, net	388,081,850	2,086,131	(826,857)	526,508	389,867,632
Subtotal business-type activities	447,312,577	14,493,278	(826,857)	—	460,978,998
Total	\$ 1,246,439,619	40,852,849	(853,092)	—	1,286,439,376

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

Governmental activities:	
General government	\$ 605,024
Public safety	3,592,762
General services	15,057,819
Cultural and recreation services	4,355,901
Library	1,297,035
Housing and community development	4,460,974
Capital assets held by the government's internal service funds are charged to the various functions based on their assets' usage	106,123
Total depreciation and amortization expense - governmental activities	<u>\$ 29,475,638</u>
Business-type activities:	
Water	\$ 1,316,634
Resource Recovery and Recycling	7,986
Broadband	10,459
Pier	1,311,965
Wastewater	6,988,763
Airport	361,161
Stormwater management	324,607
Cemetery	44,313
Big Blue Bus	17,479,077
Parking authority	16,263
Capital assets held by the government's internal service funds are charged to the various programs based on their assets' usage	3,356,684
Total depreciation and amortization expense - business-type activities	<u>\$ 31,217,912</u>

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 report a liability in connection with resources that have been received as of year-end, but not yet earned (unearned revenue).

The interest on advances reported in the General Fund represents interest on advances to the Successor Agency and the nonmajor enterprise funds and is recognized 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:

Governmental funds:	
General Fund:	
Unearned user fees	\$ 958,424
Unearned rent	52,109
Business license tax	6,603,466
Unearned sponsorship fees	246,530
Total General Fund	<u>7,860,529</u>
Special Revenue Source Fund:	
Civic Center Village advanced lease payments	17,913,970
Total Special Revenue Source Fund	<u>17,913,970</u>
Nonmajor governmental funds:	
Grants received prior to meeting all eligibility requirements	59,449
Unearned user fees	467,742
Total nonmajor governmental funds:	<u>527,191</u>
Total governmental funds	<u>26,301,690</u>
Enterprise funds:	
Big Blue Bus Fund:	
Unearned developer fees	185,000
Unearned advertising fees	94,256
Grant and other funds received prior to meeting all eligibility requirements	3,656,147
Total Big Blue Bus Fund	<u>3,935,403</u>
Total enterprise funds	<u>3,935,403</u>
Total unearned revenue	<u>\$ 30,237,093</u>

The components of deferred inflows of resources for unavailable revenue are as follows:

	Fund financial statements	Recognized in government- wide financials	Government- wide financial statements
Governmental funds:			
General Fund:			
Interest on advances	\$ 5,468,239	(5,468,239)	—
User fees	265,274	(265,274)	—
Total General Fund	<u>5,733,513</u>	<u>(5,733,513)</u>	<u>—</u>
Nonmajor governmental funds:			
Grants receivable	2,368,820	(2,368,820)	—
Total Nonmajor governmental funds	<u>2,368,820</u>	<u>(2,368,820)</u>	<u>—</u>
Total deferred inflows of resources	<u>\$ 8,102,333</u>	<u>(8,102,333)</u>	<u>—</u>

(9) LONG-TERM DEBT

Changes in long-term debt:

Long-term debt activity for the fiscal year ended June 30, 2019, was as follows:

	Balance at July 1, 2018	Additions	Reductions	Balance at June 30, 2019	Due within one year	Due beyond one year
Governmental Activities:						
Loans payable						
from direct borrowings	\$ 400,000	—	200,000	200,000	200,000	—
Lease Revenue bonds	155,610,000	—	3,510,000	152,100,000	3,645,000	148,455,000
General obligation bonds	5,460,000	—	1,120,000	4,340,000	1,110,000	3,230,000
Plus deferred amounts:						
For issuance premiums	16,021,308	—	847,646	15,173,662	—	15,173,662
Total loans and bonds payable	177,491,308	—	5,677,646	171,813,662	4,955,000	166,858,662
Business-type activities:						
Loans payable						
from direct borrowings	661,765	501,199	307,144	855,820	315,130	540,690
Revenue bonds	8,955,000	—	2,130,000	6,825,000	2,210,000	4,615,000
Plus deferred amounts:						
For issuance premiums	349,636	—	99,895	249,741	—	249,741
Total loans and bonds payable	9,966,401	501,199	2,537,039	7,930,561	2,525,130	5,405,431
Total	\$ 187,457,709	501,199	8,214,685	179,744,223	7,480,130	172,264,093

A summary of long-term debt 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, 2019</u>
Governmental activities:					
Lease Revenue bonds (1):					
Public Finance Authority 2011 (Series A)	Nov 16, 2011	\$ 32,065,000	June 1, 2031	4.00-5.00%	\$ 23,990,000
Public Finance Authority Refunding 2011 (Series B)	Nov 16, 2011	8,625,000	Dec 1, 2020	2.00-4.00%	2,035,000
Public Finance Authority Refunding 2015	Jul 9, 2015	26,360,000	July 1, 2033	3.00-5.00%	23,290,000
Public Finance Authority 2017	Sep 14, 2017	68,565,000	July 1, 2047	3.00-5.00%	68,565,000
Public Finance Authority 2018	Jun 6, 2018	34,220,000	July 1, 2048	3.625-5.000%	34,220,000
Subtotal lease revenue bonds - governmental activities					<u>152,100,000</u>
General obligation bonds (1):					
Main Library Improvements 2012	May 30, 2012	11,325,000	July 1, 2022	0.20-4.00%	<u>4,340,000</u>
Subtotal general obligation bonds - governmental activities					<u>4,340,000</u>
Loans payable from direct borrowings:					
State Dept. of Housing and Community Development loan (2)	Dec 29, 1989	200,000	Dec 29, 2019	0.00%	<u>200,000</u>
Subtotal loans payable from direct borrowings					<u>200,000</u>
Subtotal governmental activities					<u>156,640,000</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%	<u>6,825,000</u>
Subtotal revenue bonds - business-type activities					<u>6,825,000</u>
Loans payable from direct borrowings:					
State Water Resources Control Board loan	Jan 29, 1999	5,000,000	Feb 28, 2020	2.60%	315,130
State Water Resources Control Board Construction Installment Sale Agreement	Sep 21, 2017	56,885,903	June 11, 2050	1.80%	<u>540,690</u>
					<u>855,820</u>
Subtotal business-type activities					<u>7,680,820</u>
Total					<u>\$ 164,320,820</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.

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

Annual debt service requirements to maturity are as follows:

Governmental Activities								
Fiscal year ending June 30,	Lease Revenue bonds		General obligation bonds		Loans payable from direct borrowings		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 3,645,000	5,867,669	1,110,000	140,450	200,000	—	4,955,000	6,008,119
2021	3,815,000	6,485,563	1,095,000	101,825	—	—	4,910,000	6,587,388
2022	3,505,000	6,309,763	1,075,000	63,900	—	—	4,580,000	6,373,663
2023	5,095,000	6,096,763	1,060,000	21,200	—	—	6,155,000	6,117,963
2024	5,355,000	5,837,763	—	—	—	—	5,355,000	5,837,763
2025-2029	30,740,000	25,224,951	—	—	—	—	30,740,000	25,224,951
2030-2034	30,045,000	17,904,445	—	—	—	—	30,045,000	17,904,445
2035-2039	19,515,000	12,963,988	—	—	—	—	19,515,000	12,963,988
2040-2044	24,550,000	7,885,766	—	—	—	—	24,550,000	7,885,766
2045-2049	25,835,000	2,226,797	—	—	—	—	25,835,000	2,226,797
	<u>\$ 152,100,000</u>	<u>96,803,468</u>	<u>4,340,000</u>	<u>327,375</u>	<u>200,000</u>	<u>—</u>	<u>156,640,000</u>	<u>97,130,843</u>

Business-type activities						
Fiscal year ending June 30,	Revenue bonds		Loans payable from direct borrowings		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 2,210,000	181,350	315,130	8,193	2,525,130	189,543
2021	2,275,000	115,050	—	—	2,275,000	115,050
2022	2,340,000	46,800	540,690	—	2,880,690	46,800
	<u>\$ 6,825,000</u>	<u>343,200</u>	<u>855,820</u>	<u>8,193</u>	<u>7,680,820</u>	<u>351,393</u>

The City's outstanding balance of a construction installment sale agreement from direct borrowings related to business type activities of \$540,690 contains a provision that if the agreement were terminated, the City would, upon demand, be required to pay the State Water Board an amount equal to Project Funds disbursed, accrued interest, penalty assessments and additional payments.

The City's outstanding bonds of \$6,825,000 of Hyperion refunding bonds related to business type activities contain a provision in the indenture that in the event of default the majority of the bond holders can declare the principal balance plus any accrued interest be immediately payable.

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				
Public Finance Authority Refunding 2011	\$ 1,062,700	\$ 1,062,700	100%	\$ 2,117,300
Public Finance Authority 2011	2,667,131	2,667,131	100%	32,020,500
Public Finance Authority Refunding 2015	2,047,194	2,047,194	100%	28,727,675
Public Finance Authority 2017	2,991,600	2,991,600	100%	121,290,300
Public Finance Authority 2018	1,662,331	1,662,331	100%	61,673,795
Library bond tax revenue				
Main Library Improvements Refunding 2012	1,270,281	1,270,281	100%	3,476,050
Wastewater charges for services				
Hyperion Project Revenue Refunding 2012	2,396,550	2,396,550	100%	7,168,200

Construction Installment Sale Agreement

On September 21, 2017, the City entered into a Construction Installment Sale agreement with the State Water Resources Control Board to fund certain water recycling and conservation projects. The original agreement provides funding in the amount of \$56.9 million and is payable with interest at 1.8% over a period of 30 years with the first installment due after all disbursements have been paid and construction of the project has been completed. The City is in the process of executing a revised agreement with the State

to increase funding and extend the date for project completion. The City anticipates the revised agreement will be fully executed by January 2020. The City has drawn \$540,960 on the loan as of June 30, 2019.

Defeasance

In FY 2017-18, \$3,535,000 par value of Public Financing Authority 2009 Lease Revenue Bonds were defeased. The total remaining principal balance of the bonds is \$2,695,000 as of June 30, 2019.

(10) FUND DEFICITS

Internal Service Funds

A net deficit of \$1,265,107 exists in the Self-Insurance Bus Fund due to the adverse development of new and existing claims. Management intends to eliminate the deficit over the next year through increased contributions to the Fund in FY 2019-20. Increased contributions in FY 2018-19 decreased the deficit by \$444,107.

A net deficit of \$4,111,632 exists in the Self-Insurance General Liability Fund primarily due to the adverse development of new and existing claims. Management intends to eliminate the deficit over time through increased contributions to the Fund.

A net deficit of \$47,852 exists in the Self-Insurance Risk Management Admin Fund primarily due to the unfunded pension and OPEB liabilities. Management has taken action to reduce both of these liabilities by increased contributions towards the unfunded pension and OPEB liabilities.

(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, 2019.

Advances to/from

Advances to/from other funds at June 30, 2019 are as follows:

Advances to (receivable fund)	Advances from (payable fund)	Amount
General Fund	Nonmajor governmental funds	\$ 4,263,891
	Nonmajor enterprise funds	5,748,972
	Total General Fund	10,012,863
	Total advances to/from	<u>\$ 10,012,863</u>

Advances represent loans made to cover operating shortfalls or to provide financing resources for capital projects. These amounts are expected to be repaid in future years, subject to the various loan terms.

Due from/to

Balances due to/from other funds at June 30, 2019 are as follows:

Due From (receivable fund)	Due to (payable fund)	Amount
General Fund	Nonmajor governmental funds	\$ 3,320,119
	Total due to/from	<u>\$ 3,320,119</u>

Due to/from other funds are primarily short-term loans made to eliminate negative cash balances at year-end. These amounts are expected to be repaid in one year.

Transfers

Transfers to/from other funds for the fiscal year ended June 30, 2019 are as follows:

Transfer in (receivable fund)	Transfer out (payable fund)	Amount
General Fund	Special Revenue Source Fund	\$ 1,098,463 (1)
	Nonmajor governmental funds	2,359,015 (2)
	Water Fund	2,425,168 (3)
	Big Blue Bus Fund	462,563 (4)
	Wastewater Fund	882,069 (3)
	Resource Recovery and Recycling Fund	464,169 (5)
	Nonmajor enterprise funds	1,246,450 (6)
	Internal service funds	144,718 (7)
	Total General Fund	<u>9,082,615</u>
Special Revenue Source Fund	General Fund	10,199,396 (8)
	Nonmajor enterprise funds	12,000,000 (8)
	Total Special Revenue Source Fund	<u>22,199,396</u>
Low/Moderate Housing Fund	General Fund	133,730 (8)
	Nonmajor enterprise funds	3,000,000 (8)
	Total Low/Moderate Housing Fund	<u>3,133,730</u>
Nonmajor governmental funds	General Fund	11,761,086 (9)
	Special Revenue Source Fund	337,311 (10)
	Nonmajor governmental funds	66,359 (10)
	Total nonmajor governmental funds	<u>12,164,756</u>
Water Fund	General Fund	55,873,794 (11)
	Total Water Fund	<u>55,873,794</u>
Resource Recovery and Recycling Fund	Nonmajor governmental funds	5,774 (5)
	Total Resource Recovery and Recycling Fund	<u>5,774</u>
Wastewater Fund	General Fund	38,354 (12)
	Nonmajor enterprise funds	1,265,024 (13)
	Total Wastewater Fund	<u>1,303,378</u>
Big Blue Bus Fund	Nonmajor governmental funds	585,959 (14)
	Total Big Blue Bus Fund	<u>585,959</u>
Nonmajor enterprise funds	General Fund	303,112 (15)
	Water Fund	12,300 (16)
	Nonmajor governmental funds	1,022,964 (17)
	Total nonmajor enterprise funds	<u>1,338,376</u>
Internal service funds	Internal service funds	2,452,526 (7)
	Total Internal service funds	<u>2,452,526</u>
	Total transfers	<u>\$ 108,140,304</u>

- 1) Transfer of monies to subsidize cultural arts, community recreation, inclusionary housing, affordable housing program, transportation management expenditures and payments for property used in CityTV operations.
- 2) Transfer of monies to subsidize environmental, literacy, nutrition, housing, transportation and street program expenditures.
- 3) Transfer of monies to subsidize infrastructure improvements and environmental program expenditures.
- 4) Transfer of monies to subsidize finance, human resources, and transit mall maintenance expenditures.
- 5) Transfer of monies to subsidize environmental program expenditures.
- 6) Transfer of monies to subsidize infrastructure improvements, environmental, and economic development program expenditures.
- 7) Transfer of monies to subsidize risk management program expenditures.
- 8) Transfer of monies to subsidize affordable housing program expenditures.
- 9) Transfer of monies for payment of debt service and to subsidize community recreation programs.
- 10) Transfer of monies to subsidize housing program expenditures.
- 11) Transfer of monies related to move of pollution remediation and to subsidize utility rates for low income families.
- 12) Transfer of monies to subsidize utility rates for low income families.
- 13) Transfer of monies to subsidize operating and maintenance expenditures associated with the Santa Monica Urban Runoff Recycling Facility.
- 14) Transfer of monies to subsidize transportation program and infrastructure expenditures.
- 15) Transfer of monies to subsidize park development and the Twilight Concert Series.
- 16) Transfer of monies received from Metropolitan Water District Recycled Water Rebate program.
- 17) Transfer of monies to subsidize cemetery operation and maintenance expenditures and maintenance expenditures associated with the Santa Monica Urban Runoff Recycling Facility.

(12) RESTRICTED NET POSITION

In the government-wide financial statements and proprietary fund financial statements, restricted net position is reported when constraints on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations or other governments, or imposed by law through constitutional provisions or enabling legislation. See note 1 for a detailed explanation of the City's net position policies.

Restricted net position for governmental activities at June 30, 2019 is as follows:

Housing and community development	
Low and moderate income housing funds	\$ 60,122,880
Special revenue source funds	42,799,605
Tenant Ownership Rights Charter Amendment (TORCA) funds	14,244,100
Community Development Block Grant (CDBG) funds	9,338,980
Miscellaneous grant funds	8,555,727
Rent control funds	1,532,912
Housing authority funds	53,814
Total housing and community development	<u>136,648,018</u>
Culture and recreation services	
Beach recreation funds	11,048,667
Special revenue source funds	6,635,855
Parks and recreation funds	163,839
Total culture and recreation services	<u>17,848,361</u>
Transportation	
Special revenue source funds - traffic	2,629,816
Special revenue source funds - parking	1,188,185
Special revenue source funds - roads	803,532
Special revenue source funds - transit	9,890,019
Local return funds	10,738,853
Gas tax funds	2,253,746
Total transportation	<u>27,504,151</u>
Clean beaches and ocean parcel tax	9,503,360
Debt service	5,048,924
Miscellaneous	16,500,684
Perpetual care - nonexpendable	13,813,783
Total governmental restricted net position	<u>\$ 226,867,281</u>

Restricted net position for business-type activities at June 30, 2019 is as follows:

Housing and community development -	
Low and moderate income housing funds	\$ 5,178,223
Rail reserve	1,801,971
Prop 1B	10,645,888
Debt service	<u>2,298,946</u>
Total business-type restricted net position	<u><u>\$ 19,925,028</u></u>

(13) FUND BALANCES

In the fund financial statements fund balance is displayed in categories that describe the nature and extent of constraints on resources that the City is bound to observe. See note 1 for a detailed explanation of the City's fund balance policies.

Fund balance reported on the governmental funds balance sheet as of June 30, 2019 includes the following:

Nonspendable fund balance

Nonspendable fund balance includes amounts that are not in a spendable form, such as prepaid and advances to other funds, or are required to be maintained intact, such as funds held by the City associated with the perpetual care of the City's cemetery and mausoleum.

Nonspendable fund balances are presented as a component of fund balances as follows:

	General Fund	Special Revenue Source Fund	Low and Moderate Income Housing Asset Fund	Nonmajor governmental funds	Total governmental funds
<u>Nonspendable</u>					
Prepays	\$ 1,673,548	—	—	50,353	1,723,901
Advances	9,881,205	—	—	—	9,881,205
Perpetual care	—	—	—	13,813,783	13,813,783
Total nonspendable	<u>\$ 11,554,753</u>	<u>—</u>	<u>—</u>	<u>13,864,136</u>	<u>25,418,889</u>

Restricted fund balance

Restricted fund balance represents amounts that can only be spent for the specific purposes stipulated by either external resource providers or by enabling legislation that created the revenue source and restricted its use. These restrictions may be changed or lifted only with the consent of the resource providers.

The largest component of restricted fund balance is affordable housing, which represents funds received from grants, taxes, and fees that are all dedicated to ensuring the affordability of housing in the City. The City Services Building project and the Fire Station 1 project represent the unspent portion of lease revenue bond proceeds that were issued to finance these large-scale capital projects. Other significant categories include transit, traffic, roads, and parking, which are all dedicated to improving the City's transportation systems for its citizens and visitors. Another noteworthy category is cultural and recreation services, which includes funds restricted for beach recreation activities, the upgrade and/or expansion of parks and recreation facilities, and funds that support public art programs. Childcare programs are designed to assist eligible residents with childcare needs, as well as for the construction of new childcare facilities. Finally, debt service represents amounts held by trustees for the future repayment of outstanding City obligations.

Restricted fund balances are presented as a component of fund balances as follows:

	General Fund	Special Revenue Source Fund	Low and Moderate Income Housing Asset Fund	Nonmajor governmental funds	Total governmental funds
<u>Restricted</u>					
Affordable housing	\$ 485,889	42,799,605	59,636,991	33,443,201	136,365,686
City Services Building project	43,919,597	—	—	—	43,919,597
Fire Station 1 project	23,117,154	—	—	—	23,117,154
Childcare programs	—	5,346,420	—	—	5,346,420
Cultural and recreation services	—	6,635,855	—	11,212,506	17,848,361
Clean beaches and ocean parcel tax	—	—	—	9,503,360	9,503,360
Traffic	—	2,629,816	—	—	2,629,816
Parking	—	1,188,185	—	—	1,188,185
Roads	—	803,532	—	2,253,746	3,057,278
Transit	—	9,890,019	—	10,738,853	20,628,872
Overnight accommodations	—	3,177,843	—	—	3,177,843
Miscellaneous	2,453,199	2,592,728	—	2,930,494	7,976,421
Debt service	—	—	—	5,048,924	5,048,924
Total restricted	<u>\$ 69,975,839</u>	<u>75,064,003</u>	<u>59,636,991</u>	<u>75,131,084</u>	<u>279,807,917</u>

Committed fund balance

Committed fund balance represents amounts that can only be used for the specific purposes determined by a formal action of the City Council. Commitments may be changed or lifted only by the City Council taking the same formal action that originally imposed the constraint.

The largest component of committed fund balance is affordable housing, which includes funds received from settlement proceeds, the sale of City-owned properties, funds received from the Successor Agency, and one quarter of the City's Transaction and Use Tax revenue, which are committed to ensuring the affordability of housing in the City.

Committed fund balances are presented as a component of fund balances as follows:

	General Fund	Special Revenue Source Fund	Low and Moderate Income Housing Asset Fund	Nonmajor governmental funds	Total governmental funds
<u>Committed</u>					
Affordable housing	\$ 1,943,558	80,754,976	—	—	82,698,534
Total committed	<u>\$ 1,943,558</u>	<u>80,754,976</u>	<u>—</u>	<u>—</u>	<u>82,698,534</u>

Assigned fund balance

Assigned fund balance represents amounts intended to be used by the City for specific purposes expressed by the City Council or by an official to which the City Council has delegated the authority.

The largest component of assigned fund balance is for the reappropriation of open contracts and purchase orders. The next largest components are the continuing capital projects and future projects, which represent funds that are dedicated to completing capital improvement and other projects throughout the City, including City Yards, the City Services Building, Fire Station 1 and the Civic Center Sports Field. Other funds are assigned for compensated absences, short-term homeless programs, paydown of unfunded pension liability, and other key initiatives required for the health and safety of the City and its assets.

Assigned fund balances are presented as a component of fund balances as follows:

	General Fund	Special Revenue Source Fund	Low and Moderate Income Housing Asset Fund	Nonmajor governmental funds	Total governmental funds
<u>Assigned</u>					
Continuing capital projects	\$ 45,599,076	—	—	—	45,599,076
Future projects	36,692,560	—	—	—	36,692,560
Short-term projects	9,444,413	—	—	—	9,444,413
Expenditure control budget account	2,208,957	—	—	—	2,208,957
Compensated absences	12,976,805	—	—	—	12,976,805
Unfunded liability paydown	4,600,000	—	—	—	4,600,000
Homeless programs	796,951	—	—	—	796,951
Reappropriations	65,984,861	—	—	—	65,984,861
Other purposes	3,896,299	—	—	—	3,896,299
Total assigned	<u>\$ 182,199,922</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>182,199,922</u>

Unassigned fund balance

Unassigned fund balance is the residual classification for the General Fund and includes all amounts not contained in other classifications. Other governmental funds may report negative unassigned fund balance if expenditures incurred for a specific purpose exceed the resources that are restricted, committed, or assigned to that purpose. This occurs when reimbursements are received after expenditures are incurred and the deficit will be eliminated as reimbursements for eligible grant expenditures are received from grantors.

The largest component of unassigned fund balance is the emergency operating and capital contingency, which represents funds for emergency events and circumstances. Similarly, economic uncertainty represents funds for unforeseen changes in economic conditions. Both of these reserves are maintained to safeguard the credit rating and basic operations of the City in the event of an economic or natural emergency or disaster. The unrealized gain (loss) represents the portion of fund balance related to investments that is not available for appropriation. Negative unassigned fund balance for nonmajor governmental funds is due to the timing of expenditures being incurred prior to reimbursement from grant and other revenue sources. The deficits will be eliminated as future revenues are received.

Unassigned fund balances are presented as a component of fund balances as follows:

	General Fund	Special Revenue Source Fund	Low and Moderate Income Housing Asset Fund	Nonmajor governmental funds	Total governmental funds
<u>Unassigned</u>					
Operating and capital contingency	\$ 61,957,482	—	—	—	61,957,482
Unrealized gain (loss)	347,226	—	—	—	347,226
Economic uncertainty	9,700,000	—	—	—	9,700,000
Other unassigned	3,000,000	—	—	(3,571,636)	(571,636)
Total unassigned	<u>\$ 75,004,708</u>	<u>—</u>	<u>—</u>	<u>(3,571,636)</u>	<u>71,433,072</u>

(14) COMMITMENTS AND CONTINGENCIES

Litigation

In the case of Pico Neighborhood Association, et al. v. City of Santa Monica, on February 13, 2019, the trial court issued its judgment in favor of plaintiffs and against the City of Santa Monica. The City appealed on February 22, 2019. On March 27, 2019, the appeals court granted the City's writ, issuing an order confirming that the judgment would be stayed pending appeal. On May 6, 2019, the appeals court granted the City's request for calendar preference, ordering that the appeal shall be conducted according to a schedule that allows the Court to issue a decision on or before July 10, 2020. If the court of appeals' decision leaves the Plaintiffs prevailing parties, they would have the ability to recover reasonable attorneys' fees and litigation expenses. Plaintiffs have filed in the trial court motions seeking approximately \$22 million in attorneys' fees and litigation expenses. The trial court has scheduled hearings on these motions to occur in September 2020, after the date on which the appeals court is expected to issue its decision. The City has reserved an amount it reasonably believes sufficient to cover any award of attorneys' fees and expenses.

Airport

On October 31, 2013, the City filed suit against the Federal Aviation Administration (FAA) regarding the City's desire to cease aviation activity at the airport.

In dispute was whether a reverter clause in an Instrument of Transfer from 1948 obligated the City to use the land as an airport in perpetuity and if the City attempted to change its use, the land would revert to the federal government.

Additionally, the City accepted several federal grants to fund improvements at the Airport and outside aviation interests contended that the City's grant obligations required the Airport to operate until 2023, instead of 2014, which was twenty years after the acceptance of the City's last federal grant, and this too resulted in a federal court lawsuit.

On January 28, 2017, the City reached an agreement with the FAA which included the following:

- Closure of the Santa Monica Airport to all aeronautical use forever can occur after December 31, 2028
- Reduction of the operational runway length to 3,500 feet
- U.S. Government acknowledgement that the City has the right to establish its own proprietary fixed base operation services
- Airport property released from all federal grant assurance obligations
- Consent decree
- Settles all legal disputes between the City and the federal government about the Airport

The City complete the shortening of the runway through markings and lights in FY 17-18, and completed the removal of runway and taxiway pavement rendered unnecessary by the shortening in FY 18-19.

On November 18, 2019, the Federal Aviation Administration issued a Director's Determination in Mark Smith, et al., v. City of Santa Monica, FAA Docket No. 16-16-02, an administrative action brought pursuant to 15 C.F.R. Part 16 against the City as sponsor of the Santa Monica City Airport. Among other things, the Director's Determination finds that certain loans made by the City to the Airport were "insufficiently and improperly documented as such and fail to satisfy the requirements of loans" under the FAA's Revenue Use

Policy. As a result, the Director's Determination finds: "Improper interest payments charged to the Airport Fund made after February 5, 2010 totaling \$454,292 and \$383,173 and the principal overpayment of \$188,873 must be credited back to the Airport Fund, plus interest from the date of the improper withdrawals or payments." The Director's Determination also requires the City to reduce the interest rate on other loans made by the City to the Airport to no more than "the rate which the City received for other investments" when the loans were issued. The City is determining whether to appeal the Director's Determination. If the City does not appeal, the City's General Fund has the ability to credit back the required amounts to the Airport Fund, and the City does not expect the required reduction in interest charged on the loans to have a material effect on General Fund revenues.

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, 2018 in accordance with the Uniform Guidance requirements issued by the U.S. Office of Management and Budget, 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 segregated at year-end as an unavailable fund balance. Approximately \$71.0 million will be payable upon future performance under these contracts.

Other Commitments

In 1999 the City entered into a thirty year agreement with the City of Los Angeles for the conveyance, treatment, and disposal of wastewater. The Amalgamated System Sewerage System Charge (ASSSC) from this agreement is based on the City of Los Angeles' estimated costs and actual flows and strengths of wastewater in 2018-19. Per the City of Los Angeles, as of June 30, 2019 \$7.38 million will be due under this agreement for fiscal year 2019-20. This agreement may be renegotiated by either party after the initial 10 years of the agreement.

On June 29, 2018, the City transferred ownership of the Mountain View Mobile Home Park to the Caritas Corporation (Caritas), a 501(c)3 non-profit, for \$1. As part of the terms of the sale, Caritas agreed to maintain affordability and resident protections and the City will provide a loan commitment up to \$500,000 to cover operating expense overages for the next five years at \$100,000 per year.

Encumbrances

The City uses “encumbrances” to control expenditure commitments for the year. Encumbrances represent commitments related to contracts not yet performed and purchase orders not yet filled. Commitments for such expenditures are encumbered to reserve applicable appropriations. As of June 30, 2019 total encumbrances for the governmental funds are reported as follows:

General Fund	\$ 117,351,717
Special Revenue Fund	799,589
Low and Moderate Income Housing Asset Fund	—
Nonmajor governmental funds	9,581,054
Total	<u>\$ 127,732,360</u>

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, 2019:

Land	\$ 102,952,014
Buildings	34,890,734
Improvements other than buildings	4,811,845
Machinery and equipment	1,782,774
Infrastructure	8,213,438
	<u>152,650,805</u>
Less: Accumulated depreciation	<u>(35,793,260)</u>
Total	<u>\$ 116,857,545</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, 2019:

<u>Fiscal year ending June 30</u>	<u>Rental revenue</u>	<u>Lease payments</u>
2020	\$ 17,115,232	2,284,706
2021	16,390,024	232,674
2022	15,171,792	20,385
2023	11,895,095	-
2024	11,263,063	-
2025 - 2029	36,139,853	-
2030 - 2034	16,530,238	-
2035 - 2039	8,879,263	-
2040 - 2044	6,919,241	-
2045 - 2049	5,421,600	-
2050 - 2054	4,490,634	-
2055 - 2059	4,490,634	-
2060 - 2064	4,490,634	-
2065 - 2069	1,842,659	-
2070 - 2074	960,000	-
2075 - 2079	672,000	-
Total	<u>\$ 162,671,962</u>	<u>2,537,765</u>

The total long-term lease annual rental revenues and expenditures/expenses for the year ended June 30, 2019, were \$17,230,868 and \$2,284,706 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 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 \$200,000,000. The City shares limits with two other cities within ACCEL to cover losses between \$100,000,000 and \$150,000,000 and one other city within ACCEL to cover losses over \$150,000,000 to \$200,000,000. 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 \$4,250,000 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, 2019 audited financial statements, the net reserves amounts related to the City were \$3,091,193 (26% of ACCEL's total net reserves and incurred but not reported). Total assets of ACCEL at June 30, 2019 were \$47,057,137. 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, 2019, 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. Non-incremental 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 (net)	End of year	Due within one year
June 30, 2018:					
Governmental activities:					
General Liability and Automobile	\$ 9,635,579	6,191,837	(7,483,995)	8,343,421	3,868,093
Workers' Compensation	43,329,075	12,889,435	(9,742,278)	46,476,232	9,990,088
Total Governmental activities	<u>\$ 52,964,654</u>	<u>19,081,272</u>	<u>(17,226,273)</u>	<u>54,819,653</u>	<u>13,858,181</u>
Business-type activities:					
Bus	\$ 7,137,294	648,111	(1,547,187)	6,238,218	2,914,162
Total Business-type activities	<u>\$ 7,137,294</u>	<u>648,111</u>	<u>(1,547,187)</u>	<u>6,238,218</u>	<u>2,914,162</u>
June 30, 2019:					
Governmental activities:					
General Liability and Automobile	\$ 8,343,421	6,017,447	(2,179,896)	12,180,972	5,627,694
Workers' Compensation	46,476,232	15,261,133	(10,509,250)	51,228,115	11,063,388
	<u>\$ 54,819,653</u>	<u>21,278,580</u>	<u>(12,689,146)</u>	<u>63,409,087</u>	<u>16,691,082</u>
Business-type activities:					
Bus	\$ 6,238,218	1,198,740	(341,211)	7,095,747	3,840,574
Total Business-type activities	<u>\$ 6,238,218</u>	<u>1,198,740</u>	<u>(341,211)</u>	<u>7,095,747</u>	<u>3,840,574</u>

(16) EMPLOYEE BENEFIT PROGRAMS

Santa Monica Public Employees' Retirement Plan

General Information about the Pension 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 resolution. 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 either one of the Safety Plans (Police and Fire) or the Miscellaneous Plan (all others). 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 are entitled to receive an annual retirement benefit according to the following Plan provision chart for each employee group:

	Miscellaneous		
	Prior to July 1, 2012	Between July 1, 2012 and December 31, 2012	On or after January 1, 2013
Hire Date			
Benefit formula	2.70% @ 55	2.00% @ 55	2.00% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefits payments	monthly for life	monthly for life	monthly for life
Retirement age	50-55	50-62	52-67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.43% to 2.42%	1.00% to 2.50%
Cost of living adjustment	2.00%	2.00%	2.00%
Required employee contribution rate	8.00%	7.00%	6.25%
Required employer contribution rate	21.33%	21.33%	21.33%

	Police	
	Prior to	On or after
	December 31, 2012	January 1, 2013
Hire Date		
Benefit formula	3.00% @ 50	2.70% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefits payments	monthly for life	monthly for life
Retirement age	50	50-57
Monthly benefits, as a % of eligible compensation	3.00%	2.00% - 2.70%
Cost of living adjustment	2.00%	2.00%
Required employee contribution rate	9.00%	11.25%
Required employer contribution rate	48.49%	48.49%

	Fire	
	Prior to	On or after
	December 31, 2012	January 1, 2013
Hire Date		
Benefit formula	3.00% @ 55	2.70% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefits payments	monthly for life	monthly for life
Retirement age	50-55	50-57
Monthly benefits, as a % of eligible compensation	2.40% - 3.00%	2.00% - 2.70%
Cost of living adjustment	2.00%	2.00%
Required employee contribution rate	9.00%	9.50%
Required employer contribution rate	39.71%	39.71%

As of June 30, 2019, the City had 2,303 active members of which 1,397 were considered “classic” members (hired prior to 12/31/2012) and 906 fall under the decreased benefits as prescribed in the Public Employees Pension Reform Act of 2012 (PEPRA). As noted in the table above, Safety PEPRA members pay a higher employee contribution which, by law, cannot be paid by the employer. Additionally, PEPRA employees have a higher eligible retirement age and a lower benefit.

For FY 2017-18, CalPERS changed payment for the employer paid amortization of the unfunded pension liability from using a level percentage of pay to a flat dollar amount. In FY 2018-19, the City paid CalPERS \$17,270,221, \$8,365,070 and \$3,937,262 for the employer paid amortization of the unfunded liability for the miscellaneous, police and fire plans respectively. In addition, the City paid \$1.3 million beyond the actuarially determined contribution.

Funding Policy

Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS.

Active full-time members in the Plan are required to contribute 6.25% to 8.00% (for miscellaneous employees), 9.00% to 11.25% (for Police safety employees), and 9.00% to 9.5% (for Fire safety employees), of their annual covered salary. The City makes such employee contributions on behalf and for employees hired before July 1, 2012 for miscellaneous employees only. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members earned during the year with an additional amount to amortize the unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. 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.

Miscellaneous members hired prior to July 1, 2012 reimburse the City for the cost of an enhanced benefit at a rate of 6.7%. Police safety employees hired prior to July 1, 2012 reimburse the City at a rate of 6.5% during FY 2017-18 and 7.5% during FY 2018-19 and fire safety employees reimburse the City at a rate of 4.0% during FY 2017-18 and 5.0% during FY 2018-19. Employee reimbursements totaled \$11,687,459 in FY 2018-19.

Employees Covered

At June 30, 2017, the following employees were covered by the benefit terms for each Plan:

Employees	Miscellaneous	Public Safety	
		Police	Fire
Inactive employees or their beneficiaries currently receiving benefits	1,290	317	143
Inactive employees entitled to but not yet receiving benefits	219	8	3
Active members	1,909	207	116
Total	3,418	532	262

Note: Information derived from 2017 CalPERS Census Data

Net Pension Liability

The City's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The total pension liability of each of the Plans is measured as of June 30, 2018, using an annual actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2018 (the measurement date), the total pension liability was determined using the following actuarial methods and assumptions:

	Miscellaneous	Safety - Police	Safety - Fire
Valuation date	June 30, 2017	June 30, 2017	June 30, 2017
Measurement date	June 30, 2018	June 30, 2018	June 30, 2018
Actuarial cost method	Entry-Age Normal		
Actuarial assumptions:			
Discount rate	7.15%	7.15%	7.15%
Inflation	2.50%	2.50%	2.50%
Projected salary increase	Varies by entry age and service		
Investment rate of return ¹	7.15%	7.15%	7.15%
Mortality ²	Derived using CalPERS' membership data for all funds		
Post retirement benefit increase	Contract COLA up to 2.00% until Purchasing Power Protections Allowance Floor on Purchasing Power applies, 2.50% thereafter		

¹ Net of pension plan investment expenses, including inflation. 7.0% after 0.15% administrative costs.

² The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90% Scale MP 2016. For more details on this table, please refer to the December 2017 Experience Study report (based on CalPERS demographic data from 1997 to 2015 that can be found on the CalPERS website).

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report may be accessed on the CalPERS website at www.calpers.ca.gov under "Forms and Publications."

Change in assumption

In 2018, demographic assumptions and inflation rates were changed in accordance with the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes to the discount rate in 2018.

Discount Rate

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

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

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

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective July 1, 2014. These geometric rates of return are net of administrative expenses.

Asset Class ¹	Current Target	Real Return %	Real Return %
	Allocation %	Years 1 - 10	Years 11+
Global equity	50.00	4.80	5.98
Fixed income	28.00	1.00	2.62
Inflation assets	-	0.77	1.81
Private equity	8.00	6.30	7.23
Real assets	13.00	3.75	4.93
Liquidity	1.00	-	(0.92)
Total	100.00		

¹ In the System's CAFR, Fixed Income is included in the Global Debt Securities; liquidity is included in the Short-term Investments; Inflation Assets expected inflation of 2.50% used for this period included in both Global Equity Securities and Global Debt Securities.

Recognition of Gains and Losses

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings on investments	5 year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lives of all members that are provided benefits (active, inactive, and retired) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on members' probability of decrementing due to an event other than receiving a cash refund.

Changes in Net Pension Liability

The following tables display the changes in net pension liability recognized over the measurement period for each of the City's Plans:

Miscellaneous:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(c)=(a)-(b)
Balance at 6/30/2017 (VD) ¹	\$ 1,095,335,870	829,912,035	265,423,835
Changes recognized for the measurement period			
Service cost	27,141,560	—	27,141,560
Interest on total pension liability	76,677,361	—	76,677,361
Changes of assumptions	(8,896,401)	—	(8,896,401)
Differences between expected and actual experience	(5,319,485)	—	(5,319,485)
Plan to plan resource movement	—	(2,066)	2,066
Contribution - employer	—	29,338,109	(29,338,109)
Contribution - employee	—	11,221,260	(11,221,260)
Net investment income	—	70,094,677	(70,094,677)
Benefit payments, includes employee contribution refunds	(44,560,263)	(44,560,263)	—
Administrative expense	—	(1,293,232)	1,293,232
Other Miscellaneous Income(Expense) ³	—	(2,455,869)	2,455,869
Net changes	45,042,772	62,342,616	(17,299,844)
Balance at 6/30/2018 (MD) ²	\$ 1,140,378,642	892,254,651	248,123,991

¹ VD = Valuation Date

² MD = Measurement Date

³ During Fiscal Year 2017-18, as a result of Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Report for Post Employment Benefit Plans other than Pensions (GASB75), CalPERS reported its proportionate share of activity related to post employment benefit plans for participation in the State of California's agent OPEB plan. Accordingly, CalPERS reported a one-time expense as a result of the adoption of GASB 75.

Additionally, CalPERS employees participate in various State of California agent pension plans and during Fiscal Year 2017-18, CalPERS recorded a correction to previously report financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB 68, Accounting and Financial Reporting for Pensions (GASB 68).

Public Safety - Police:

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c)=(a)-(b)
Balance at 6/30/2017 (VD) ¹	\$ 460,413,681	332,325,615	128,088,066
Changes recognized for the measurement period			
Service cost	10,217,345	—	10,217,345
Interest on total pension liability	32,412,581	—	32,412,581
Changes of assumptions	(2,129,031)	—	(2,129,031)
Differences between expected and actual experience	587,060	—	587,060
Plan to plan resource movement	—	(823)	823
Contribution - employer	—	13,774,479	(13,774,479)
Contribution - employee	—	3,021,783	(3,021,783)
Net investment income	—	28,113,907	(28,113,907)
Benefit payments, includes employee contribution refunds	(21,315,119)	(21,315,119)	—
Administrative expense	—	(517,855)	517,855
Other Miscellaneous Income(Expense) ³	—	(983,415)	983,415
Net changes	19,772,836	22,092,957	(2,320,121)
Balance at 6/30/2018 (MD) ²	\$ 480,186,517	354,418,572	125,767,945

¹ VD = Valuation Date

² MD = Measurement Date

³ During Fiscal Year 2017-18, as a result of Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Report for Post Employment Benefit Plans other than Pensions (GASB75), CalPERS reported its proportionate share of activity related to post employment benefit plans for participation in the State of California's agent OPEB plan. Accordingly, CalPERS reported a one-time expense as a result of the adoption of GASB 75.

Additionally, CalPERS employees participate in various State of California agent pension plans and during Fiscal Year 2017-18, CalPERS recorded a correction to previously report financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB 68, Accounting and Financial Reporting for Pensions (GASB 68).

Public Safety - Fire:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(c)=(a)-(b)
Balance at 6/30/2017 (VD) ¹	\$ 238,799,314	165,491,653	73,307,661
Changes recognized for the measurement period			
Service cost	4,738,879	—	4,738,879
Interest on total pension liability	16,808,267	—	16,808,267
Changes of assumptions	(1,206,898)	—	(1,206,898)
Differences between expected and actual experience	1,380,602	—	1,380,602
Net plan to plan resource movement		(405)	405
Contribution - employer	—	6,276,049	(6,276,049)
Contribution - employee	—	1,661,415	(1,661,415)
Net investment income	—	13,896,417	(13,896,417)
Benefit payments, includes employee contribution refunds	(12,523,618)	(12,523,618)	—
Administrative expense	—	(257,882)	257,882
Other Miscellaneous Income(Expense) ³	—	(489,721)	489,721
Net changes	9,197,232	8,562,255	634,977
Balance at 6/30/2018 (MD) ²	\$ 247,996,546	174,053,908	73,942,638

¹ VD = Valuation Date

² MD = Measurement Date

³ During Fiscal Year 2017-18, as a result of Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Report for Post Employment Benefit Plans other than Pensions (GASB75), CalPERS reported its proportionate share of activity related to post employment benefit plans for participation in the State of California's agent OPEB plan. Accordingly, CalPERS reported a one-time expense as a result of the adoption of GASB 75.

Additionally, CalPERS employees participate in various State of California agent pension plans and during Fiscal Year 2017-18, CalPERS recorded a correction to previously report financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB 68, Accounting and Financial Reporting for Pensions (GASB 68).

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

The following presents the net pension liability of the Plans as of the Measurement Date, calculated using the discount rate of 7.15% (7.0% after 0.15% administrative costs), as well as the net pension liability if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate (all rates are gross of 0.15% administrative cost):

Discount Rate	Plan		
	Miscellaneous	Safety - Police	Safety - Fire
1% Decrease	6.15%	6.15%	6.15%
Net Pension Liability	\$ 404,284,094	192,282,564	106,842,076
Current Discount Rate	7.15%	7.15%	7.15%
Net Pension Liability	\$ 248,123,991	125,767,945	73,942,638
1% Increase	8.15%	8.15%	8.15%
Net Pension Liability	\$ 119,057,655	71,279,674	46,805,959

Pension Plan Fiduciary Net Position

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

Pension Expense, Deferred Outflows and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2019, the City recognized pension expense as follows:

Plan	Pension Expense
Miscellaneous	\$ 34,633,834
Safety - Police	21,109,536
Safety - Fire	9,326,943
Total	<u>\$ 65,070,313</u>

As of June 30, 2019, the City had deferred outflows and deferred inflows of resources related to pensions as follows:

	Miscellaneous		Safety - Police		Safety - Fire	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 30,329,256	(6,726,547)	11,366,451	(1,520,736)	8,497,590	(2,008,635)
Difference between expected and actual experience	—	(12,994,127)	419,329	(1,502,484)	1,157,924	(2,129,921)
Net difference between projected and actual earnings on pension plan investments	869,220	—	464,043	—	436,630	—
Employer contributions subsequent to the measurement date	32,912,563	—	15,924,164	—	7,211,427	—
Total	<u>\$ 64,111,039</u>	<u>(19,720,674)</u>	<u>28,173,987</u>	<u>(3,023,220)</u>	<u>17,303,571</u>	<u>(4,138,556)</u>

The amounts above are net of outflows and inflows recognized in the pension expense for the fiscal year ended June 30, 2019.

Contributions of \$56,048,154 that were made by the City subsequent to the measurement date are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020. Other amounts reported as deferred outflows and inflows of resources will be recognized in future pension expense as follows:

Measurement Periods ended June 30	Deferred Outflows / (Inflows) of Resources		
	Miscellaneous	Safety - Police	Safety - Fire
2019	\$ 16,331,116	9,959,807	3,048,707
2020	9,435,170	3,717,992	1,802,857
2021	(11,706,552)	(3,528,968)	176,626
2022	(2,581,932)	(922,228)	891,779
2023	—	—	28,017
Thereafter	—	—	5,602

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. For the fiscal year ended June 30, 2019 the total employee contributions were \$12,013,472.

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, 2019 the total employee contributions were \$827,472.

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, 2019 the combined employee/employer contributions were \$426,733.

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 CalPERS. The City pays for OPEB through employer only contributions to a qualified OPEB trust, with no contribution required from employees. The Plan does not issue a stand-alone financial statement.

Employees Covered

As of the June 30, 2017 actuarial valuation date, the following current and former employees were covered by the benefit terms under the OPEB plan:

Active employees	2,137
Inactive employees or beneficiaries receiving benefits	218
Inactive employees entitled to, but not receiving benefits	<u>116</u>
Total	<u>2,471</u>

Contributions

The OPEB Plan and its contribution requirements are established by Memorandum of Understanding with the applicable employee bargaining units and may be amended by agreements between the City and these bargaining units. The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2019, the City's cash contributions were \$3,047,011 in payments to a CalPERS CERBT trust.

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by actuarial valuation dated June 30, 2017 based on the following assumptions:

Actuarial Assumptions:

Discount rate	6.30%
Inflation	2.75%
Salary increases	3.25% per year , used only to allocate the costs between service years.
Investment rate of return	6.30%
Mortality rate	Mortality rates used were those published by CalPERS, adjusted to back out 20 years of Scale BB central year 2008, then projected on a generational basis using the MacLeod Watts Scale 2017.
Pre-retirement Turnover	Assumed rates of termination vary based on the current age, service and employee type (fire, police or miscellaneous) as developed by CalPERS and published in their January 2014 Experience Study Report.
Healthcare Trend Rate	7.50% decreasing to 5.00%

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>
Global equity	40%	5.98%
Fixed Income	43%	2.62%
Global real estate	8%	5.00%
Treasury Inflation Protected Securities	5%	1.46%
Commodities	4%	2.87%

Discount Rate

The discount rate used to measure the OPEB liability was 6.3%. The projection of cash flows used to determine the discount rate assumed that the City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in OPEB liability

The changes in the net OPEB liability for the Plan are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (c)=(a)-(b)
Balance at 6/30/2017	\$ 30,382,130	4,006,539	26,375,591
Changes recognized for the measurement period			
Service cost	1,073,506	—	1,073,506
Interest on total OPEB liability	2,064,073	—	2,064,073
Changes of assumptions	1,443,660	—	1,443,660
Contribution - employer	—	3,011,934	(3,011,934)
Net investment income	—	412,595	(412,595)
Benefit payments	(1,571,807)	(1,571,807)	—
Administrative expense	—	(3,600)	3,600
Other expenses	—	(5,303)	5,303
Net changes	3,009,432	1,843,819	1,165,613
Balance at 6/30/2018	\$ 33,391,562	5,850,358	27,541,204

The majority of benefit payments, \$1,153,435, and employer contributions, \$2,220,030, satisfy the cost of the implicit rate subsidies.

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

The following presents the net OPEB liability of the City if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2018:

	1% Decrease (5.3%)	Current Discount Rate (6.3%)	1% Increase (7.3%)
Net OPEB Liability	\$ 31,341,892	27,541,204	24,339,290

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

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

	1% Decrease (6.5% decreasing to 4.0%)	Current Healthcare Cost Trend Rates (7.5% decreasing to 5.0%)	1% Increase (8.5% decreasing to 6.0%)
Net OPEB Liability	\$ 23,106,975	27,541,204	33,726,899

OPEB Plan Fiduciary Net Position

CalPERS issues publicly available financial statement for the California Employers' Retiree Benefit Trust that may be obtained from CalPERS, 400 Q Street, Sacramento, CA 95811 or at www.calpers.ca.gov.

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are recognized in future OPEB expense.

The recognition period differs depending on the source of gain or loss:

Net difference between projected and actual earnings on investments	5 year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lives of all members that are provided benefits (active, inactive, and retired) as of the beginning of the measurement period (9.0 years for June 30, 2018)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2019 the City recognized OPEB expense of \$2,782,963. As of fiscal year ended June 30, 2019, the City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumption	\$ 1,283,253	249,859
Differences between expected and actual experience	-	905,916
Net difference between projected and actual earnings on investments	-	142,002
OPEB contributions subsequent to measurement date	<u>3,047,011</u>	<u>-</u>
	\$ <u><u>4,330,264</u></u>	<u><u>1,297,777</u></u>

The \$3,047,011 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2018 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2020. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Recognized Deferred Outflows(Inflows) of Resources</u>
2020	\$ (45,718)
2021	(45,718)
2022	(45,717)
2023	(23,661)
2024	(4,703)
Thereafter	150,993

In prior years, pension and OPEB liabilities have been extinguished primarily by the General Fund.

Medical Trusts

The City contributes, consistent with bargaining unit agreements, monies to medical trusts, a defined contribution plan 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, 2019 the City contributed \$4,148,834 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 as a blended component unit.

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 and all enforceable obligations have been paid. In accordance with the Bill, the successor agency is a separate legal entity from the sponsoring city or other local government unit. 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.

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.

Cash and Investments

Cash and investments as of June 30, 2019 are classified in the accompanying financial statements as follows:

Statement of Fiduciary Net Position:	
Restricted cash and investments	\$ 20,156,779
Restricted cash and investments with fiscal agent	<u>6,985,359</u>
Total cash and investments	\$ <u><u>27,142,138</u></u>

Investments of the Successor Agency are governed by Government Code Section 53601 and the City’s Investment Policy, which restrict the term and types of investments that can be made. See Note 5.

Fair Value Hierarchy

The Successor Agency categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2019, the Successor Agency had \$6,985,359 (invested in money market mutual funds) classified in Level 1 of the fair value hierarchy valued using prices quoted in active markets for those securities.

Investments Not Measured at Fair Value

The Successor Agency holds \$846 in the Local Agency Investment Fund which is not measured at fair value.

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. The primary way the Successor Agency manages its exposure to interest rate risk is by keeping funds in very liquid vehicles such as money market mutual funds and demand deposit accounts providing 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>12 Months or less</u>
Held by City	
State Investment Pool	\$ 846
Held by bond trustee:	
Money market mutual funds	6,985,359
Total	<u>\$ 6,986,205</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>AAAm</u>	<u>Not rated</u>
Held by City				
State Investment Pool	\$ 846	N/A	-	846
Held by bond trustee:				
Money market mutual funds	6,985,359	AAAm	6,985,359	-
Total	<u>\$ 6,986,205</u>		<u>6,985,359</u>	<u>846</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.

Custodial Credit Risk

The Successor Agency does not have 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 and under the direction of reporting agency, acquires the investment, and holds the investment on behalf of the

reporting agency.

SUCCESSOR AGENCY LONG-TERM LIABILITIES

Changes in long-term liabilities:

Long-term liability activity for the fiscal year ended June 30, 2019 was as follows:

	Balance at June 30, 2018	Additions	Reductions	Balance at June 30, 2019	Due within one year	Due beyond one year
Loans and notes payable						
from direct borrowings	\$ 39,145,469	—	631,088	38,514,381	674,118	37,840,263
Term loan from direct borrowings	31,818,176	—	3,030,306	28,787,870	3,030,303	25,757,567
Tax allocation bonds	81,400,000	—	2,625,000	78,775,000	2,730,000	76,045,000
Notes payable to the City of Santa Monica (1)	25,710,220	—	15,668,648	10,041,572	7,693,325	2,348,247
Less deferred amounts:						
For issuance discounts	(88,918)	—	(8,083)	(80,835)	—	(80,835)
For issuance premiums	314,090	—	13,654	300,436	—	300,436
Total loans, notes and bonds payable	\$ 178,299,037	—	21,960,613	156,338,424	14,127,746	142,210,678

- (1) The original note agreements called for any accrued interest to be added to the principal balance to create a new principal balance. SB 107 requires that interest be calculated at a simple 3% and is not included in the principal balance. The restatement removes the accrued interest from this table.

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

	Date of issue	Original issue	Final maturity date	Interest rate	Balance at June 30, 2019
Tax allocation bonds:					
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 27, 2006	64,720,000	July 1, 2029	4.00-5.50%	37,725,000
Subtotal tax allocation bonds					78,775,000
Loans and notes from direct borrowings:					
Bank of America Term Loan (1) *	May 1, 2008	50,000,000	July 15, 2028	LIBOR plus 1.25%	28,787,870
Promissory note to the City of Santa Monica (2)	Oct 24, 1978	4,400,000	June 29, 2028	3.00%	2,429,447
Promissory note to the City of Santa Monica (3)	Jan 9, 2003	38,930,000	Jan 1, 2021	3.00 %	2,952,725
Promissory note to the City of Santa Monica (3)	Jan 9, 2003	21,070,000	Jan 1, 2022	3.00 %	4,659,400
Promissory notes payable to others(3)*	Nov 1, 2010	42,500,000	Jan 1, 2042	6.82%	38,514,381
Subtotal loans and notes					77,343,823
Total					\$ 156,118,823

*Final and conclusive determination received from the Department of Finance

Revisions to the Health and Safety Code changed the interest rate on all City Agency Loans to a simple 3%

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

Annual debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Tax allocation bonds		Loans and notes payable from direct borrowings		Promissory notes payable City of Santa Monica		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 2,730,000	3,918,771	3,704,421	3,204,377	7,693,325	7,547,275	14,127,746	14,670,423
2021	2,855,000	3,797,623	3,750,381	3,097,319	2,348,247	12,957,496	8,953,628	19,852,438
2022	2,975,000	3,669,720	3,799,476	2,984,214	—	3,440,646	6,774,476	10,094,580
2023	3,110,000	3,534,295	3,851,917	2,869,218	—	—	6,961,917	6,403,513
2024	3,245,000	3,391,308	3,907,935	2,750,647	—	—	7,152,935	6,141,955
2025-2029	14,510,000	14,561,570	19,007,945	11,832,362	—	—	33,517,945	26,393,932
2030-2034	15,405,000	10,457,050	8,043,029	8,956,970	—	—	23,448,029	19,414,020
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>\$ 78,775,000</u>	<u>51,744,531</u>	<u>67,302,258</u>	<u>42,757,951</u>	<u>10,041,572</u>	<u>23,945,417</u>	<u>156,118,830</u>	<u>118,447,899</u>

The Successor Agency's outstanding loan of \$28,787,870 from a direct borrowing from Bank of America contains a provision that, upon default, increases the interest rate by 2.0% with the total interest rate not to exceed 12.0%.

The Successor Agency's \$78,775,000 of outstanding tax allocation bonds agreements contain provisions that in the event of default the majority of the bondholders can declare the principal balance plus any accrued interest be immediately payable.

The Successor Agency's outstanding loan of \$38,514,381 from a direct borrowing contains a provision that, upon default, the lender may, at its option, increase the interest rate by two percentage points over the rates otherwise provided for in the agreement, but in no event shall that the rate exceed 12.0% per annum. Additionally, upon default, the agreement allows the lender, at its option, to take one more actions including the requirement for the entire amount due to be paid immediately and without prior notice.

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.

	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
Description of pledged revenue/debt:				
Tax increment				
Earthquake Recovery Project Refunding 2006	\$ 4,445,054	\$ 4,445,054	100%	\$ 44,484,916
Earthquake Recovery Project 2011	2,262,413	2,262,413	100%	81,315,881
Note Payable to Others	3,300,000	3,300,000	100%	78,300,000
Bank of America Term Loan	4,208,628	4,208,628	100%	29,950,376

(18) PRIOR PERIOD ADJUSTMENT

The accompanying financial statements reflects an adjustment resulting from a restatement of net position as of June 30, 2019 as follows:

Restatement on Government-wide Statements:

	<u>Business Type Activities</u>
Beginning Net Position, as previously reported	\$ 597,372,456
Restatement	
Grant revenue incorrectly recognized	<u>(1,483,998)</u>
Beginning Net Position, as restated	<u><u>\$ 595,888,458</u></u>

Restatement on Fund Statements, Proprietary Funds:

	<u>Big Blue Bus Fund</u>
Beginning Net Position, as previously reported	\$ 204,944,425
Restatement	
Grant revenue incorrectly recognized	<u>(1,483,998)</u>
Beginning Net Position, as restated	<u><u>\$ 203,460,427</u></u>

(19) SPECIAL ITEMS

Special items are unusual and infrequent in nature but within the control of management.

The following transactions are reported as special items:

- The Water Fund assumed the pollution remediation obligation from the General Fund which resulted in a special item in the Water Fund of \$21,327,312.

(20) RELATED PARTY TRANSACTIONS

The following related party transactions took place during FY 2018-19:

- Assistant City Manager/Chief Operating Officer's husband is the President and CEO of Chrysalis (non-profit). The City hires Chrysalis clients for temporary work. During Fiscal 2018-19, the City paid Chrysalis \$624,951.
- A newly elected council member owns a restaurant that leases property on the Pier. The lease was in place prior to the council member being elected. During Fiscal 2018-19, the restaurant paid the City \$400,975.

City of Santa Monica, California

Year Ended June 30, 2019

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SANTA MONICA, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
General Fund
For the fiscal year ended June 30, 2019

	Original budget	Final budget	Actual, GAAP basis	Encumbrance	Actual, budgetary basis	Variance with final budget
Revenues:						
Property taxes	\$ 61,937,045	61,523,006	62,615,270	-	62,615,270	1,092,264
Sales and use taxes	69,066,000	70,120,000	73,709,191	-	73,709,191	3,589,191
Transient occupancy taxes	60,600,000	61,900,000	60,762,881	-	60,762,881	(1,137,119)
Utility user taxes	29,567,000	29,661,000	28,306,582	-	28,306,582	(1,354,418)
Business license taxes	31,756,000	31,400,000	31,947,056	-	31,947,056	547,056
Other taxes	18,622,000	19,585,000	22,576,476	-	22,576,476	2,991,476
Licenses and permits	44,336,334	46,077,034	44,987,628	-	44,987,628	(1,089,406)
Intergovernmental	1,394,203	1,394,203	1,860,596	-	1,860,596	466,393
Charges for services	46,763,608	46,013,681	45,279,116	-	45,279,116	(734,565)
Fines and forfeitures	16,245,989	15,845,989	14,877,572	-	14,877,572	(968,417)
Investment income	6,500,000	7,400,000	15,284,964	-	15,284,964	7,884,964
Rental income	7,709,843	7,709,843	7,561,578	-	7,561,578	(148,265)
Settlement income	3,670,000	3,670,000	-	-	-	(3,670,000)
Other revenue	5,297,778	5,281,673	6,220,509	-	6,220,509	938,836
Total revenues	<u>403,465,800</u>	<u>407,581,429</u>	<u>415,989,419</u>	<u>-</u>	<u>415,989,419</u>	<u>8,407,990</u>
Expenditures:						
General government:						
City council	994,452	1,534,525	936,979	75,500	1,012,479	522,046
City manager	6,851,439	7,379,539	7,235,119	294,737	7,529,856	(150,317)
Record and election services	3,186,330	3,592,433	3,312,296	52,887	3,365,183	227,250
Finance	15,542,552	14,590,084	13,436,221	791,600	14,227,821	362,263
City attorney	11,853,352	17,532,671	17,195,925	1	17,195,926	336,745
Human resources	5,108,180	5,304,749	5,171,360	21,002	5,192,362	112,387
Information services	9,071,766	9,321,022	9,222,387	63,876	9,286,263	34,759
Public Works	4,345,216	6,973,081	4,288,421	2,082,866	6,371,287	601,794
Other	7,399,764	9,383,452	6,032,180	378,077	6,410,257	2,973,195
Capital improvement	47,287,202	136,448,374	34,953,987	84,358,291	119,312,278	17,136,096
Total general government	<u>111,640,253</u>	<u>212,059,930</u>	<u>101,784,875</u>	<u>88,118,837</u>	<u>189,903,712</u>	<u>22,156,218</u>
Public safety:						
City Manager	5,650,908	5,718,973	5,486,128	76,848	5,562,976	155,997
Police	90,177,571	94,167,032	96,011,374	128,606	96,139,980	(1,972,948)
Fire	42,940,435	43,265,464	45,038,326	209,601	45,247,927	(1,982,463)
Capital improvement	4,621,000	54,193,446	21,071,876	17,601,416	38,673,292	15,520,154
Total public safety	<u>143,389,914</u>	<u>197,344,915</u>	<u>167,607,704</u>	<u>18,016,471</u>	<u>185,624,175</u>	<u>11,720,740</u>

See accompanying notes to required supplementary information

(Continued)

CITY OF SANTA MONICA, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
General Fund
For the fiscal year ended June 30, 2019

	Original budget	Final budget	Actual, GAAP basis	Encumbrance	Actual, budgetary basis	Variance with final budget
General services:						
Planning and community development	\$ 14,072,733	15,737,199	15,957,164	2,474	15,959,638	(222,439)
Public works	45,910,371	47,244,050	45,342,248	50,462	45,392,710	1,851,340
Capital improvement	5,268,450	28,332,362	8,426,887	6,964,236	15,391,123	12,941,239
Total general services	<u>65,251,554</u>	<u>91,313,611</u>	<u>69,726,299</u>	<u>7,017,172</u>	<u>76,743,471</u>	<u>14,570,140</u>
Cultural and recreational services:						
Community and cultural services	28,559,790	30,026,437	28,977,931	477,592	29,455,523	570,914
Other	25,224,168	25,517,668	26,304,000	-	26,304,000	(786,332)
Capital improvement	9,046,399	19,369,276	4,089,748	877,380	4,967,128	14,402,148
Total cultural and recreational services	<u>62,830,357</u>	<u>74,913,381</u>	<u>59,371,679</u>	<u>1,354,972</u>	<u>60,726,651</u>	<u>14,186,730</u>
Library:						
Library	13,376,418	13,626,708	13,390,314	52,576	13,442,890	183,818
Capital improvement	350,000	758,760	238,095	116,974	355,069	403,691
Total library	<u>13,726,418</u>	<u>14,385,468</u>	<u>13,628,409</u>	<u>169,550</u>	<u>13,797,959</u>	<u>587,509</u>
Housing and community development:						
Planning and community development	22,219,097	23,732,878	21,455,885	1,132,964	22,588,849	1,144,029
Housing and economic development	9,282,442	11,519,849	8,199,763	1,541,751	9,741,514	1,778,335
Other	-	452,934	57,006	-	57,006	395,928
Capital improvement	-	500,000	59,263	-	59,263	440,737
Total housing and community development	<u>31,501,539</u>	<u>36,205,661</u>	<u>29,771,917</u>	<u>2,674,715</u>	<u>32,446,632</u>	<u>3,759,029</u>
Bond issuance costs	<u>2,991,600</u>	<u>2,991,600</u>	<u>4,025</u>	<u>-</u>	<u>4,025</u>	<u>2,987,575</u>
Total expenditures	<u>431,331,635</u>	<u>629,214,566</u>	<u>441,894,908</u>	<u>117,351,717</u>	<u>559,246,625</u>	<u>69,967,941</u>
Excess (deficiency) of revenues over (under) expenditures	(27,865,835)	(221,633,137)	(25,905,489)	(117,351,717)	(143,257,206)	78,375,931
Other financing sources (uses):						
Transfers in	11,157,848	11,157,848	9,082,615	-	9,082,615	(2,075,233)
Transfers out	(20,061,996)	(75,094,795)	(78,309,472)	-	(78,309,472)	(3,214,677)
Total other financing sources (uses)	<u>(8,904,148)</u>	<u>(63,936,947)</u>	<u>(69,226,857)</u>	<u>-</u>	<u>(69,226,857)</u>	<u>(5,289,910)</u>
Net change in fund balance	(36,769,983)	(285,570,084)	(95,132,346)	(117,351,717)	(212,484,063)	73,086,021
Fund balance at beginning of year	<u>435,811,126</u>	<u>435,811,126</u>	<u>435,811,126</u>	<u>-</u>	<u>435,811,126</u>	<u>-</u>
Fund balance at end of year	<u>\$ 399,041,143</u>	<u>150,241,042</u>	<u>340,678,780</u>	<u>(117,351,717)</u>	<u>223,327,063</u>	<u>73,086,021</u>

See accompanying notes to required supplementary information

CITY OF SANTA MONICA, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Low and Moderate Income Housing Asset Special Revenue Fund
For the fiscal year ended June 30, 2019

	Original budget	Final budget	Actual, GAAP basis	Encumbrance	Actual, budgetary basis	Variance with final budget
Revenues:						
Investment income	\$ 100,000	100,000	277,697	-	277,697	177,697
Other	600,000	600,000	291,448	-	291,448	(308,552)
Total revenues	<u>700,000</u>	<u>700,000</u>	<u>569,145</u>	<u>-</u>	<u>569,145</u>	<u>(130,855)</u>
Expenditures:						
Housing and community development:						
Other	-	187,605	187,603	-	187,603	2
Total housing and community development	-	187,605	187,603	-	187,603	2
Total expenditures	-	187,605	187,603	-	187,603	2
Excess (deficiency) of revenues over (under) expenditures	700,000	512,395	381,542	-	381,542	(130,853)
Other financing sources (uses):						
Transfers in	2,841,138	3,133,730	3,133,730	-	3,133,730	-
Total other financing sources (uses)	<u>2,841,138</u>	<u>3,133,730</u>	<u>3,133,730</u>	<u>-</u>	<u>3,133,730</u>	<u>-</u>
Net change in fund balance	3,541,138	3,646,125	3,515,272	-	3,515,272	(130,853)
Fund balance at beginning of year	<u>56,121,719</u>	<u>56,121,719</u>	<u>56,121,719</u>	<u>-</u>	<u>56,121,719</u>	<u>-</u>
Fund balance at end of year	<u>\$ 59,662,857</u>	<u>59,767,844</u>	<u>59,636,991</u>	<u>-</u>	<u>59,636,991</u>	<u>(130,853)</u>

See accompanying notes to required supplementary information

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-appropriate capital encumbrances and unencumbered balances of specific capital appropriations. 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.

The actual results of operations on a budgetary basis compared to the appropriations adopted by the City Council for budgeted major governmental funds are presented as required supplementary information. The comparisons of actual results with the budget for nonmajor funds are presented as supplementary information in the combining schedules.

For the fiscal year ended June 30, 2019, expenditures exceeded appropriations in the General Fund. The Police and Fire departments were over budget due to overtime. Police Department overtime reflects the continuing impact of Proposition 47, a 14% increase in arrests requiring officers to appear in court outside of their patrol duty, time required to transition a number of newly-hired officers in training to the Police force, and coverage for personnel who are recovering from injuries. The Fire Department exceeded its budget due to mutual aid strike team deployments for which the City was fully reimbursed, and unbudgeted expenses for a recruitment academy and a pilot program focusing on the City's homeless population.

CITY OF SANTA MONICA, CALIFORNIA
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios Miscellaneous Plan
Last Five Fiscal Years (Unaudited) ¹

Total Pension Liability	2019	2018	2017	2016	2015
Service Cost	\$ 27,141,560	27,164,949	24,044,347	23,584,538	24,972,667
Interest on the total pension liability	76,677,361	73,555,405	70,686,179	67,091,447	63,926,580
Changes in assumptions	(8,896,401)	62,254,788	-	(16,726,947)	-
Difference between expected and actual experience	(5,319,485)	(14,768,176)	(7,701,743)	(12,672,814)	-
Benefit payments, including refunds of employee contributions	(44,560,263)	(41,097,884)	(36,967,774)	(35,460,612)	(32,834,279)
Net change in total pension liability	45,042,772	107,109,082	50,061,009	25,815,612	56,064,968
Total pension liability - beginning	1,095,335,870	988,226,788	938,165,779	912,350,167	856,285,199
Total pension liability - ending (a)	\$ 1,140,378,642	1,095,335,870	988,226,788	938,165,779	912,350,167
Plan fiduciary net position					
Contribution - employer	\$ 29,338,109	56,350,053	28,154,218	28,349,184	27,433,064
Contribution - employee	11,221,260	11,398,672	11,256,065	10,754,206	11,418,160
Net investment income	70,094,677	82,395,628	3,759,440	15,956,734	104,724,175
Benefit payments	(44,560,263)	(41,097,884)	(36,967,774)	(35,460,612)	(32,834,279)
Plan to plan resource movement	(2,066)	(61,526)	(767)	(909)	-
Administrative expense	(1,293,232)	(1,065,974)	(436,504)	(806,463)	-
Other Miscellaneous Income (Expense)	(2,455,869)	-	-	-	-
Net change in plan fiduciary - net position	62,342,616	107,918,969	5,764,678	18,792,140	110,741,120
Plan fiduciary net position - beginning	829,912,035	721,993,066	716,228,388	697,436,244	586,695,124
Plan fiduciary net position - ending (b)	892,254,651	829,912,035	721,993,066	716,228,384	697,436,244
Net pension liability - ending (a)-(b)	\$ 248,123,991	265,423,835	266,233,722	221,937,395	214,913,922
 Plan fiduciary net position as a percentage of the total pension liability					
	78.24%	75.77%	73.06%	76.34%	76.44%
 Covered payroll					
	\$ 149,416,791	147,371,283	142,942,436	137,199,170	138,199,596
 Net pension liability as a percentage of covered-employee payroll					
	166.06%	180.11%	186.25%	161.76%	155.51%

¹Fiscal year 2015 was first year of implementation, therefore only five years are shown.

Notes to Schedule:

Benefit Changes: There were no changes in benefits.

Changes of Assumptions:

In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

In 2017, the discount rate was reduced from 7.65% to 7.15%.

In 2016, there were no changes.

In 2015, amounts reported reflect an adjustment of the discount rate from 7.5% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expense).

CITY OF SANTA MONICA, CALIFORNIA
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios Police Safety Plan
Last Five Fiscal Years (Unaudited) ¹

	2019	2018	2017	2016	2015
Total Pension Liability					
Service Cost	\$ 10,217,345	9,940,041	8,471,379	8,324,522	8,493,146
Interest on the total pension liability	32,412,581	31,045,060	29,901,653	28,537,027	27,132,667
Changes in assumptions	(2,129,031)	26,521,719	-	(7,150,335)	-
Difference between expected and actual experience	587,060	(3,121,761)	(1,152,112)	(501,077)	-
Benefit payments, including refunds of employee contributions	(21,315,119)	(19,596,092)	(18,767,835)	(17,121,429)	(16,130,411)
Net change in total pension liability	19,772,836	44,788,967	18,453,085	12,088,708	19,495,402
Total pension liability - beginning	460,413,681	415,624,714	397,171,629	385,082,921	365,587,519
Total pension liability - ending (a)	\$ 480,186,517	460,413,681	415,624,714	397,171,629	385,082,921
 Plan fiduciary net position					
Contribution - employer	\$ 13,774,479	26,559,693	12,697,470	13,033,273	12,515,162
Contribution - employee	3,021,783	2,827,317	2,753,594	2,695,506	3,372,358
Net investment income	28,113,907	32,951,701	1,516,091	6,513,781	43,315,499
Benefit payments	(21,315,119)	(19,596,092)	(18,767,835)	(17,121,429)	(16,130,411)
Plan to plan resource movement	(823)	61,526	767	-	-
Administrative expense	(517,855)	(428,091)	(177,915)	(328,610)	-
Other Miscellaneous Income (Expense)	(983,415)	-	-	-	-
Net change in plan fiduciary - net position	22,092,957	42,376,054	(1,977,828)	4,792,521	43,072,608
Plan fiduciary net position - beginning	332,325,615	289,949,561	291,927,389	287,134,868	244,062,260
Plan fiduciary net position - ending (b)	354,418,572	332,325,615	289,949,561	291,927,389	287,134,868
Net pension liability - ending (a)-(b)	\$ 125,767,945	128,088,066	125,675,153	105,244,240	97,948,053
 Plan fiduciary net position as a percentage of the total pension liability	73.81%	72.18%	69.76%	73.50%	74.56%
 Covered payroll	\$ 31,769,364	30,592,273	29,176,438	28,791,622	28,470,873
 Net pension liability as a percentage of covered-employee payroll	395.88%	418.69%	430.74%	365.54%	344.03%

¹Fiscal year 2015 was first year of implementation, therefore only five years are shown.

Notes to Schedule:

Benefit Changes: There were no changes in benefits.

Changes of Assumptions:

In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

In 2017, the discount rate was reduced from 7.65% to 7.15%.

In 2016, there were no changes.

In 2015, amounts reported reflect an adjustment of the discount rate from 7.5% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expense).

CITY OF SANTA MONICA, CALIFORNIA
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios Fire Safety Plan
Last Five Fiscal Years (Unaudited) ¹

	2019	2018	2017	2016	2015
Total Pension Liability					
Service Cost	\$ 4,738,879	4,623,044	3,778,677	3,766,398	3,975,757
Interest on the total pension liability	16,808,267	16,174,733	15,730,320	15,338,448	14,735,448
Changes in assumptions	(1,206,898)	13,218,472	-	(3,653,466)	-
Difference between expected and actual experience	1,380,602	(943,161)	(2,919,523)	(515,792)	-
Benefit payments, including refunds of employee contributions	(12,523,618)	(11,813,956)	(11,409,171)	(10,728,684)	(10,085,994)
Net change in total pension liability	9,197,232	21,259,132	5,180,303	4,206,904	8,625,211
Total pension liability - beginning	238,799,314	217,540,182	212,359,879	208,152,975	199,527,764
Total pension liability - ending (a)	\$ 247,996,546	238,799,314	217,540,182	212,359,879	208,152,975
 Plan fiduciary net position					
Contribution - employer	\$ 6,276,049	10,375,991	5,320,402	5,142,818	4,954,271
Contribution - employee	1,661,415	1,565,941	1,479,400	1,375,301	1,421,733
Net investment income	13,896,417	16,797,654	706,789	3,458,100	23,479,329
Benefit payments	(12,523,618)	(11,813,956)	(11,409,171)	(10,728,684)	(10,085,994)
Plan to plan resource movement	(405)	-	-	-	-
Administrative expense	(257,882)	(219,672)	(93,112)	(171,948)	-
Other Miscellaneous Income (Expense)	(489,721)	-	-	-	-
Net change in plan fiduciary - net position	8,562,255	16,705,958	(3,995,692)	(924,413)	19,769,339
Plan fiduciary net position - beginning	165,491,653	148,785,695	152,781,387	153,705,800	133,936,461
Plan fiduciary net position - ending (b)	174,053,908	165,491,653	148,785,695	152,781,387	153,705,800
Net pension liability - ending (a)-(b)	\$ 73,942,638	73,307,661	68,754,487	59,578,492	54,447,175
 Plan fiduciary net position as a percentage of the total pension liability	70.18%	69.30%	68.39%	71.94%	73.84%
 Covered payroll	\$ 17,748,610	16,861,345	15,701,959	15,565,558	15,733,733
 Net pension liability as a percentage of covered-employee payroll	416.61%	434.77%	437.87%	382.76%	346.05%

¹Fiscal year 2015 was first year of implementation, therefore only five years are shown.

Notes to Schedule:

Benefit Changes: There were no changes in benefits.

Changes of Assumptions:

In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

In 2017, the discount rate was reduced from 7.65% to 7.15%.

In 2016, there were no changes.

In 2015, amounts reported reflect an adjustment of the discount rate from 7.5% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expense).

CITY OF SANTA MONICA, CALIFORNIA
Required Supplementary Information
Schedule of Contributions - Miscellaneous Pension Plan
Last Five Fiscal Years (Unaudited)

	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 32,707,844	29,021,468	29,097,156	27,377,582	25,320,840
Contributions in relation to actuarially determined contributions	(32,912,563)	(29,331,033)	(56,352,251)	(28,152,578)	(28,349,184)
Contribution excess	<u>\$ (204,719)</u>	<u>(309,565)</u>	<u>(27,255,095)</u>	<u>(774,996)</u>	<u>(3,028,344)</u>
Covered payroll	\$ 151,403,970	149,416,791	147,371,283	142,942,436	137,199,170
Contributions as a percentage of covered-payroll	21.74%	19.63%	38.24%	19.70%	20.66%

Notes to Schedule

Valuation date	Actuarially determined contribution rates are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported.
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Asset Valuation Method	Market Value
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll Growth	3.00%
Investments Rate of Return	7.50%
Retirement Age	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

CITY OF SANTA MONICA, CALIFORNIA
Required Supplementary Information
Schedule of Contributions - Safety Police Pension Plan
Last Five Fiscal Years (Unaudited)

	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 15,428,327	13,453,498	13,559,983	12,327,896	11,589,142
Contributions in relation to actuarially determined contributions	(15,924,164)	(13,773,882)	(26,557,166)	(12,697,470)	(13,033,273)
Contribution excess	<u>\$ (495,837)</u>	<u>(320,384)</u>	<u>(12,997,183)</u>	<u>(369,574)</u>	<u>(1,444,131)</u>
Covered payroll	\$ 33,034,533	31,769,364	30,592,273	29,176,438	28,791,622
Contributions as a percentage of covered-payroll	48.20%	43.36%	86.81%	43.52%	45.27%

Notes to Schedule

Valuation date	Actuarially determined contribution rates are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported.
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Asset Valuation Method	Market Value
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll Growth	3.00%
Investments Rate of Return	7.50%
Retirement Age	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

CITY OF SANTA MONICA, CALIFORNIA
Required Supplementary Information
Schedule of Contributions - Safety Fire Pension Plan
Last Five Fiscal Years (Unaudited)

	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 6,959,294	5,884,665	5,624,625	5,185,401	4,615,293
Contributions in relation to actuarially determined contributions	(7,211,427)	(6,276,048)	(10,372,347)	(5,320,402)	(5,142,818)
Contribution excess	<u>\$ (252,133)</u>	<u>(391,383)</u>	<u>(4,747,722)</u>	<u>(135,001)</u>	<u>(527,525)</u>
Covered payroll	\$ 18,577,401	17,748,610	16,861,345	15,701,959	15,565,558
Contributions as a percentage of covered payroll	38.82%	35.36%	61.52%	33.88%	33.04%

Notes to Schedule

Valuation date	Actuarially determined contribution rates are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported.
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Asset Valuation Method	Market Value
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll Growth	3.00%
Investments Rate of Return	7.50%
Retirement Age	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

CITY OF SANTA MONICA, CALIFORNIA
Required Supplementary Information
Schedule of Changes in the Net OPEB Liability and Related Ratios
Last Two Fiscal Years (Unaudited) ¹

Fiscal Yearend Measurement Date	FYE 2019 6/30/2018	FYE 2018 6/30/2017
Total OPEB Liability		
Service Cost	\$ 1,073,506	1,017,718
Interest on the total OPEB liability	2,064,073	2,063,748
Changes in assumptions	1,443,660	(321,247)
Difference between expected and actual experience	-	(1,164,748)
Benefit payments, including refunds of employee contributions	(1,571,807)	(1,721,051)
Net change in total OPEB liability	3,009,432	(125,580)
Total OPEB liability - beginning	30,382,130	30,507,710
Total OPEB liability - ending (a)	\$ 33,391,562	30,382,130
 Plan fiduciary net position		
Contribution - employer	\$ 3,011,934	2,686,113
Net investment income	412,595	325,621
Benefit payments	(1,571,807)	(1,721,051)
Administrative expense	(3,600)	(2,680)
Other expenses	(5,303)	-
Net change in plan fiduciary - net position	1,843,819	1,288,003
Plan fiduciary net position - beginning	4,006,539	2,718,536
Plan fiduciary net position - ending (b)	5,850,358	4,006,539
Net OPEB liability - ending (a)-(b)	\$ 27,541,204	26,375,591
 Plan fiduciary net position as a percentage of the total OPEB liability	 17.52%	 13.19%
 Covered employee payroll	 \$ 216,623,938	 206,778,649
 Net OPEB liability as a percentage of covered employee payroll	 12.71%	 12.76%

¹Fiscal year 2018 was first year of implementation, therefore only two years are shown. Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

Notes to Schedule:

Benefit Changes: There were no changes in benefits.

Changes of Assumptions: There were no changes of assumptions.

CITY OF SANTA MONICA, CALIFORNIA

Required Supplementary Information

Schedule of Contributions OPEB

Last Two Fiscal Year (Unaudited)

	<u>FYE 2019</u>	<u>FYE 2018</u>
Actuarially determined contribution	\$ 2,727,622	2,645,395
Contributions in relation to actuarially determined contributions	<u>3,047,011</u>	<u>3,011,934</u>
Contribution deficiency (excess)	<u><u>\$ (319,389)</u></u>	<u><u>(366,539)</u></u>
 Covered employee payroll	 \$ 232,059,089	 216,623,938
 Contributions as a percentage of covered employee payroll	 1.31%	 1.39%

Notes to Schedule

Valuation Date Used to Determine ADC	6/30/2017
Discount Rate Used to Determine ADC	6.73%
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Asset Valuation Method	Market Value
Inflation	2.75%
Salary increases	3.25% per year, used only to allocate the cost of benefits between service years
Retirement Age	50 to 75
Mortality	CalPERS 2014 Experience Study
Mortality Improvement	MacLeod Watts Scale 2017 applied generationally
Healthcare Cost Trend Rate	7.5% in 2019 to 5.0% in steps of 0.5%

City of Santa Monica, California
Year Ended June 30, 2019

SUPPLEMENTARY INFORMATION

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.

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.

Local Return Fund – To account for State Grant activities including Proposition A and C.

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.

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.

South Coast Air Quality Management District (SCAQMD) 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:

Debt Service Fund – To account for accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs for public facilities.

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, 2019

Special Revenue Funds						
	Beach Recreation	Housing Authority	TORCA	Asset Seizure	Citizens Option for Public Safety	Rent Control
Assets						
Cash and investments	\$ 15,918,334	58,903	6,753,533	1,437,948	587,330	2,033,027
Restricted cash and investments	45,565	87,264	-	-	-	-
Receivables (net, where applicable, of allowances for uncollectibles):						
Accounts	503,007	5,996	-	-	-	81,055
Notes	-	-	7,465,426	-	-	-
Taxes	-	-	-	-	-	-
Interest	72,947	-	26,252	4,987	1,902	12,554
Other governments	-	815,383	-	-	-	-
Deposits	-	-	-	-	-	-
Prepays	889	17,601	-	-	-	32,752
Restricted cash and investments with fiscal agent	-	-	-	-	-	-
Total assets	<u>\$ 16,540,742</u>	<u>985,147</u>	<u>14,245,211</u>	<u>1,442,935</u>	<u>589,232</u>	<u>2,159,388</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances (deficit)						
Liabilities						
Accounts payable	\$ 994,316	81,494	1,111	80,447	20,843	54,078
Accrued liabilities	141,731	28,654	-	-	2,136	98,333
Contracts payable (retained percentage)	20,143	-	-	-	-	-
Due to other funds	-	803,584	-	-	-	-
Unearned revenue	447,347	-	-	-	-	20,395
Deposits payable	45,565	-	-	-	-	-
Advances from other funds	3,842,973	-	-	-	-	420,918
Total liabilities	<u>5,492,075</u>	<u>913,732</u>	<u>1,111</u>	<u>80,447</u>	<u>22,979</u>	<u>593,724</u>
Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances (deficit)						
Nonspendable	-	17,601	-	-	-	32,752
Restricted	11,048,667	53,814	14,244,100	1,362,488	566,253	1,532,912
Unassigned	-	-	-	-	-	-
Total fund balances	<u>11,048,667</u>	<u>71,415</u>	<u>14,244,100</u>	<u>1,362,488</u>	<u>566,253</u>	<u>1,565,664</u>
Total liabilities and fund balances	<u>\$ 16,540,742</u>	<u>985,147</u>	<u>14,245,211</u>	<u>1,442,935</u>	<u>589,232</u>	<u>2,159,388</u>

continued

CITY OF SANTA MONICA, CALIFORNIA

Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2019

	Special Revenue Funds				
	Gas Tax	Local Return	Clean Beaches and Ocean Parcel Tax	Community Development Block Grant	Miscellaneous Grants
Assets					
Cash and investments	\$ 1,945,197	-	9,438,202	-	-
Restricted cash and investments	-	11,289,293	-	144,056	-
Receivables (net, where applicable, of allowances for uncollectibles):					
Accounts	302,462	5,946	36,337	282,661	1,054,214
Notes	-	-	-	9,100,878	6,639,778
Taxes	-	-	9,854	-	-
Interest	7,125	37,132	35,302	1,064	1,452
Other governments	-	-	-	-	2,235,899
Deposits	-	-	-	3,257	-
Prepays	-	-	-	-	-
Restricted cash and investments with fiscal agent	-	-	-	-	-
Total assets	<u>\$ 2,254,784</u>	<u>11,332,371</u>	<u>9,519,695</u>	<u>9,531,916</u>	<u>9,931,343</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances (deficit)					
Liabilities					
Accounts payable	\$ 101	478,858	9,933	5,263	298,493
Accrued liabilities	-	-	2	-	7,891
Contracts payable (retained percentage)	937	114,660	6,400	44,865	121,204
Due to other funds	-	-	-	142,808	2,373,727
Unearned revenue	-	-	-	-	59,449
Deposits payable	-	-	-	-	-
Advances from other funds	-	-	-	-	-
Total liabilities	<u>1,038</u>	<u>593,518</u>	<u>16,335</u>	<u>192,936</u>	<u>2,860,764</u>
Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>282,661</u>	<u>2,086,159</u>
Fund balances (deficit)					
Nonspendable	-	-	-	-	-
Restricted	2,253,746	10,738,853	9,503,360	9,056,319	8,556,056
Unassigned	-	-	-	-	(3,571,636)
Total fund balances	<u>2,253,746</u>	<u>10,738,853</u>	<u>9,503,360</u>	<u>9,056,319</u>	<u>4,984,420</u>
Total liabilities and fund balances	<u>\$ 2,254,784</u>	<u>11,332,371</u>	<u>9,519,695</u>	<u>9,531,916</u>	<u>1,001,753</u>

continued

CITY OF SANTA MONICA, CALIFORNIA

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2019

	Special Revenue Funds	Debt Service Fund	Permanent Funds		Total nonmajor governmental funds
	Parks and Recreation	Debt Service	Cemetery Perpetual Care	Mausoleum Perpetual Care	
Assets					
Cash and investments	\$ 164,969	-	24,604	5,363	39,335,270
Restricted cash and investments	-	-	-	-	11,566,178
Receivables (net, where applicable, of allowances for uncollectibles):					
Accounts	-	-	21,828	1,452	2,294,958
Notes	-	-	-	-	23,206,082
Taxes	-	-	-	-	9,854
Interest	761	-	65,076	7,701	277,072
Other governments	-	-	-	-	3,082,358
Deposits	-	-	-	-	3,257
Prepays	-	-	-	-	51,242
Restricted cash and investments with fiscal agent	-	5,048,924	12,220,102	1,467,657	18,736,683
Total assets	<u>\$ 165,730</u>	<u>5,048,924</u>	<u>12,331,610</u>	<u>1,482,173</u>	<u>98,562,954</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances (deficit)					
Liabilities					
Accounts payable	\$ 115	-	-	-	2,025,052
Accrued liabilities	-	-	-	-	278,747
Contracts payable (retained percentage)	1,776	-	-	-	309,985
Due to other funds	-	-	-	-	3,320,119
Unearned revenue	-	-	-	-	527,191
Deposits payable	-	-	-	-	45,565
Advances from other funds	-	-	-	-	4,263,891
Total liabilities	<u>1,891</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,770,550</u>
Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,368,820</u>
Fund balances (deficit)					
Nonspendable	-	-	12,331,610	1,482,173	13,864,136
Restricted	163,839	5,048,924	-	-	75,131,084
Unassigned	-	-	-	-	(3,571,636)
Total fund balances	<u>163,839</u>	<u>5,048,924</u>	<u>12,331,610</u>	<u>1,482,173</u>	<u>85,423,584</u>
Total liabilities and fund balances	<u>\$ 165,730</u>	<u>5,048,924</u>	<u>12,331,610</u>	<u>1,482,173</u>	<u>98,562,954</u>

CITY OF SANTA MONICA, CALIFORNIA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2019

	Special Revenue Funds					
	Beach Recreation	Housing Authority	TORCA	Asset Seizure	Citizens Option for Public Safety	Rent Control
Revenues:						
Other taxes	\$ -	-	57,584	-	-	-
Licenses and permits	111,819	-	-	-	-	-
Intergovernmental	26,933	19,136,464	-	274,309	268,477	-
Charges for services	14,051,082	-	-	-	-	5,280,379
Investment income	671,151	2,875	235,620	43,803	16,040	134,753
Rental income	1,425,366	-	-	-	-	-
Other revenue	824,708	-	92,933	-	-	3,126
Total revenues	<u>17,111,059</u>	<u>19,139,339</u>	<u>386,137</u>	<u>318,112</u>	<u>284,517</u>	<u>5,418,258</u>
Expenditures:						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	114,548	133,148	-
General services	5,856,124	-	-	-	-	-
Cultural and recreation services	10,921,068	-	-	-	-	-
Library	-	-	-	-	-	-
Housing and community development	-	19,058,514	167,781	-	-	5,223,860
Debt service expenditures:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	<u>16,777,192</u>	<u>19,058,514</u>	<u>167,781</u>	<u>114,548</u>	<u>133,148</u>	<u>5,223,860</u>
Excess (deficiency) of revenues over (under) expenditures	<u>333,867</u>	<u>80,825</u>	<u>218,356</u>	<u>203,564</u>	<u>151,369</u>	<u>194,398</u>
Other financing sources (uses)						
Transfers in	56,164	403,670	-	-	-	-
Transfers out	-	-	(57,501)	-	-	-
Total other financing sources (uses)	<u>56,164</u>	<u>403,670</u>	<u>(57,501)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>390,031</u>	<u>484,495</u>	<u>160,855</u>	<u>203,564</u>	<u>151,369</u>	<u>194,398</u>
Fund balances (deficit) at the beginning of year	<u>10,658,636</u>	<u>(413,080)</u>	<u>14,083,245</u>	<u>1,158,924</u>	<u>414,884</u>	<u>1,371,266</u>
Fund balances at end of year	<u>\$ 11,048,667</u>	<u>71,415</u>	<u>14,244,100</u>	<u>1,362,488</u>	<u>566,253</u>	<u>1,565,664</u>

continued

CITY OF SANTA MONICA, CALIFORNIA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2019

	Special Revenue Funds					
	Gas Tax	Local Return	Clean Beaches and Ocean Parcel Tax	Community Development Block Grant	Miscellaneous Grants	SCAQMD
Revenues:						
Other taxes	\$ -	-	3,148,568	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	3,567,104	5,505,476	-	459,442	6,897,217	319,869
Charges for services	-	-	-	-	-	-
Investment income	48,910	327,090	315,163	12,330	6,924	29,080
Rental income	-	-	-	-	-	-
Other revenue	-	-	-	-	492	-
Total revenues	<u>3,616,014</u>	<u>5,832,566</u>	<u>3,463,731</u>	<u>471,772</u>	<u>6,904,633</u>	<u>348,949</u>
Expenditures:						
Current:						
General government	3,989	-	-	9,747	1,363,932	7,033
Public safety	-	-	-	-	434,840	-
General services	-	3,060,003	451,340	582	3,859,597	41,581
Cultural and recreation services	-	-	-	201,270	21,120	-
Library	-	-	-	-	35,344	-
Housing and community development	-	-	-	650,062	1,109,176	-
Debt service expenditures:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	<u>3,989</u>	<u>3,060,003</u>	<u>451,340</u>	<u>861,661</u>	<u>6,824,009</u>	<u>48,614</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,612,025</u>	<u>2,772,563</u>	<u>3,012,391</u>	<u>(389,889)</u>	<u>80,624</u>	<u>300,335</u>
Other financing sources (uses)						
Transfers in	-	-	-	-	3,881	-
Transfers out	(1,894,401)	(592,884)	(818,189)	(166,484)	(81,733)	-
Total other financing sources (uses)	<u>(1,894,401)</u>	<u>(592,884)</u>	<u>(818,189)</u>	<u>(166,484)</u>	<u>(77,852)</u>	<u>-</u>
Net change in fund balances	<u>1,717,624</u>	<u>2,179,679</u>	<u>2,194,202</u>	<u>(556,373)</u>	<u>2,772</u>	<u>300,335</u>
Fund balances (deficit) at the beginning of year	<u>536,122</u>	<u>8,559,174</u>	<u>7,309,158</u>	<u>9,612,692</u>	<u>4,981,648</u>	<u>701,418</u>
Fund balances at end of year	<u>\$ 2,253,746</u>	<u>10,738,853</u>	<u>9,503,360</u>	<u>9,056,319</u>	<u>4,984,420</u>	<u>1,001,753</u>

continued

CITY OF SANTA MONICA, CALIFORNIA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2019

	Special Revenue Funds	Debt Service Fund	Permanent Funds		Total nonmajor governmental funds
	Parks and Recreation	Debt Service	Cemetery Perpetual Care	Mausoleum Perpetual Care	
Revenues:					
Other taxes	\$ 400	-	-	-	3,206,552
Licenses and permits	-	-	-	-	111,819
Intergovernmental	-	-	-	-	36,455,291
Charges for services	-	-	247,469	41,057	19,619,987
Investment income	7,017	6,494	1,109,606	144,153	3,111,009
Rental income	-	-	-	-	1,425,366
Other revenue	-	-	-	-	921,259
Total revenues	<u>7,417</u>	<u>6,494</u>	<u>1,357,075</u>	<u>185,210</u>	<u>64,851,283</u>
Expenditures:					
Current:					
General government	-	-	-	-	1,384,701
Public safety	-	-	-	-	682,536
General services	-	-	-	-	13,269,227
Cultural and recreation services	38,406	-	-	-	11,181,864
Library	-	-	-	-	35,344
Housing and community development	-	-	-	-	26,209,393
Debt service expenditures:					
Principal	-	4,630,000	-	-	4,630,000
Interest	-	6,310,437	-	-	6,310,437
Total expenditures	<u>38,406</u>	<u>10,940,437</u>	<u>-</u>	<u>-</u>	<u>63,703,502</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(30,989)</u>	<u>(10,933,943)</u>	<u>1,357,075</u>	<u>185,210</u>	<u>1,147,781</u>
Other financing sources (uses)					
Transfers in	-	11,701,041	-	-	12,164,756
Transfers out	-	-	(383,325)	(45,554)	(4,040,071)
Total other financing sources (uses)	<u>-</u>	<u>11,701,041</u>	<u>(383,325)</u>	<u>(45,554)</u>	<u>8,124,685</u>
Net change in fund balances	<u>(30,989)</u>	<u>767,098</u>	<u>973,750</u>	<u>139,656</u>	<u>9,272,466</u>
Fund balances (deficit) at the beginning of year	<u>194,828</u>	<u>4,281,826</u>	<u>11,357,860</u>	<u>1,342,517</u>	<u>76,151,118</u>
Fund balances at end of year	<u>\$ 163,839</u>	<u>5,048,924</u>	<u>12,331,610</u>	<u>1,482,173</u>	<u>85,423,584</u>

CITY OF SANTA MONICA, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Beach Recreation Special Revenue Fund
For the fiscal year ended June 30, 2019

	Budget	Actual, GAAP basis	Encumbrance	Actual, budgetary basis	Variance with budget
Revenues:					
Licenses and permits	\$ 146,872	111,819	-	111,819	(35,053)
Intergovernmental	27,742	26,933	-	26,933	(809)
Charges for services	14,583,256	14,051,082	-	14,051,082	(532,174)
Investment income	250,000	671,151	-	671,151	421,151
Rental income	1,451,072	1,425,366	-	1,425,366	(25,706)
Other revenue	903,433	824,708	-	824,708	(78,725)
Total revenues	<u>17,362,375</u>	<u>17,111,059</u>	<u>-</u>	<u>17,111,059</u>	<u>(251,316)</u>
Expenditures:					
General services:					
Public works	6,055,247	5,540,453	42,165	5,582,618	472,629
Capital improvement	475,671	315,671	-	315,671	160,000
Total general services	<u>6,530,918</u>	<u>5,856,124</u>	<u>42,165</u>	<u>5,898,289</u>	<u>632,629</u>
Cultural and recreational services:					
Community and cultural services	9,679,822	9,560,826	81,195	9,642,021	37,801
Capital improvement	15,993,462	1,360,242	901,195	2,261,437	13,732,025
Total cultural and recreational services	<u>25,673,284</u>	<u>10,921,068</u>	<u>982,390</u>	<u>11,903,458</u>	<u>13,769,826</u>
Total expenditures	<u>32,204,202</u>	<u>16,777,192</u>	<u>1,024,555</u>	<u>17,801,747</u>	<u>14,402,455</u>
Excess (deficiency) of revenues over (under) expenditures	(14,841,827)	333,867	(1,024,555)	(690,688)	14,151,139
Other financing sources (uses):					
Transfers in	44,411	56,164	-	56,164	11,753
Total other financing sources (uses)	<u>44,411</u>	<u>56,164</u>	<u>-</u>	<u>56,164</u>	<u>11,753</u>
Net change in fund balance	(14,797,416)	390,031	(1,024,555)	(634,524)	14,162,892
Fund balance at beginning of year	<u>10,658,636</u>	<u>10,658,636</u>	<u>-</u>	<u>10,658,636</u>	<u>-</u>
Fund balance at end of year	<u>\$ (4,138,780)</u>	<u>11,048,667</u>	<u>(1,024,555)</u>	<u>10,024,112</u>	<u>14,162,892</u>

CITY OF SANTA MONICA, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Housing Authority Special Revenue Fund
For the fiscal year ended June 30, 2019

	<u>Budget</u>	<u>Actual, GAAP basis</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Intergovernmental	\$ 18,134,510	19,136,464	-	19,136,464	1,001,954
Investment income	1,500	2,875	-	2,875	1,375
Total revenues	<u>18,136,010</u>	<u>19,139,339</u>	<u>-</u>	<u>19,139,339</u>	<u>1,003,329</u>
Expenditures:					
Housing and community development:					
Housing and economic development	20,001,103	19,046,103	3,712	19,049,815	951,288
Capital improvement	12,411	12,411	-	12,411	-
Total housing and community development	<u>20,013,514</u>	<u>19,058,514</u>	<u>3,712</u>	<u>19,062,226</u>	<u>951,288</u>
Total expenditures	<u>20,013,514</u>	<u>19,058,514</u>	<u>3,712</u>	<u>19,062,226</u>	<u>951,288</u>
Excess (deficiency) of revenues over (under) expenditures	(1,877,504)	80,825	(3,712)	77,113	1,954,617
Other financing sources (uses):					
Transfers in	<u>792,571</u>	<u>403,670</u>	<u>-</u>	<u>403,670</u>	<u>(388,901)</u>
Total other financing sources (uses)	<u>792,571</u>	<u>403,670</u>	<u>-</u>	<u>403,670</u>	<u>(388,901)</u>
Net change in fund balance	(1,084,933)	484,495	(3,712)	480,783	1,565,716
Fund balance at beginning of year	<u>(413,080)</u>	<u>(413,080)</u>	<u>-</u>	<u>(413,080)</u>	<u>-</u>
Fund balance at end of year	<u>\$ (1,498,013)</u>	<u>71,415</u>	<u>(3,712)</u>	<u>67,703</u>	<u>1,565,716</u>

CITY OF SANTA MONICA, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Tenant Ownership Rights Charter Amendment
(TORCA) Special Revenue Fund
For the fiscal year ended June 30, 2019

	<u>Budget</u>	<u>Actual, GAAP basis</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Other taxes	\$ 25,000	57,584	-	57,584	32,584
Investment income	75,000	235,620	-	235,620	160,620
Other revenue	50,000	92,933	-	92,933	42,933
Total revenues	<u>150,000</u>	<u>386,137</u>	<u>-</u>	<u>386,137</u>	<u>236,137</u>
Expenditures:					
Housing and community development:					
Other	167,781	167,781	-	167,781	-
Total housing and community development	<u>167,781</u>	<u>167,781</u>	<u>-</u>	<u>167,781</u>	<u>-</u>
Total expenditures	<u>167,781</u>	<u>167,781</u>	<u>-</u>	<u>167,781</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(17,781)	218,356	-	218,356	236,137
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	(57,502)	(57,501)	-	(57,501)	1
Total other financing sources (uses)	<u>(57,502)</u>	<u>(57,501)</u>	<u>-</u>	<u>(57,501)</u>	<u>1</u>
Net change in fund balance	(75,283)	160,855	-	160,855	236,138
Fund balance at beginning of year	<u>14,083,245</u>	<u>14,083,245</u>	<u>-</u>	<u>14,083,245</u>	<u>-</u>
Fund balance at end of year	<u>\$ 14,007,962</u>	<u>14,244,100</u>	<u>-</u>	<u>14,244,100</u>	<u>236,138</u>

CITY OF SANTA MONICA, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Citizens Option for Public Safety Special Revenue Fund
For the fiscal year ended June 30, 2019

	<u>Budget</u>	<u>Actual, GAAP basis</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Intergovernmental	\$ 100,000	268,477	-	268,477	168,477
Investment income	2,000	16,040	-	16,040	14,040
Total revenues	<u>102,000</u>	<u>284,517</u>	<u>-</u>	<u>284,517</u>	<u>182,517</u>
Expenditures:					
Public safety:					
Police	177,148	133,148	44,000	177,148	-
Total public safety	<u>177,148</u>	<u>133,148</u>	<u>44,000</u>	<u>177,148</u>	<u>-</u>
Total expenditures	<u>177,148</u>	<u>133,148</u>	<u>44,000</u>	<u>177,148</u>	<u>-</u>
Net change in fund balance	(75,148)	151,369	(44,000)	107,369	182,517
Fund balance at beginning of year	<u>414,884</u>	<u>414,884</u>	<u>-</u>	<u>414,884</u>	<u>-</u>
Fund balance at end of year	<u>\$ 339,736</u>	<u>566,253</u>	<u>(44,000)</u>	<u>522,253</u>	<u>182,517</u>

CITY OF SANTA MONICA, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Gas Tax Special Revenue Fund
For the fiscal year ended June 30, 2019

	<u>Budget</u>	<u>Actual, GAAP basis</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Intergovernmental	\$ 3,920,183	3,567,104	-	3,567,104	(353,079)
Investment income	10,000	48,910	-	48,910	38,910
Total revenues	<u>3,930,183</u>	<u>3,616,014</u>	<u>-</u>	<u>3,616,014</u>	<u>(314,169)</u>
Expenditures:					
General government:					
Other	4,900	3,989	-	3,989	911
Total general government	<u>4,900</u>	<u>3,989</u>	<u>-</u>	<u>3,989</u>	<u>911</u>
General services:					
Capital improvement	2,437,287	-	879,075	879,075	1,558,212
Total general services	<u>2,437,287</u>	<u>-</u>	<u>879,075</u>	<u>879,075</u>	<u>1,558,212</u>
Total expenditures	<u>2,442,187</u>	<u>3,989</u>	<u>879,075</u>	<u>883,064</u>	<u>1,559,123</u>
Excess (deficiency) of revenues over (under) expenditures	1,487,996	3,612,025	(879,075)	2,732,950	1,244,954
Other financing sources (uses):					
Transfers out	<u>(3,716,486)</u>	<u>(1,894,401)</u>	<u>-</u>	<u>(1,894,401)</u>	<u>1,822,085</u>
Total other financing sources (uses)	<u>(3,716,486)</u>	<u>(1,894,401)</u>	<u>-</u>	<u>(1,894,401)</u>	<u>1,822,085</u>
Net change in fund balance	(2,228,490)	1,717,624	(879,075)	838,549	3,067,039
Fund balance at beginning of year	<u>536,122</u>	<u>536,122</u>	<u>-</u>	<u>536,122</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ (1,692,368)</u></u>	<u><u>2,253,746</u></u>	<u><u>(879,075)</u></u>	<u><u>1,374,671</u></u>	<u><u>3,067,039</u></u>

CITY OF SANTA MONICA, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Local Return Fund Special Revenue Fund
For the fiscal year ended June 30, 2019

	<u>Budget</u>	<u>Actual, GAAP basis</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Intergovernmental	\$ 5,157,604	5,505,476	-	5,505,476	347,872
Investment income	66,000	327,090	-	327,090	261,090
Total revenues	<u>5,223,604</u>	<u>5,832,566</u>	<u>-</u>	<u>5,832,566</u>	<u>608,962</u>
Expenditures:					
General government:					
Capital improvement	40,000	-	-	-	40,000
Total general government	<u>40,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,000</u>
General services:					
Other	590,713	533,063	-	533,063	57,650
Capital improvement	9,549,190	2,526,940	3,729,296	6,256,236	3,292,954
Total general services	<u>10,139,903</u>	<u>3,060,003</u>	<u>3,729,296</u>	<u>6,789,299</u>	<u>3,350,604</u>
Total expenditures	<u>10,179,903</u>	<u>3,060,003</u>	<u>3,729,296</u>	<u>6,789,299</u>	<u>3,390,604</u>
Excess (deficiency) of revenues over (under) expenditures	(4,956,299)	2,772,563	(3,729,296)	(956,733)	3,999,566
Other financing sources (uses):					
Transfers out	(710,000)	(592,884)	-	(592,884)	117,116
Total other financing sources (uses)	<u>(710,000)</u>	<u>(592,884)</u>	<u>-</u>	<u>(592,884)</u>	<u>117,116</u>
Net change in fund balance	(5,666,299)	2,179,679	(3,729,296)	(1,549,617)	4,116,682
Fund balance at beginning of year	<u>8,559,174</u>	<u>8,559,174</u>	<u>-</u>	<u>8,559,174</u>	<u>-</u>
Fund balance at end of year	<u>\$ 2,892,875</u>	<u>10,738,853</u>	<u>(3,729,296)</u>	<u>7,009,557</u>	<u>4,116,682</u>

CITY OF SANTA MONICA, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Clean Beaches and Ocean Parcel Tax Special Revenue Fund
For the fiscal year ended June 30, 2019

	<u>Budget</u>	<u>Actual, GAAP basis</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Other taxes	\$ 3,159,834	3,148,568	-	3,148,568	(11,266)
Intergovernmental	5,212	-	-	-	(5,212)
Investment income	130,000	315,163	-	315,163	185,163
Total revenues	<u>3,295,046</u>	<u>3,463,731</u>	<u>-</u>	<u>3,463,731</u>	<u>168,685</u>
Expenditures:					
General services:					
Public works	872,840	151,760	220,428	372,188	500,652
Capital improvement	15,405,697	299,580	1,212,472	1,512,052	13,893,645
Total general services	<u>16,278,537</u>	<u>451,340</u>	<u>1,432,900</u>	<u>1,884,240</u>	<u>14,394,297</u>
Total expenditures	<u>16,278,537</u>	<u>451,340</u>	<u>1,432,900</u>	<u>1,884,240</u>	<u>14,394,297</u>
Excess (deficiency) of revenues over (under) expenditures	(12,983,491)	3,012,391	(1,432,900)	1,579,491	14,562,982
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	<u>(776,713)</u>	<u>(818,189)</u>	<u>-</u>	<u>(818,189)</u>	<u>(41,476)</u>
Total other financing sources (uses)	<u>(776,713)</u>	<u>(818,189)</u>	<u>-</u>	<u>(818,189)</u>	<u>(41,476)</u>
Net change in fund balance	(13,760,204)	2,194,202	(1,432,900)	761,302	14,521,506
Fund balance at beginning of year	<u>7,309,158</u>	<u>7,309,158</u>	<u>-</u>	<u>7,309,158</u>	<u>-</u>
Fund balance at end of year	<u>\$ (6,451,046)</u>	<u>9,503,360</u>	<u>(1,432,900)</u>	<u>8,070,460</u>	<u>14,521,506</u>

CITY OF SANTA MONICA, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Community Development Block Grant Special Revenue Fund
For the fiscal year ended June 30, 2019

	<u>Budget</u>	<u>Actual, GAAP basis</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Intergovernmental	\$ 1,932,440	459,442	-	459,442	(1,472,998)
Investment income	5,000	12,330	-	12,330	7,330
Total revenues	<u>1,937,440</u>	<u>471,772</u>	<u>-</u>	<u>471,772</u>	<u>(1,465,668)</u>
Expenditures:					
General government:					
Other	29,499	9,747	-	9,747	19,752
Total general government	<u>29,499</u>	<u>9,747</u>	<u>-</u>	<u>9,747</u>	<u>19,752</u>
General services:					
Capital improvement	391,673	582	-	582	391,091
Total general services	<u>391,673</u>	<u>582</u>	<u>-</u>	<u>582</u>	<u>391,091</u>
Cultural and recreational services:					
Community and cultural services	201,268	201,270	-	201,270	(2)
Total cultural and recreational services	<u>201,268</u>	<u>201,270</u>	<u>-</u>	<u>201,270</u>	<u>(2)</u>
Housing and community development:					
Housing and economic development	1,144,660	532,055	612,548	1,144,603	57
Capital improvement	118,007	118,007	-	118,007	-
Total housing and community development	<u>1,262,667</u>	<u>650,062</u>	<u>612,548</u>	<u>1,262,610</u>	<u>57</u>
Total expenditures	<u>1,885,107</u>	<u>861,661</u>	<u>612,548</u>	<u>1,474,209</u>	<u>410,898</u>
Excess (deficiency) of revenues over (under) expenditures	52,333	(389,889)	(612,548)	(1,002,437)	(1,054,770)
Other financing sources (uses):					
Transfers out	(193,452)	(166,484)	-	(166,484)	26,968
Total other financing sources (uses)	<u>(193,452)</u>	<u>(166,484)</u>	<u>-</u>	<u>(166,484)</u>	<u>26,968</u>
Net change in fund balance	(141,119)	(556,373)	(612,548)	(1,168,921)	(1,027,802)
Fund balance at beginning of year	<u>9,612,692</u>	<u>9,612,692</u>	<u>-</u>	<u>9,612,692</u>	<u>-</u>
Fund balance at end of year	<u>\$ 9,471,573</u>	<u>9,056,319</u>	<u>(612,548)</u>	<u>8,443,771</u>	<u>(1,027,802)</u>

CITY OF SANTA MONICA, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Miscellaneous Grants Special Revenue Fund
For the fiscal year ended June 30, 2019

	Budget	Actual, GAAP basis	Encumbrance	Actual, budgetary basis	Variance with budget
Revenues:					
Intergovernmental	\$ 7,337,965	6,897,217	-	6,897,217	(440,748)
Investment income	20,000	6,924	-	6,924	(13,076)
Other revenue	-	492	-	492	492
Total revenues	<u>7,357,965</u>	<u>6,904,633</u>	<u>-</u>	<u>6,904,633</u>	<u>(453,332)</u>
Expenditures:					
General government:					
City manager	263,036	80,000	180,000	260,000	3,036
Capital improvement	1,689,491	1,283,932	-	1,283,932	405,559
Total general government	<u>1,952,527</u>	<u>1,363,932</u>	<u>180,000</u>	<u>1,543,932</u>	<u>408,595</u>
Public safety:					
Police	750,444	281,970	-	281,970	468,474
Fire	669,925	152,870	-	152,870	517,055
Total public safety	<u>1,420,369</u>	<u>434,840</u>	<u>-</u>	<u>434,840</u>	<u>985,529</u>
General services:					
Public works	195,366	31,859	45,254	77,113	118,253
Capital improvement	17,733,316	3,827,738	1,154,119	4,981,857	12,751,459
Total general services	<u>17,928,682</u>	<u>3,859,597</u>	<u>1,199,373</u>	<u>5,058,970</u>	<u>12,869,712</u>
Cultural and recreational services:					
Community and cultural services	371,684	21,120	-	21,120	350,564
Capital improvement	10,000	-	-	-	10,000
Total cultural and recreational services	<u>381,684</u>	<u>21,120</u>	<u>-</u>	<u>21,120</u>	<u>360,564</u>
Libraries:					
Library	48,520	35,344	-	35,344	13,176
Total libraries	<u>48,520</u>	<u>35,344</u>	<u>-</u>	<u>35,344</u>	<u>13,176</u>
Housing and community development:					
Planning and community development	608,106	362,678	99,965	462,643	145,463
Housing and economic development	804,986	746,498	11,676	758,174	46,812
Total housing and community development	<u>1,413,092</u>	<u>1,109,176</u>	<u>111,641</u>	<u>1,220,817</u>	<u>192,275</u>
Total expenditures	<u>23,144,874</u>	<u>6,824,009</u>	<u>1,491,014</u>	<u>8,315,023</u>	<u>14,829,851</u>
Excess (deficiency) of revenues over (under) expenditures	(15,786,909)	80,624	(1,491,014)	(1,410,390)	14,376,519
Other financing sources (uses):					
Transfers in	-	3,881	-	3,881	3,881
Transfers out	(168,605)	(81,733)	-	(81,733)	86,872
Total other financing sources (uses)	<u>(168,605)</u>	<u>(77,852)</u>	<u>-</u>	<u>(77,852)</u>	<u>90,753</u>
Net change in fund balance	(15,955,514)	2,772	(1,491,014)	(1,488,242)	14,467,272
Fund balance at beginning of year	<u>4,981,648</u>	<u>4,981,648</u>	<u>-</u>	<u>4,981,648</u>	<u>-</u>
Fund balance at end of year	<u>\$ (10,973,866)</u>	<u>4,984,420</u>	<u>(1,491,014)</u>	<u>3,493,406</u>	<u>14,467,272</u>

CITY OF SANTA MONICA, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
SCAQMD Special Revenue Fund
For the fiscal year ended June 30, 2019

	<u>Budget</u>	<u>Actual, GAAP basis</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Intergovernmental	\$ 110,000	319,869	-	319,869	209,869
Investment income	5,500	29,080	-	29,080	23,580
Total revenues	<u>115,500</u>	<u>348,949</u>	<u>-</u>	<u>348,949</u>	<u>233,449</u>
Expenditures:					
General government:					
Other	7,033	7,033	-	7,033	-
Capital improvement	<u>369,035</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>369,035</u>
Total general government	<u>376,068</u>	<u>7,033</u>	<u>-</u>	<u>7,033</u>	<u>369,035</u>
General services:					
Capital improvement	<u>185,647</u>	<u>41,581</u>	<u>45,796</u>	<u>87,377</u>	<u>98,270</u>
Total general services	<u>185,647</u>	<u>41,581</u>	<u>45,796</u>	<u>87,377</u>	<u>98,270</u>
Total expenditures	<u>561,715</u>	<u>48,614</u>	<u>45,796</u>	<u>94,410</u>	<u>467,305</u>
Net change in fund balance	(446,215)	300,335	(45,796)	254,539	700,754
Fund balance at beginning of year	<u>701,418</u>	<u>701,418</u>	<u>-</u>	<u>701,418</u>	<u>-</u>
Fund balance at end of year	<u>\$ 255,203</u>	<u>1,001,753</u>	<u>(45,796)</u>	<u>955,957</u>	<u>700,754</u>

CITY OF SANTA MONICA, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Parks and Recreation Special Revenue Fund
For the fiscal year ended June 30, 2019

	<u>Budget</u>	<u>Actual, GAAP basis</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Other taxes	\$ -	400	-	400	400
Investment income	1,000	7,017	-	7,017	6,017
Total revenues	<u>1,000</u>	<u>7,417</u>	<u>-</u>	<u>7,417</u>	<u>6,417</u>
Expenditures:					
General services:					
Capital improvement	99,432	-	99,432	99,432	-
Total general services	<u>99,432</u>	<u>-</u>	<u>99,432</u>	<u>99,432</u>	<u>-</u>
Cultural and recreational services:					
Capital improvement	242,778	38,406	3,552	41,958	200,820
Total cultural and recreational services	<u>242,778</u>	<u>38,406</u>	<u>3,552</u>	<u>41,958</u>	<u>200,820</u>
Total expenditures	<u>342,210</u>	<u>38,406</u>	<u>102,984</u>	<u>141,390</u>	<u>200,820</u>
Net change in fund balance	(341,210)	(30,989)	(102,984)	(133,973)	207,237
Fund balance at beginning of year	<u>194,828</u>	<u>194,828</u>	<u>-</u>	<u>194,828</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ (146,382)</u></u>	<u><u>163,839</u></u>	<u><u>(102,984)</u></u>	<u><u>60,855</u></u>	<u><u>207,237</u></u>

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).

Community Broadband Fund – To account for the activity of leasing the City’s dark and lit fiber networks known as “CityNet”.

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

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.

Parking Authority Fund – To account for acquisition of parking lots or contributing to the construction of parking structures by the City Parking Authority.

CITY OF SANTA MONICA, CALIFORNIA
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2019

	Business-Type Activities - Enterprise Funds						
	Community Broadband	Airport	Pier	Stormwater Management	Cemetery	Parking Authority	Total nonmajor enterprise funds
Assets							
Current assets:							
Cash and investments	\$ 804,834	18,927,619	7,354,991	6,347	665,461	2,107,269	29,866,521
Restricted cash and investments	-	1,278,418	283,350	5,074,843	-	-	6,636,611
Receivables (net, where applicable, of allowances for uncollectibles):							
Accounts	242,350	28,094	72,020	16,958	421,244	-	780,666
Notes receivable Successor Agency	-	-	-	-	-	7,352,725	7,352,725
Interest	849	67,955	23,593	22,043	1,558	9,269	125,267
Due from other governments, restricted	-	-	-	3,474	-	-	3,474
Prepays	26,322	49	1	1	12	-	26,385
Total current assets	1,074,355	20,302,135	7,733,955	5,123,666	1,088,275	9,469,263	44,791,649
Noncurrent assets:							
Notes receivable Successor Agency noncurrent	-	-	-	-	-	259,400	259,400
Accrued interest non current	-	-	-	-	-	18,278,988	18,278,988
Capital assets:							
Land	-	8	-	-	4	1,362,700	1,362,712
Construction in progress	-	231,937	165,362	2,934,720	-	-	3,332,019
Buildings	-	7,769,091	5,916,024	-	1,716,090	946,242	16,347,447
Improvements other than buildings	-	5,604,488	5,461,401	147,299	782,158	142,591	12,137,937
Machinery and equipment	52,086	568,080	289,426	35,750	374,033	7,237	1,326,612
Infrastructure	-	-	17,382,609	10,739,803	-	-	28,122,412
Less: accumulated depreciation	(25,940)	(9,979,665)	(15,384,248)	(5,086,817)	(2,234,140)	(521,142)	(33,231,952)
Net capital assets	26,146	4,193,939	13,830,574	8,770,755	638,145	1,937,628	29,397,187
Total noncurrent assets	26,146	4,193,939	13,830,574	8,770,755	638,145	20,476,016	47,935,575
Total assets	1,100,501	24,496,074	21,564,529	13,894,421	1,726,420	29,945,279	92,727,224
DEFERRED OUTFLOWS OF RESOURCES							
Deferred outflows from pensions	197,422	484,450	652,839	-	156,858	-	1,491,569
Deferred outflows from OPEB	5,196	15,156	19,919	-	9,527	-	49,798
TOTAL DEFERRED OUTFLOWS OF RESOURCES	202,618	499,606	672,758	-	166,385	-	1,541,367
Liabilities							
Current liabilities:							
Accounts payable	64,144	1,063,669	123,323	76	63,850	-	1,315,062
Accrued liabilities	25,237	53,296	72,981	-	20,290	-	171,804
Contracts payable (retained percentage)	38,260	191,812	70,512	-	-	522	301,106
Compensated absences due within one year	24,847	68,840	102,816	-	22,952	-	219,455
Accrued interest payable	-	-	-	2,731	-	-	2,731
Loans and bonds payable due within one year	-	-	-	315,130	-	-	315,130
Liabilities payable from restricted assets - deposits	-	1,278,418	283,350	-	-	-	1,561,768
Total current liabilities	152,488	2,656,035	652,982	317,937	107,092	522	3,887,056
Long-term liabilities:							
Compensated absences due in more than one year	17,326	42,297	73,392	-	9,316	-	142,331
Advances from other funds	-	5,748,972	-	-	-	-	5,748,972
Net OPEB liability	33,049	96,394	126,689	-	60,591	-	316,723
Net pension liability	764,068	1,874,930	2,526,634	-	607,077	-	5,772,709
Total long-term liabilities	814,443	7,762,593	2,726,715	-	676,984	-	11,980,735
Total liabilities	966,931	10,418,628	3,379,697	317,937	784,076	522	15,867,791
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows from pensions	60,727	149,019	200,816	-	48,250	-	458,812
Deferred inflows from OPEB	1,557	4,543	5,970	-	2,855	-	14,925
TOTAL DEFERRED INFLOWS OF RESOURCES	62,284	153,562	206,786	-	51,105	-	473,737
Net position							
Net investment in capital assets	26,146	4,193,939	13,830,574	8,455,625	638,145	1,937,628	29,082,057
Restricted for housing	-	-	-	-	-	5,178,223	5,178,223
Unrestricted	247,758	10,229,551	4,820,230	5,120,859	419,479	22,828,906	43,666,783
Total net position	\$ 273,904	14,423,490	18,650,804	13,576,484	1,057,624	29,944,757	77,927,063

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, 2019

	Business-Type Activities - Enterprise Funds						Total nonmajor enterprise funds
	Community Broadband	Airport	Pier	Stormwater Management	Cemetery	Parking Authority	
Operating revenues							
Charges for services	\$ 2,489,716	14,927,524	8,953,035	1,515,810	1,730,351	-	29,616,436
Total operating revenues	<u>2,489,716</u>	<u>14,927,524</u>	<u>8,953,035</u>	<u>1,515,810</u>	<u>1,730,351</u>	<u>-</u>	<u>29,616,436</u>
Operating expenses							
Personnel services	1,369,508	2,296,090	2,967,497	-	588,989	550	7,222,634
Administrative indirect	116,126	885,884	588,000	-	256,156	-	1,846,166
Contractual services	830,593	869,091	1,475,727	-	366,833	-	3,542,244
Repairs and maintenance	51,380	522,062	699,825	-	22,904	-	1,296,171
Materials and supplies	22,849	2,644,012	688,803	-	308,491	405,277	4,069,432
Utilities	4,630	688,745	199,343	-	71,636	-	964,354
Casualty property and liability costs	2,832	356,964	307,363	-	65,306	-	732,465
Depreciation and amortization	10,459	361,161	1,311,965	324,607	44,313	16,263	2,068,768
Other	106,408	738,874	766,595	42,628	20,818	-	1,675,323
Total operating expenses	<u>2,514,785</u>	<u>9,362,883</u>	<u>9,005,118</u>	<u>367,235</u>	<u>1,745,446</u>	<u>422,090</u>	<u>23,417,557</u>
Operating income (loss)	<u>(25,069)</u>	<u>5,564,641</u>	<u>(52,083)</u>	<u>1,148,575</u>	<u>(15,095)</u>	<u>(422,090)</u>	<u>6,198,879</u>
Nonoperating revenues (expenses)							
Investment income (loss)	5,954	566,798	193,219	185,952	12,550	313,566	1,278,039
Interest expense	-	(36,121)	-	(13,517)	-	-	(49,638)
Other nonoperating revenues	-	1,110,215	235,889	1,253,994	81,684	-	2,681,782
Total nonoperating revenues (expenses) net	<u>5,954</u>	<u>1,640,892</u>	<u>429,108</u>	<u>1,426,429</u>	<u>94,234</u>	<u>313,566</u>	<u>3,910,183</u>
Income before transfers and special item	(19,115)	7,205,533	377,025	2,575,004	79,139	(108,524)	10,109,062
Transfers in (note 11)	-	103,112	200,000	606,385	428,879	-	1,338,376
Transfers out (note 11)	-	(501,132)	(94,522)	(1,915,820)	-	(15,000,000)	(17,511,474)
Change in net position	(19,115)	6,807,513	482,503	1,265,569	508,018	(15,108,524)	(6,064,036)
Net position at beginning of year	293,019	7,615,977	18,168,301	12,310,915	549,606	45,053,281	83,991,099
Net position at end of year	<u>\$ 273,904</u>	<u>14,423,490</u>	<u>18,650,804</u>	<u>13,576,484</u>	<u>1,057,624</u>	<u>29,944,757</u>	<u>77,927,063</u>

CITY OF SANTA MONICA, CALIFORNIA

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the fiscal year ended June 30, 2019

	Business-Type Activities - Enterprise Funds						
	Community Broadband	Airport	Pier	Stormwater Management	Cemetery	Parking Authority	Total nonmajor enterprise funds
Cash flows from operating activities:							
Cash received from customers	\$ 2,498,219	14,960,146	8,941,159	1,577,992	1,641,800	—	29,619,316
Cash payments for materials and services	(1,035,459)	(6,374,205)	(5,353,239)	(189,301)	(1,086,777)	(457,075)	(14,496,056)
Cash payments to employees for services	(705,329)	(1,753,668)	(2,753,000)	—	(713,999)	(550)	(5,926,546)
Other revenue received	—	1,110,215	235,889	1,253,994	81,684	—	2,681,782
Net cash provided by (used in) operating activities	<u>757,431</u>	<u>7,942,488</u>	<u>1,070,809</u>	<u>2,642,685</u>	<u>(77,292)</u>	<u>(457,625)</u>	<u>11,878,496</u>
Cash flows from noncapital financing activities:							
Repayment of advances from other funds	—	(1,999,999)	—	(3,474)	—	—	(2,003,473)
Repayment of promissory note	—	—	—	—	15,000,000	—	15,000,000
Transfers in	—	103,112	200,000	606,385	428,879	—	1,338,376
Transfers out	—	(501,132)	(94,522)	(1,915,820)	—	(15,000,000)	(17,511,474)
Net cash provided by (used in) noncapital financing activities	<u>-</u>	<u>(2,398,019)</u>	<u>105,478</u>	<u>(1,312,909)</u>	<u>428,879</u>	<u>-</u>	<u>(3,176,571)</u>
Cash flows from capital and related financing activities:							
Acquisition and construction of capital assets	—	(109,184)	(227,956)	—	—	—	(337,140)
Reduction in long-term obligations	—	—	—	(307,144)	—	—	(307,144)
Interest paid on long-term obligations	—	(36,121)	—	(16,179)	—	—	(52,300)
Net cash used in capital and related financing activities	<u>—</u>	<u>(145,305)</u>	<u>(227,956)</u>	<u>(323,323)</u>	<u>—</u>	<u>—</u>	<u>(696,584)</u>
Cash flows from investing activities:							
Investment income (loss)	<u>5,105</u>	<u>547,905</u>	<u>185,979</u>	<u>186,437</u>	<u>11,254</u>	<u>85,505</u>	<u>1,022,185</u>
Net cash provided by (used in) investing activities	<u>5,105</u>	<u>547,905</u>	<u>185,979</u>	<u>186,437</u>	<u>11,254</u>	<u>85,505</u>	<u>1,022,185</u>
Net increase (decrease) in cash and cash equivalents	762,536	5,947,069	1,134,310	1,192,890	362,841	(372,120)	9,027,526
Cash and cash equivalents at beginning of year, as restated (note 18)	42,298	14,258,968	6,504,031	3,888,300	302,620	2,479,389	27,475,606
Cash and cash equivalents at end of year	<u>\$ 804,834</u>	<u>20,206,037</u>	<u>7,638,341</u>	<u>5,081,190</u>	<u>665,461</u>	<u>2,107,269</u>	<u>36,503,132</u>
Cash and investments	\$ 804,834	18,927,619	7,354,991	6,347	665,461	2,107,269	29,866,521
Restricted cash and investments	—	1,278,418	283,350	5,074,843	—	—	6,636,611
Total cash and cash equivalents	<u>\$ 804,834</u>	<u>20,206,037</u>	<u>7,638,341</u>	<u>5,081,190</u>	<u>665,461</u>	<u>2,107,269</u>	<u>36,503,132</u>

(Continued)

CITY OF SANTA MONICA, CALIFORNIA

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the fiscal year ended June 30, 2019

	Business-Type Activities - Enterprise Funds						Total nonmajor enterprise funds
	Community Broadband	Airport	Pier	Stormwater Management	Cemetery	Parking Authority	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:							
Operating income (loss)	\$ (25,068)	5,564,642	(52,083)	1,148,575	(15,096)	(422,091)	6,198,879
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Add depreciation	10,459	361,161	1,311,965	324,607	44,313	16,263	2,068,768
Other revenue received	—	1,110,215	235,889	1,253,994	81,684	—	2,681,782
Changes in assets and liabilities and deferred outflows and inflows of resources:							
(Increase) decrease in accounts receivable	8,503	78,508	(11,876)	62,182	(88,551)	—	48,766
(Increase) decrease in prepaids	14,216	(49)	(1)	(1)	(12)	—	14,153
Increase (decrease) in accounts payable	46,882	246,903	(641,482)	64	25,380	(51,797)	(374,050)
(Decrease) in unearned revenue	—	(9,591)	—	—	—	—	(9,591)
Increase (decrease) in accrued liabilities	5,910	(5,877)	(221)	—	455	—	267
Increase (decrease) in contracts payable	38,260	84,572	13,900	(146,736)	—	—	(10,004)
(Decrease) in deposits payable from restricted assets	—	(36,295)	—	—	—	—	(36,295)
Increase (decrease) in compensated absences payable	1,486	8,414	(793)	—	3,235	—	12,342
Net OPEB liability and related changes in deferred outflows and inflows of resources	29,410	19,677	31,703	—	(9,225)	—	71,565
Net pension liability and related changes in deferred outflows and inflows of resources	627,373	520,208	183,808	—	(119,475)	—	1,211,914
Total adjustments	<u>782,499</u>	<u>2,377,846</u>	<u>1,122,892</u>	<u>1,494,110</u>	<u>(62,196)</u>	<u>(35,534)</u>	<u>5,679,617</u>
Net cash provided by (used in) operating activities	<u>\$ 757,431</u>	<u>7,942,488</u>	<u>1,070,809</u>	<u>2,642,685</u>	<u>(77,292)</u>	<u>(457,625)</u>	<u>11,878,496</u>
Schedule of non-cash capital and related financing activities:							
Capital assets acquired through accounts payable	\$ —	—	—	—	—	—	—

Internal Service Fund Financial Statements

Internal Service Funds are used to account for the financing of goods or services provided by one department to other departments 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, 2019

	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
Assets							
Current assets:							
Cash and investments	\$ 20,240,117	4,805,915	8,328,994	6,222,614	2,091,127	54,698,532	96,387,299
Receivables:							
Accounts	145,188	-	-	-	20,502	94,020	259,710
Interest	79,689	19,515	36,335	20,341	-	193,090	348,970
Inventory	47,914	-	-	-	-	-	47,914
Prepays	194	-	-	-	10,118	-	10,312
Total current assets	20,513,102	4,825,430	8,365,329	6,242,955	2,121,747	54,985,642	97,054,205
Noncurrent assets:							
Capital assets:							
Construction in progress	2,748,544	-	-	-	-	-	2,748,544
Machinery and equipment	40,256,392	1,517,857	2,849	7,386	919	10,065	41,795,468
Less: accumulated depreciation	(22,239,204)	(1,279,325)	(2,849)	(7,386)	(919)	(10,065)	(23,539,748)
Net capital assets	20,765,732	238,532	-	-	-	-	21,004,264
Total assets	41,278,834	5,063,962	8,365,329	6,242,955	2,121,747	54,985,642	118,058,469
DEFERRED OUTFLOWS OF RESOURCES							
Deferred outflows from pensions	858,589	-	-	-	576,948	-	1,435,537
Deferred outflows from OPEB	41,571	-	-	-	21,651	-	63,222
TOTAL DEFERRED OUTFLOWS OF RESOURCES	900,160	-	-	-	598,599	-	1,498,759
Liabilities							
Current liabilities:							
Accounts payable	454,408	1,046,368	295,963	412,305	9,484	234,432	2,452,960
Accrued liabilities	65,438	30,800	26	10	65,759	15	162,048
Compensated absences due within one year	127,676	-	-	-	83,169	-	210,845
Claims payable due within one year	-	-	5,627,694	3,840,574	-	11,063,388	20,531,656
Total current liabilities	647,522	1,077,168	5,923,683	4,252,889	158,412	11,297,835	23,357,509
Long-term liabilities:							
Compensated absences due in more than one year	22,827	-	-	-	55,205	-	78,032
Claims payable due in more than one year	-	-	6,553,278	3,255,173	-	40,164,727	49,973,178
Net OPEB liability	264,396	-	-	-	137,706	-	402,102
Net pension liability	3,322,932	-	-	-	2,232,917	-	5,555,849
Total long-term liabilities	3,610,155	-	6,553,278	3,255,173	2,425,828	40,164,727	56,009,161
Total liabilities	4,257,677	1,077,168	12,476,961	7,508,062	2,584,240	51,462,562	79,366,670
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows from pensions	264,104	-	-	-	177,469	-	441,573
Deferred inflows from OPEB	12,459	-	-	-	6,489	-	18,948
TOTAL DEFERRED INFLOWS OF RESOURCES	276,563	-	-	-	183,958	-	460,521
Net position							
Investment in capital assets	20,765,732	238,532	-	-	-	-	21,004,264
Unrestricted	16,879,022	3,748,262	(4,111,632)	(1,265,107)	(47,852)	3,523,080	18,725,773
Total net position	\$ 37,644,754	3,986,794	(4,111,632)	(1,265,107)	(47,852)	3,523,080	39,730,037

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, 2019

	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
Operating revenues							
Charges for services	\$ 12,305,171	2,472,130	3,083,077	3,800,000	3,125,200	21,634,239	46,419,817
Total operating revenues	12,305,171	2,472,130	3,083,077	3,800,000	3,125,200	21,634,239	46,419,817
Operating expenses							
Personnel services	3,058,254	-	-	-	2,224,885	-	5,283,139
Administrative indirect	899,384	-	-	-	325,747	-	1,225,131
Contractual services	141,513	-	108,362	365,552	91,151	918,367	1,624,945
Repairs and maintenance	1,985,899	-	27,494	27,494	389	55,187	2,096,463
Materials and supplies	2,376,101	3,830,323	-	1,533	42,229	6,479	6,256,665
Utilities	85,814	-	-	-	1,330	-	87,144
Casualty property and liability costs	143,631	-	-	-	10,144	-	153,775
Claims expense net of claims reserve adjustment	-	-	6,505,544	1,198,740	-	15,261,133	22,965,417
Insurance and bonds	-	-	1,100,961	1,080,890	2,742,990	824,281	5,749,122
Miscellaneous fees and costs	-	-	1,057,476	484,580	-	485,728	2,027,784
Depreciation and amortization	3,356,684	106,123	-	-	-	-	3,462,807
Other	316,352	-	960	110	121,892	1,352	440,666
Total operating expenses	12,363,632	3,936,446	8,800,797	3,158,899	5,560,757	17,552,527	51,373,058
Operating income (loss)	(58,461)	(1,464,316)	(5,717,720)	641,101	(2,435,557)	4,081,712	(4,953,241)
Nonoperating revenues							
Investment income	790,327	185,081	336,771	154,320	-	1,616,842	3,083,341
Gain on disposal of capital assets	318,917	-	-	-	-	-	318,917
Other nonoperating revenues	5,130	12,285	-	435	-	92,829	110,679
Total nonoperating revenues	1,114,374	197,366	336,771	154,755	-	1,709,671	3,512,937
Income (loss) before transfers	1,055,913	(1,266,950)	(5,380,949)	795,856	(2,435,557)	5,791,383	(1,440,304)
Transfers in (note 11)	-	-	-	-	2,452,526	-	2,452,526
Transfers out (note 11)	-	-	(496,466)	(351,749)	-	(1,749,029)	(2,597,244)
Change in net position	1,055,913	(1,266,950)	(5,877,415)	444,107	16,969	4,042,354	(1,585,022)
Net position at beginning of year	36,588,841	5,253,744	1,765,783	(1,709,214)	(64,821)	(519,274)	41,315,059
Net position at end of year (note 10)	\$ 37,644,754	3,986,794	(4,111,632)	(1,265,107)	(47,852)	3,523,080	39,730,037

CITY OF SANTA MONICA, CALIFORNIA

Combining Statement of Cash Flows

Internal Service Funds

For the fiscal year ended June 30, 2019

	Vehicle Management	Information Technology Replacement and Services	Self-Insurance General Liability / Auto	Self-Insurance Bus	Self-Insurance Risk Management Administration	Self-Insurance Workers' Compensation	Total internal service funds
Cash flows from operating activities:							
Cash received from customers	\$ 12,363,184	2,472,130	3,083,077	3,800,000	3,126,768	21,634,239	46,479,398
Cash payments for materials and services	(6,574,607)	(3,146,974)	(2,159,553)	(1,583,923)	(3,337,586)	(2,416,213)	(19,218,856)
Cash payments to employees for services	(3,359,020)	30,800	26	10	(1,895,175)	15	(5,223,344)
Cash payments for claims and related expenses	—	—	1,213,476	(341,211)	—	(10,603,236)	(9,730,971)
Other revenue received	5,130	12,285	—	435	0	92,829	110,679
Net cash provided by (used in) operating activities	2,434,687	(631,759)	2,137,026	1,875,311	(2,105,993)	8,707,634	12,416,906
Cash flows from noncapital financing activities:							
Transfers in	—	—	—	—	2,452,526	—	2,452,526
Transfers out	—	—	(496,466)	(351,749)	—	(1,749,029)	(2,597,244)
Net cash used in noncapital financing activities	—	—	(496,466)	(351,749)	2,452,526	(1,749,029)	(144,718)
Cash flows from capital and related financing activities:							
Acquisition and construction of capital assets	(11,494,463)	—	—	—	—	—	(11,494,463)
Proceeds from sale of capital assets	830,713	—	—	—	—	—	830,713
Net cash used in capital and related financing activities	(10,663,750)	—	—	—	—	—	(10,663,750)
Cash flows from investing activities – investment income	791,824	184,995	342,435	146,514	—	1,576,460	3,042,228
Net increase (decrease) in cash and cash equivalents	(7,437,239)	(446,764)	1,982,995	1,670,076	346,533	8,535,065	4,650,666
Cash and cash equivalents at beginning of year, as restated (note 18)	27,677,356	5,252,679	6,345,999	4,552,538	1,744,594	46,163,467	91,736,633
Cash and cash equivalents at end of year	\$ 20,240,117	4,805,915	8,328,994	6,222,614	2,091,127	54,698,532	96,387,299
Reconciliation of operating income (loss) to net cash provided by (used in) operating income (loss):							
Operating income (loss)	\$ (58,461)	(1,464,316)	(5,717,720)	641,101	(2,435,557)	4,081,712	(4,953,241)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Add depreciation	3,356,684	106,123	—	—	—	—	3,462,807
Other revenue received	5,130	12,285	—	435	—	92,829	110,679
Changes in assets and liabilities and deferred outflows and inflows of resources:							
(Increase) decrease in accounts receivable	58,013	—	3,881,469	—	1,568	(93,986)	3,847,064
(Increase) in prepaids	(194)	—	—	—	(44)	—	(238)
(Increase) in inventory	(23,957)	—	—	—	—	—	(23,957)
Increase (decrease) in accounts payable	(601,762)	683,349	135,700	376,236	(1,670)	(124,819)	467,034
Increase (decrease) in accrued liabilities	5,842	30,800	26	10	(4,145)	15	32,548
Increase (decrease) in compensated absences payable	(21,413)	—	—	—	11,748	—	(9,665)
Increase in claims payable	—	—	3,837,551	857,529	—	4,751,883	9,446,963
Net OPEB liability and related changes in deferred outflows and inflows of resources	(46,101)	—	—	—	(20,549)	—	(66,650)
Net pension liability and related changes in deferred outflows and inflows of resources	(239,094)	—	—	—	342,656	—	103,562
Total adjustments	2,493,148	832,557	7,854,746	1,234,210	329,564	4,625,922	17,370,147
Net cash provided by (used in) operating activities	\$ 2,434,687	(631,759)	2,137,026	1,875,311	(2,105,993)	8,707,634	12,416,906
Schedule of non-cash capital and related financing activities:							
Capital assets acquired through accounts payable	\$ 89,045	—	—	—	—	—	89,045
Gain on disposal of capital assets	830,712	—	—	—	—	—	830,712

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, 2019

	General Trust	Street Light	Total Agency Funds
Assets			
Restricted cash and investments	\$ 4,528,484	4,741	4,533,225
Accounts receivable	74,473	—	74,473
Total assets	<u>\$ 4,602,957</u>	<u>4,741</u>	<u>4,607,698</u>
Liabilities			
Accounts payable and accrued liabilities	<u>\$ 4,602,957</u>	<u>4,741</u>	<u>4,607,698</u>
Total liabilities	<u>\$ 4,602,957</u>	<u>4,741</u>	<u>4,607,698</u>

CITY OF SANTA MONICA, CALIFORNIA

Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds

For the fiscal year ended June 30, 2019

	<u>June 30, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2019</u>
Fiduciary Funds				
Agency Funds:				
General Trust				
Assets:				
Restricted cash and investments	\$ 3,948,425	76,992,982	76,412,923	4,528,484
Accounts receivable	<u>56,856</u>	<u>271,876</u>	<u>254,259</u>	<u>74,473</u>
Total assets	<u>\$ 4,005,281</u>	<u>77,264,858</u>	<u>76,667,182</u>	<u>4,602,957</u>
Liabilities:				
Accounts payable and accrued liabilities	<u>\$ 4,005,281</u>	<u>77,725,085</u>	<u>77,127,409</u>	<u>4,602,957</u>
Total liabilities	<u>\$ 4,005,281</u>	<u>77,725,085</u>	<u>77,127,409</u>	<u>4,602,957</u>
 Street Light				
Assets:				
Restricted cash and investments	<u>\$ 4,997</u>	<u>1,907</u>	<u>2,163</u>	<u>4,741</u>
Total assets	<u>\$ 4,997</u>	<u>1,907</u>	<u>2,163</u>	<u>4,741</u>
Liabilities:				
Accounts payable and accrued liabilities	<u>\$ 4,997</u>	<u>4,070</u>	<u>4,326</u>	<u>4,741</u>
Total liabilities	<u>\$ 4,997</u>	<u>4,070</u>	<u>4,326</u>	<u>4,741</u>
 Total Fiduciary Funds				
Total Agency Funds				
Assets:				
Restricted cash and investments	\$ 3,953,422	76,994,889	76,415,086	4,533,225
Accounts receivable	<u>56,856</u>	<u>271,876</u>	<u>254,259</u>	<u>74,473</u>
Total assets	<u>\$ 4,010,278</u>	<u>77,266,765</u>	<u>76,669,345</u>	<u>4,607,698</u>
Liabilities:				
Accounts payable and accrued liabilities	<u>\$ 4,010,278</u>	<u>77,729,155</u>	<u>77,131,735</u>	<u>4,607,698</u>
Total liabilities	<u>\$ 4,010,278</u>	<u>77,729,155</u>	<u>77,131,735</u>	<u>4,607,698</u>

City of Santa Monica, California
Year Ended June 30, 2019

STATISTICAL SECTION

CITY OF SANTA MONICA, CALIFORNIA

For the fiscal year ended June 30, 2019

STATISTICAL SECTION (unaudited)

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CITY OF SANTA MONICA, CALIFORNIA

For the fiscal year ended June 30, 2019

STATISTICAL SECTION (unaudited), *continued*

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TABLE 1**CITY OF SANTA MONICA, CALIFORNIA**

Net Position by Component

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	2018-19	2017-18	2016-17	2015-16	2014-15 (1)	2013-14	2012-13	2011-12	2010-11	2009-10
Governmental activities										
Net investment in capital assets	\$ 730,135,331	720,769,829	731,842,870	728,041,792	705,144,194	698,223,620	702,392,065	708,564,360	565,402,905	561,308,717
Restricted	226,867,281	209,428,190	198,720,012	196,524,874	178,624,757	136,510,661	126,827,943	171,964,389	198,990,741	190,302,568
Unrestricted	14,716,293	54,400,893	44,676,618	19,956,676	24,292,525	376,983,696	372,285,005	379,302,789	248,977,209	238,856,963
Total governmental activities net position	971,718,905	984,598,912	975,239,500	944,523,342	908,061,476	1,211,717,977	1,201,505,013	1,259,831,538	1,013,370,855	990,468,248
Business-type activities										
Net investment in capital assets	453,239,103	437,613,109	445,314,626	440,369,455	447,257,495	472,808,694	450,345,204	448,028,200	442,305,322	426,367,876
Restricted	19,925,028	23,409,084	18,835,497	12,797,570	15,102,480	11,665,453	13,739,411	16,024,235	13,527,238	10,855,611
Unrestricted	157,216,757	136,350,263	127,841,169	130,752,666	50,488,321	115,636,742	126,804,668	104,588,473	102,753,866	107,670,491
Total business-type activities net position	630,380,888	597,372,456	591,991,292	583,919,691	512,848,296	600,110,889	590,889,283	568,640,908	558,586,426	544,893,978
Primary government										
Net investment in capital assets	1,183,374,434	1,158,382,938	1,177,157,496	1,168,411,247	1,152,401,689	1,171,032,314	1,152,737,269	1,156,592,560	1,007,708,227	987,676,593
Restricted	246,792,309	232,837,274	217,555,509	209,322,444	193,727,237	148,176,114	140,567,354	187,988,624	212,517,979	201,158,179
Unrestricted	171,933,050	190,751,156	172,517,787	150,709,342	74,780,846	492,620,438	499,089,673	483,891,262	351,731,075	346,527,454
Total primary government net position	\$ 1,602,099,793	1,581,971,368	1,567,230,792	1,528,443,033	1,420,909,772	1,811,828,866	1,792,394,296	1,828,472,446	1,571,957,281	1,535,362,226

(1) reduction in 2014-15 unrestricted net position due primarily to the implementation of GASB 68

TABLE 2

CITY OF SANTA MONICA, CALIFORNIA

Changes in Net Position
Last Ten Fiscal Years

	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10
Expenses										
Governmental activities:										
General government	\$ 87,251,208	94,164,749	69,476,662	56,728,329	74,025,357	73,188,788	56,319,178	65,640,271	61,586,151	61,396,079
Public safety	160,531,648	152,313,163	133,497,286	128,149,081	112,278,370	113,899,354	103,594,567	108,205,471	99,949,848	97,744,567
General services	85,528,797	85,543,024	84,190,176	84,178,175	71,906,263	69,637,595	64,654,131	55,341,929	43,762,251	74,233,708
Cultural and recreation services	73,315,694	73,826,217	57,709,552	58,427,336	53,694,823	54,339,022	94,635,112	62,145,219	57,163,928	40,891,483
Library	14,985,755	14,802,469	12,945,988	14,338,093	12,678,896	13,286,929	16,179,779	11,899,948	11,803,735	11,324,327
Housing and community development	60,314,000	58,442,889	54,613,906	59,633,639	53,831,747	53,652,994	54,539,141	181,970,013	89,321,590	110,251,868
Interest on long-term debt	6,187,333	4,375,324	2,490,698	2,668,433	3,521,630	3,915,313	3,898,325	6,585,618	10,461,700	7,075,187
Total governmental activities	488,114,435	483,467,835	414,924,268	404,123,086	381,937,086	381,919,995	393,820,233	491,788,469	374,049,203	402,917,219
Business-type activities:										
Water	23,490,062	25,659,062	23,583,279	23,259,781	21,356,497	24,750,234	20,244,099	19,665,696	16,430,207	16,419,201
Resource recovery and recycling	27,292,721	26,293,628	25,512,992	25,419,861	23,819,237	24,115,496	22,743,427	25,065,338	21,338,133	20,293,510
Community broadband	2,519,298	1,926,149	1,907,535	—	—	—	—	—	—	—
Pier	9,265,493	7,880,131	7,597,438	6,935,901	6,909,632	6,310,236	6,145,567	5,803,944	5,299,875	5,122,011
Wastewater	20,423,956	18,802,613	17,855,472	16,485,444	17,335,625	20,479,514	16,853,861	18,186,844	16,546,844	16,844,271
Civic auditorium (1)	—	—	—	—	—	—	4,691,051	3,239,999	3,638,257	3,663,427
Airport	9,627,471	12,912,869	8,595,011	5,335,556	5,293,714	5,440,949	5,188,707	5,270,688	5,970,916	4,640,782
Storm water management	380,752	359,488	347,197	2,447,698	2,172,116	651,361	406,721	411,985	422,048	424,122
Cemetery	1,805,703	2,071,650	2,340,685	2,184,834	2,154,147	2,077,486	1,852,839	1,812,098	2,431,791	2,633,893
Big Blue Bus	100,093,505	95,349,727	93,652,844	90,560,535	83,106,447	79,215,680	79,238,668	79,835,156	75,219,425	70,899,277
Special aviation	—	—	—	—	—	—	—	—	—	—
Parking authority	422,090	216,253	16,178	17,742	403,822	369,367	295,651	315,736	474,629	554,117
Total business-type activities	195,321,051	191,471,570	181,408,631	172,647,352	162,551,237	163,410,323	157,660,591	159,607,484	147,772,125	141,494,611
Total primary governmental activities expenses	\$ 683,435,486	674,939,405	596,332,899	576,770,438	544,488,323	545,330,318	551,480,824	651,395,953	521,821,328	544,411,830
Program revenues										
Governmental activities:										
Charges for services:										
General government	\$ 19,645,270	19,860,025	18,447,588	19,279,411	56,875,636	55,834,348	51,075,759	48,239,920	42,771,812	34,681,601
Public safety	21,765,362	24,701,782	22,452,698	24,285,947	22,601,990	22,736,167	21,329,504	22,033,156	21,456,284	22,759,704
General services	45,214,114	43,938,775	44,701,036	49,336,541	2,144,800	2,236,781	2,463,402	2,429,537	2,004,958	3,067,408
Cultural and recreation services	23,412,204	25,508,247	20,835,717	22,466,168	21,359,942	20,448,165	17,921,711	16,083,451	13,523,507	14,219,229
Library	437,269	390,306	388,273	487,809	601,618	614,715	486,204	465,891	488,279	468,385
Housing and community development	25,710,747	26,517,764	29,898,563	42,858,129	26,957,697	19,276,227	28,217,736	16,712,921	14,304,279	16,224,777
Operating grants and contributions	32,835,027	28,012,480	27,933,580	24,647,506	26,332,256	27,773,525	25,798,880	26,739,187	29,111,918	27,556,715
Capital grants and contributions	5,863,192	5,378,290	9,756,158	12,616,479	5,381,978	12,583,594	5,082,847	3,369,221	3,997,076	6,506,765
Total governmental activities program revenues	174,883,185	174,307,669	174,413,613	195,977,990	162,255,917	161,503,522	152,376,043	136,073,284	127,658,113	125,484,584

(continues next page)

TABLE 2

CITY OF SANTA MONICA, CALIFORNIA

Changes in Net Position
Last Ten Fiscal Years

(continues from previous page)

	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10
Business-type activities:										
Charges for services:										
Water	26,851,412	25,946,122	24,280,023	22,311,686	22,664,712	22,902,640	22,254,867	19,897,464	17,507,315	15,771,081
Resource recovery and recycling	27,444,457	26,393,055	25,953,777	26,831,010	24,425,879	23,271,775	23,526,423	22,253,758	21,870,554	21,514,219
Community broadband	2,489,716	2,200,733	1,924,777	—	—	—	—	—	—	—
Pier	9,188,924	8,453,618	8,202,073	7,443,351	6,813,625	5,953,173	4,589,503	6,004,005	4,729,725	3,777,219
Wastewater	19,626,512	19,802,308	20,221,930	19,316,170	20,162,516	21,033,699	21,126,054	20,007,219	17,820,805	15,198,022
Civic auditorium (1)	—	—	—	—	—	—	1,468,300	1,667,172	2,603,146	2,620,897
Airport	15,690,488	14,132,521	13,149,493	8,679,711	5,897,240	5,396,797	4,185,172	3,891,716	3,748,674	3,768,426
Storm water management	1,515,810	1,462,683	1,869,476	1,500,877	1,458,352	1,395,628	1,439,522	1,419,980	1,167,073	1,613,426
Cemetery	1,730,351	2,043,185	1,713,212	1,501,371	1,604,607	1,325,778	1,315,119	1,133,990	856,141	952,972
Big Blue Bus	16,313,026	25,552,378	19,202,854	19,895,338	16,664,916	17,060,923	16,869,809	16,614,711	16,370,290	14,160,133
Parking authority	—	—	—	—	—	—	—	161,504	152,200	152,200
Operating grants and contributions	59,339,434	44,278,243	48,313,010	48,652,428	47,098,487	40,691,095	38,229,718	38,424,357	36,001,870	38,843,722
Capital grants and contributions	23,851,525	17,959,046	23,062,625	23,924,743	10,333,281	28,431,734	21,489,216	25,609,158	32,046,978	29,299,894
Business-type activities program revenues	204,041,655	188,223,892	187,893,250	180,056,685	157,123,615	167,463,242	156,493,703	157,085,034	154,874,771	147,672,211
Total primary government program revenues	378,924,840	362,531,561	362,306,863	376,034,675	319,379,532	328,966,764	308,869,746	293,158,318	282,532,884	273,156,795
Net (expense):										
Governmental activities	(313,231,250)	(309,160,166)	(240,510,655)	(208,145,096)	(219,681,169)	(220,416,473)	(241,444,190)	(355,715,185)	(246,391,090)	(277,432,635)
Business-type activities	8,720,604	(3,247,678)	6,484,619	7,409,333	(5,427,622)	4,052,919	(1,166,888)	(2,522,450)	7,102,646	6,177,600
Total primary government net expense	(304,510,646)	(312,407,844)	(234,026,036)	(200,735,763)	(225,108,791)	(216,363,554)	(242,611,078)	(358,237,635)	(239,288,444)	(271,255,035)
General revenues and other changes in net position										
Governmental activities:										
Taxes:										
Business	31,947,056	31,575,297	30,711,579	30,799,020	31,468,959	30,847,105	28,467,477	27,382,495	26,531,627	27,582,398
Property	62,615,270	56,954,925	56,423,891	50,452,377	52,771,401	47,729,105	43,477,118	59,161,313	108,995,358	110,188,615
Transient occupancy (2)	60,762,881	60,631,025	55,532,325	51,021,050	—	—	—	—	—	—
Sales and use	73,709,191	68,479,438	54,505,239	54,802,839	51,089,716	49,210,039	47,880,634	45,831,961	31,689,531	26,636,653
Utility users (2)	28,306,582	29,288,341	29,437,753	30,772,815	—	—	—	—	—	—
Real property transfer (2)	9,808,072	8,169,163	10,951,756	7,850,960	—	—	—	—	—	—
Parking facility (2)	12,699,044	11,557,811	11,231,324	10,718,156	—	—	—	—	—	—
Other	3,275,912	3,285,670	3,256,799	3,111,764	101,677,478	95,604,341	91,384,006	84,935,499	80,376,978	75,397,844
Settlement income	—	—	—	—	—	—	9,608,247	3,750,000	—	—
Other revenues	11,328,286	11,168,233	11,724,228	15,572,745	11,518,022	18,092,058	19,917,250	120,208,757	12,173,094	9,043,114
Investment earnings	21,569,426	4,360,799	3,105,772	7,049,816	4,084,621	6,613,322	1,431,317	5,791,811	7,995,401	10,062,739
Special Item	—	43,678,729	(1,103,146)	(11,893,876)	—	—	—	—	—	—
Extraordinary gain (loss)	—	—	—	(12,620,539)	(5,106,828)	(19,149,679)	(48,185,126)	261,255,080	—	—
Transfers	(15,670,477)	1,381,459	5,449,293	6,969,835	2,341,674	1,683,146	(10,863,258)	(6,141,048)	1,531,708	(23,779)
Total governmental activities	300,351,243	330,530,890	271,226,813	244,606,962	249,845,043	230,629,437	183,117,665	602,175,868	269,293,697	258,887,584

(continues next page)

TABLE 2

CITY OF SANTA MONICA, CALIFORNIA

Changes in Net Position
Last Ten Fiscal Years

(continues from previous page)

	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10
Business-type activities:										
Other revenues	3,049,645	4,580,112	4,312,287	3,723,521	6,230,537	5,207,445	12,540,746	5,310,643	6,767,730	3,912,725
Investment earnings	7,051,704	1,573,331	1,620,842	3,489,865	1,408,083	1,644,388	11,259	1,125,241	1,353,780	2,893,193
Special Item	—	6,408,992	1,103,146	10,617,561	—	—	—	—	—	—
Extraordinary gain (loss)	—	—	—	4,837,753	—	—	—	—	—	—
Transfers	15,670,477	(1,381,459)	(5,449,293)	(6,969,835)	(2,341,674)	(1,683,146)	10,863,258	6,141,048	(1,531,708)	23,779
Total business-type activities	25,771,826	11,180,976	1,586,982	15,698,865	5,296,946	5,168,687	23,415,263	12,576,932	6,589,802	6,829,697
Total primary government	326,123,069	341,711,866	272,813,795	260,305,827	255,141,989	235,798,124	206,532,928	614,752,800	275,883,499	265,717,281
Changes in net position										
Governmental activities	(12,880,007)	21,370,724	30,716,158	36,461,866	30,163,874	10,212,964	(58,326,525)	246,460,683	22,902,607	(18,545,051)
Business-type activities	34,492,430	7,933,298	8,071,601	23,108,198	(130,676)	9,221,606	22,248,375	10,054,482	13,692,448	13,007,297
Total primary government	\$ 21,612,423	29,304,022	38,787,759	59,570,064	30,033,198	19,434,570	(36,078,150)	256,515,165	36,595,055	(5,537,754)

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

(2) Included in "Other" in prior fiscal years.

TABLE 3

CITY OF SANTA MONICA, CALIFORNIA

Fund Balance of Governmental Funds

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10
General Fund										
Reserved	\$ —	—	—	—	—	—	—	—	—	36,257,776
Unreserved	—	—	—	—	—	—	—	—	—	179,212,920
* Nond spendable	11,554,753	12,853,565	15,419,253	21,062,205	23,725,864	22,257,819	22,179,119	22,181,490	26,249,121	—
* Restricted	69,975,839	97,740,458	1,976,576	18,330,042	17,951,299	12,371,619	23,808,940	43,056,449	503,645	—
* Committed	1,943,558	2,478,476	4,760,409	31,365	520,574	519,937	519,506	640,000	710,000	—
* Assigned	182,199,922	256,273,855	256,059,633	280,303,334	218,630,183	212,669,876	220,409,168	233,153,471	159,430,759	—
* Unassigned	75,004,708	66,464,774	68,082,651	67,347,773	114,196,108	118,192,052	117,324,362	117,225,871	108,382,191	—
Total General Fund	340,678,780	435,811,128	346,298,522	387,074,719	375,024,028	366,011,303	384,241,095	416,257,281	295,275,716	215,470,696
All other governmental funds										
Reserved	—	—	—	—	—	—	—	—	—	138,504,430
Unreserved, reported in:										
Special revenue funds	—	—	—	—	—	—	—	—	—	37,657,180
Capital project funds	—	—	—	—	—	—	—	—	—	50,427,715
* Nond spendable	13,864,136	12,752,261	12,149,082	11,618,768	11,463,849	30,932,430	31,524,610	23,331,591	10,788,188	—
* Restricted	209,832,078	192,169,730	184,752,868	167,750,111	144,902,038	128,610,718	124,852,862	123,658,262	170,449,269	—
* Committed	80,754,976	59,897,829	44,021,082	26,876,316	17,877,709	4,404,491	4,372,829	872,830	51,975	—
* Assigned	—	—	414,544	927,562	9,649,617	18,033,673	15,057,474	32,550,023	125,697,278	—
* Unassigned	(3,571,636)	(2,111,163)	(4,785,448)	(7,279,890)	(814,287)	(966,157)	(1,148,932)	(187,396)	(16,868,340)	—
Total all other governmental funds	\$ 300,879,554	262,708,657	236,552,128	199,892,867	183,078,926	181,015,155	174,658,843	180,225,310	290,118,370	226,589,325

* 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)

	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10
Revenues										
Property taxes	\$ 62,615,270	\$56,954,925	56,423,891	50,452,377	55,044,307	50,113,693	44,392,416	40,226,124	36,048,260	37,419,658
Incremental property taxes (1)	—	—	—	—	—	—	—	19,794,851	73,735,955	73,526,738
Sales & use taxes	73,709,191	68,479,438	54,505,239	54,802,839	51,089,716	49,210,039	47,880,634	45,831,961	31,689,531	26,636,653
Transient occupancy taxes (3)	60,762,881	60,631,025	55,532,325	51,021,050	—	—	—	—	—	—
Utility user taxes (3)	28,306,582	29,288,341	29,437,753	30,772,815	—	—	—	—	—	—
Business license taxes (3)	31,947,056	31,050,087	30,118,555	29,893,341	—	—	—	—	—	—
Other taxes	25,783,028	23,537,854	26,032,957	22,586,559	132,075,022	126,836,936	118,983,521	111,350,245	107,289,588	104,012,543
License and permits	45,099,447	41,950,905	43,134,856	41,367,924	39,490,688	36,967,493	33,777,567	30,608,592	27,564,660	20,658,582
Intergovernmental	38,315,887	37,496,608	39,612,637	39,612,770	31,013,327	33,068,906	26,420,260	28,277,049	30,887,064	30,132,263
Charges for services	65,847,661	66,615,431	63,821,708	61,667,576	56,381,352	55,976,703	50,767,945	52,613,331	45,248,472	46,975,370
Fines and forfeitures	14,877,572	16,362,857	15,461,662	15,904,736	16,287,290	16,253,546	15,303,990	15,651,820	15,952,957	17,492,928
Investment earnings	20,487,980	3,406,372	2,835,151	6,721,207	4,002,879	6,697,552	1,519,576	4,989,972	9,376,656	9,218,863
Rental income	8,986,944	9,596,580	9,047,246	11,683,408	10,602,671	10,311,967	9,843,633	9,619,254	8,541,702	7,026,380
Settlement income	—	14,085,000	6,103,175	2,433,175	2,433,175	2,433,175	52,287,404	33,277,271	—	40,196,472
Other	13,220,933	15,896,665	18,757,976	34,384,558	21,058,609	19,309,109	25,518,965	119,494,012	10,306,512	10,833,352
Total revenue	489,960,432	475,352,088	450,825,131	453,304,335	419,479,036	407,179,119	426,695,911	511,734,482	396,641,357	424,129,802
Expenditures										
Current										
General government	105,337,602	89,671,970	70,164,311	61,354,272	74,741,301	68,308,134	62,250,475	63,819,021	61,134,533	58,843,432
Public safety	168,292,252	144,607,883	136,266,910	132,629,455	117,186,887	111,737,328	104,466,191	106,215,553	99,416,830	99,142,700
General services	83,416,269	87,758,312	83,912,385	88,130,346	71,370,399	57,755,687	58,014,505	77,196,770	34,401,503	97,766,993
Cultural and recreation services	71,499,049	71,348,237	56,868,240	54,742,936	50,430,614	50,386,583	64,104,725	60,322,014	58,557,389	38,707,842
Library	13,663,753	12,967,345	12,476,127	12,667,433	12,025,143	17,158,001	14,880,934	11,323,906	10,594,925	10,067,865
Housing and community development	56,563,679	56,248,372	53,807,030	67,085,802	53,711,340	72,037,131	107,699,039	197,257,796	139,291,179	108,277,261
Other	—	—	—	—	—	—	—	—	—	—
Debt service										
Principal	4,630,000	9,039,900	6,255,000	8,788,463	6,075,000	5,920,000	3,365,000	13,180,714	9,241,980	7,530,000
Interest	6,310,437	3,596,620	3,014,688	3,392,287	3,785,591	3,966,495	3,942,925	12,312,625	10,059,522	10,079,799
Bond issuance costs	4,025	938,932	—	535,048	—	—	—	441,993	440,308	219,405
Total expenditures	509,717,066	476,177,571	422,764,691	429,326,042	389,326,275	387,269,359	418,723,794	542,070,392	423,138,169	430,635,297

(continues next page)

TABLE 4

CITY OF SANTA MONICA, CALIFORNIA

Changes in Fund Balance of Governmental Funds

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10
<i>(continues from previous page)</i>										
Excess (deficiency) of revenues over (under) expenditures	(19,756,634)	(825,483)	28,060,440	23,978,293	30,152,761	19,909,760	7,972,117	(30,335,910)	(26,496,812)	(6,505,495)
Other financing sources (uses)										
Transfers in	46,580,497	41,609,095	48,828,408	24,241,261	19,778,209	26,210,910	21,906,283	98,800,641	108,200,623	53,644,396
Transfers out	(83,785,317)	(40,405,415)	(43,585,095)	(17,271,426)	(17,289,889)	(24,648,414)	(32,010,088)	(105,257,875)	(106,957,815)	(53,948,675)
Line of credit proceeds	—	—	—	—	—	—	—	—	26,528,395	7,986,281
Long-term debt issued	—	—	—	—	—	—	—	32,178,250	—	—
Refunding bonds issued	—	—	—	26,360,000	—	—	—	19,950,000	41,050,000	9,155,000
Bonds issued	—	102,785,000	—	—	—	—	—	—	—	—
Premium on bonds issued	—	12,247,767	—	2,020,710	—	—	—	4,339,840	409,674	558,699
Payments to refunded bond escrow agent	—	—	—	(27,826,666)	—	—	—	(22,289,654)	(1,900,000)	(9,478,850)
Proceeds from loans payable	—	—	—	—	—	—	—	—	102,500,000	—
Total other financing sources (uses)	(37,204,820)	116,236,447	5,243,313	7,523,879	2,488,320	1,562,496	(10,103,805)	27,721,202	169,830,877	7,916,851
Special item	—	—	(37,420,689)	(4,462,166)	—	—	(21,254,908)	—	—	—
Extraordinary gain (loss)	—	—	—	324,615	(21,564,585)	(33,345,736)	(14,196,057)	13,703,213	—	—
Net change in fund balance	<u><u>\$ (56,961,454)</u></u>	<u><u>115,410,964</u></u>	<u><u>(4,116,936)</u></u>	<u><u>27,364,621</u></u>	<u><u>11,076,496</u></u>	<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>
Debt service as a percentage of noncapital expenditures (2)	2.41%	2.91%	2.33%	3.16%	2.65%	2.76%	2.07%	5.23%	5.34%	4.25%

(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.

(3) Included in "Other taxes" in prior fiscal years.

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

General Fund Tax Revenues by Source (1)

Last Ten Fiscal Years

(In Thousands)

Source	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10
Sales and use taxes	\$ 73,709	68,480	54,505	54,803	51,090	49,210	47,881	45,832	31,690	26,637
Utility user taxes	28,307	29,288	29,438	30,773	32,066	32,817	31,450	31,296	31,625	31,620
Transient occupancy taxes	60,763	60,631	55,532	51,021	47,629	44,396	40,997	36,143	32,747	29,804
Property taxes (2)	62,615	56,955	56,424	50,452	55,044	50,114	44,392	40,226	36,048	37,420
Business license taxes	31,947	31,575	30,712	30,799	30,354	29,783	27,518	26,325	25,480	26,553
Parking facility tax	12,699	11,558	11,231	10,718	11,072	10,598	9,954	9,394	8,786	7,848
Documentary Transfer Tax	9,808	8,169	10,952	7,851	7,903	6,273	6,027	5,192	3,954	3,432
Vehicle license fees	44	49	42	38	38	39	48	46	492	273
Condominium taxes	25	9	38	73	45	14	18	37	21	19
Total	<u>\$ 279,917</u>	<u>266,714</u>	<u>248,874</u>	<u>236,528</u>	<u>235,241</u>	<u>223,244</u>	<u>208,285</u>	<u>194,491</u>	<u>170,843</u>	<u>163,606</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)

Fiscal year	Land	Improvements	Personal property	Public utilities	Secured gross	Exemptions (1)	Secured net	Net unsecured	Net assessed valuations	Total Direct Tax Rate (2)
2018-19	\$ 22,406,863	\$ 15,268,820	\$ 428,740	\$ -	\$ 38,104,423	\$ 1,628,684	\$ 36,475,739	\$ 1,002,111	\$ 37,477,850	1.00%
2017-18	20,799,168	14,235,956	124,391	-	35,159,515	1,656,924	33,502,591	925,241	34,427,832	1.00%
2016-17	19,308,450	13,550,065	48,643	-	32,907,158	653,548	32,253,610	906,371	33,159,981	1.00%
2015-16	17,890,583	12,932,934	472,362	-	31,295,879	1,042,924	30,252,955	902,502	31,155,457	1.00%
2014-15	16,867,678	12,433,379	437,194	742	29,738,993	1,609,033	28,129,960	916,381	29,046,341	1.00%
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%

(1) Excludes 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

Fiscal year	City General Fund	County General Fund	School districts	Miscellaneous special districts	Total
2018-19	\$ 0.01	\$ 1.00	\$ 0.12	—	\$ 1.13
2017-18	0.01	1.00	0.14	—	1.15
2016-17	0.01	1.00	0.13	—	1.14
2015-16	0.01	1.00	0.13	—	1.14
2014-15	0.01	1.00	0.13	—	1.14
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

* 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	2018-19			2009-10		
	Taxable assessed value	Rank	Percentage of total City taxable assessed value	Taxable assessed value	Rank	Percentage of total City taxable assessed value
De Pacific 233 LLC	\$ 661,360,154	1	1.79 %	\$ —		— %
California Colorado Center LLC	532,547,288	2	1.44	470,425,014	1	1.95
Water Garden Company	517,040,740	3	1.40	456,900,932	2	1.90
Lantana Media Campus LLC	411,060,000	4	1.11	—		—
Office Block Investment LLC	375,343,715	5	1.01	—		—
SC Enterprises SMBP LLC	357,959,427	6	0.97	304,000,000	4	1.26
Macerich SMP LP	349,569,934	7	0.94	—		—
MDP SPE 1LP	223,286,547	8	0.60	—		—
Prudential Insurance	199,675,464	9	0.54	—		—
Hart Arboretum LLC	181,549,372	10	0.49	—		—
Douglas Emmett Realty Fund	—		—	307,106,724	3	1.27
CREP 2700 Holdings LLC	—		—	226,807,200	5	0.94
Ocean Avenue LLC	—		—	145,571,407	6	0.60
Equity Office Properties Trust	—		—	138,508,958	7	0.57
New Santa Monica Beach Hotel	—		—	138,119,347	8	0.57
Maguire Properties Lantana North	—		—	136,458,496	9	0.57
Rand Corporation	—		—	132,635,402	10	0.55
Total principal property taxpayers assessed value	<u>\$ 3,809,392,641</u>		<u>10.29 %</u>	<u>\$ 2,456,533,480</u>		<u>10.18 %</u>
Total City net taxable assessed value	<u>\$ 37,050,442,968</u>		<u>100.00 %</u>	<u>\$ 24,096,850,114</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

Fiscal year	Total secured tax levy	Current secured tax collections	Percent of levy collected	Delinquent secured tax collections (1)	Total tax collections	Total secured tax collections as percent of total tax levy	Outstanding delinquent taxes (2)	Outstanding delinquent taxes as percent of total secured tax levy
2018-19	\$ 32,779,676	\$ 32,167,281	98.1 %	\$ 419,000	\$ 32,586,281	99.4 %	\$ 407,817	1.2 %
2017-18	30,578,295	30,099,534	98.4	479,245	30,578,779	100.0	379,776	1.2
2016-17	30,859,806	30,545,235	99.0	489,991	31,035,226	100.6	375,288	1.2
2015-16	25,198,360	27,662,256	109.8	512,080	28,174,336	111.8	358,568	1.4
2014-15	26,567,114	26,190,114	98.6	600,642	26,790,756	100.8	438,248	1.6
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

(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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Apparel stores	\$ 344,337	362,841	395,249	390,071	394,070	401,761	391,145	372,497	301,972	279,184
General merchandise	56,860	78,610	89,282	93,741	100,267	106,569	113,745	112,391	66,732	28,622
Food stores	91,803	87,888	88,196	87,729	86,615	82,367	79,495	76,420	73,944	76,155
Eating & drinking places	716,826	693,473	687,794	638,818	598,468	561,613	540,315	503,243	453,736	429,872
Building materials	114,802	112,587	110,186	113,405	114,156	102,818	88,761	88,391	86,558	86,386
Auto dealers & auto suppliers	854,723	766,512	770,658	757,333	739,833	697,249	653,869	632,489	598,461	606,388
Service stations	101,275	90,164	81,810	96,004	112,717	120,566	127,052	126,247	106,520	99,030
Other retail stores	665,606	695,449	657,236	692,105	677,744	657,413	664,771	659,166	582,457	543,826
Retail stores total	2,946,232	2,887,524	2,880,411	2,869,206	2,823,870	2,730,356	2,659,153	2,570,844	2,270,380	2,149,463
All other outlets	904,103	829,773	804,321	787,252	754,803	707,580	646,311	615,753	558,553	537,884
Total all outlets	\$ 3,850,335	3,717,297	3,684,732	3,656,458	3,578,673	3,437,936	3,305,464	3,186,597	2,828,933	2,687,347

(1) Prior years amounts have been revised to reflect the change of sales tax administration reporting from the State Board of Equalization to the Department of Taxes and Fees Administration; Amounts do not include allocations from State or County Pools.

Source: State Board of Equalization, California Department of Taxes and Fees Administration, State Controller's Office, The HdL Companies

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 (2)	Line of credit (2)	Wastewater bonds	Term loans payable			
2018-19	\$ 4,754,709	—	\$ 166,858,953	\$ 200,000	—	\$ 7,074,741	\$ 855,820	\$ 179,744,223	0.48%	1,920
2017-18	6,012,945	—	171,078,364	400,000	—	9,304,636	661,765	187,457,710	0.54%	2,028
2016-17	7,281,181	—	64,474,634	400,000	—	9,404,529	921,636	82,481,980	0.25%	879
2015-16	8,554,417	—	69,944,367	400,000	—	9,504,426	1,213,411	89,616,621	0.29%	957
2014-15	9,857,652	—	77,431,209	400,000	—	9,604,321	1,497,792	98,790,974	0.34%	1,059
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

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

(2) 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>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>
General bonded debt outstanding										
General obligation bonds	\$ 4,754,709	6,012,945	7,281,181	8,554,417	9,857,652	11,205,890	12,518,284	12,650,793	15,044,398	16,793,432
Less: Amounts Available in Debt Service Fund (4)	1,110,000	1,120,000	1,130,000	1,135,000	1,165,000	1,210,000	1,225,000	—	—	—
Tax allocation bonds (3)	—	—	—	—	—	—	—	-	103,546,185	66,727,384
Total	<u>\$ 3,644,709</u>	<u>4,892,945</u>	<u>6,151,181</u>	<u>7,419,417</u>	<u>8,692,652</u>	<u>9,995,890</u>	<u>11,293,284</u>	<u>12,650,793</u>	<u>118,590,583</u>	<u>83,520,816</u>
Assessed value (in thousands) (1)	\$ 37,477,850	34,427,832	33,159,981	31,155,457	29,046,341	27,514,109	25,765,605	24,644,122	23,882,176	24,096,850
Percentage of assessed										
Property value	0.01%	0.01%	0.02%	0.02%	0.03%	0.04%	0.04%	0.05%	0.50%	0.35%
Population (2)	93,593	92,416	93,834	93,640	93,283	92,185	91,040	90,223	90,174	92,703
Per capita	\$ 39	53	66	79	93	108	124	140	1,315	901

(1) See Table 6 for Assessed Value Data

(2) See Table 16 for Population Data

(3) Redevelopment debt was transferred to the Successor Agency on February 1, 2012.

(4) This is the amount restricted for debt service principal payments.

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, 2019

	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated share of Overlapping Debt
Overlapping debt:			
Los Angeles County General Fund Obligations	\$ 2,153,701,630	2.468%	\$ 53,153,356
Los Angeles County Superintendent of Schools Certificates of Participation	5,827,868	2.468%	143,832
Metropolitan Water District	48,050,000	1.285%	617,443
Santa Monica Community College District	619,229,246	66.254%	410,264,145
Los Angeles Unified School District	10,106,450,000	0.0001%	10,106
Santa Monica-Malibu Unified School District	459,369,497	66.309%	304,603,320
Los Angeles County Regional Park and Open Space Assessment District	13,620,000	2.468%	336,142
Santa Monica Community College District Certificates of Participation	14,475,050	66.254%	9,590,300
Los Angeles Unified School District Certificates of Participation	180,545,000	0.0001%	181
Los Angeles Community College District	3,930,390,000	0.0110%	432,343
Santa Monica-Malibu Unified School District Certificates of Participation	5,452,318	66.309%	3,615,378
Overlapping Tax Increment Debt (Successor Agency):	78,775,000	100.000%	78,775,000
Subtotal, overlapping debt			861,541,546
City direct governmental debt			
City of Santa Monica General Obligation Bonds Main Library Improvements (2012)			4,754,709
City of Santa Monica Public Safety Lease Revenue Bonds (2011)			2,169,226
City of Santa Monica Civic Parking Structure Lease Revenue Bonds (2015)			24,861,663
City of Santa Monica Parking Structure 6 Lease Revenue Bonds (2011)			25,432,111
City of Santa Monica City Services Building Lease Revenue Bonds (2017)			200,000
City of Santa Monica Fire Station 1 Lease Revenue Bonds (2018)			76,808,352
State Dept of Housing and Community Development			37,587,601
Subtotal, direct debt (2)			171,813,662
Total direct and overlapping governmental debt (3)			<u><u>\$ 1,033,355,208</u></u>

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

(2) Net of issuance discounts and premiums.

(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bond and non-bonded capital lease obligations.

Source for overlapping debt information: California Municipal Statistics, Inc.

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

	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>
Total net debt applicable to limit	\$ 151,391,076	156,788,174	62,271,351	67,444,525	74,876,302	80,994,650	87,000,048	91,804,168	151,252,964	133,493,200
Debt limit	3,610,653,400	3,608,475,600	3,381,352,900	3,219,838,100	3,065,537,400	2,908,716,082	2,720,223,142	2,594,319,674	2,531,305,352	2,545,129,908
Legal debt margin	3,459,262,324	3,451,687,426	3,319,081,549	3,152,393,575	2,990,661,098	2,827,721,432	2,633,223,094	2,502,515,506	2,380,052,388	2,411,636,708
Total net debt applicable to the limit as a percentage of debt limit	4.19%	4.34%	1.84%	2.09%	2.44%	2.78%	3.20%	3.54%	5.98%	5.25%

Net assessed value	34,477,850,000
Add: exempt property	<u>1,628,684,000</u>
Total gross assessed value	<u><u>\$ 36,106,534,000</u></u>
Debt limit - 10% of total assessed value ⁽¹⁾	3,610,653,400
Amount of debt applicable to debt limit:	
Total bonded debt	156,440,000
Less:	
Assets in debt service funds available for payment of bonds	<u>5,048,924</u>
Total amount of debt applicable to debt limit	<u>151,391,076</u>
Legal debt margin	<u><u>\$ 3,459,262,324</u></u>

(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	Direct operating expense (1)	Net revenue available for debt service	Debt service requirement			Coverage (2)
				Principal	Interest	Total	
2018-19	\$ 21,231,440	\$ 11,337,168	\$ 9,894,272	\$ 2,130,000	\$ 266,550	\$ 2,396,550	4.13
2017-18	19,791,873	9,313,707	10,478,165	—	266,550	266,550	39.31
2016-17	20,069,691	8,779,235	11,290,456	—	266,550	266,550	42.36
2015-16	19,680,491	9,573,340	10,107,151	—	266,550	266,550	37.92
2014-15	20,166,164	10,535,135	9,631,029	—	266,550	266,550	36.13
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

CUSIP 802475

(1) Excludes depreciation expense, write-off of disposed assets, and capital-related expenditures.

(2) 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

Calendar year	Population (1)	Personal income (2) (millions)	Per capita personal income (3)	Unemployment rate (4)
2019	93,593	\$ *	\$ *	4.2 %
2018	92,416	802,394	60,087	4.8
2017	93,834	760,829	57,160	3.4
2016	93,640	727,377	54,526	3.6
2015	93,283	673,074	50,751	6.3
2014	92,185	635,892	48,425	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

* No data is available for 2019 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

Employers	2018-19			2009-10		
	Number of employees	Rank	Percentage of total City employment	Number of employees	Rank	Percentage of total City employment
UCLA Medical Center, Santa Monica	2,344	1	2.61 %	1,786	4	2.41 %
City of Santa Monica	2,170	2	2.42	2,177	2	2.93
Santa Monica College	1,800	3/4	2.00	2,187	1	2.95
Providence Saint John's Health Center	1,800	3/4	2.00	1,813	3	2.44
Santa Monica-Malibu Unified School District	1,734	5	1.93	1,553	5	2.09
SNAP Inc	1,400	6	1.56	—		—
Activision Publishing (Includes Beachhead Studios, Treyarch Corp)	1,231	7	1.37	663	7	0.89
Lion's Gate Entertainment Corp	943	8	1.05	—		—
RAND Corporation	891	9	0.99	894	6	1.20
Hulu	882	10	0.98	—		—
Universal Music Group	—		—	620	9	0.84
ET Whitehall, Inc. (Casa del Mar, Shuttters on the Beach)	—		—	546	10	0.74
MTV Networks	—		—	648	8	0.87
Total jobs provided by principal employers	<u>15,195</u>			<u>12,887</u>		
Average total jobs in Santa Monica	89,853			74,237		
Principal employers as percent of total jobs	16.91%			17.36%		

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

Function/Program	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10
General government	276.7	277.6	269.7	281.5	265.7	232.9	230.7	238.6	221.7	222.7
Public safety										
Police										
Sworn	227.0	224.0	224.0	221.0	221.0	216.0	216.0	209.0	216.0	216.0
Non-sworn	203.4	201.4	202.4	202.4	197.4	217.4	220.4	225.4	221.4	227.4
Fire										
Sworn	120.0	120.0	120.0	114.0	114.0	108.0	108.0	108.0	105.0	109.0
Non-sworn	16.0	17.0	16.0	15.8	15.8	21.0	21.0	21.0	22.0	19.0
General services	282.0	281.0	281.6	257.3	257.3	256.1	184.3	184.3	261.9	261.3
Cultural and recreation services	152.7	152.7	152.7	153.0	153.7	151.9	231.1	231.1	151.9	152.8
Library	113.5	113.5	112.5	111.0	111.0	114.8	106.1	106.1	107.1	107.3
Housing and community development	164.8	163.2	161.5	159.5	149.8	138.8	144.4	144.4	146.4	148.4
Beach recreation	52.6	52.6	50.5	50.3	48.9	49.9	46.6	46.6	46.6	47.6
Water	47.0	46.0	46.0	46.0	46.0	46.0	46.0	46.0	47.0	47.0
Resource Recovery & Recycling	91.3	92.3	90.7	89.7	87.7	86.7	75.2	84.2	84.2	84.0
Pier	21.9	21.9	20.3	19.3	17.8	17.8	17.2	15.8	16.2	16.2
Wastewater	21.0	22.0	22.2	22.2	22.2	22.2	22.2	22.2	22.2	22.2
Civic Auditorium	—	—	—	—	—	—	11.0	30.3	34.4	34.4
Airport	20.9	27.9	37.9	12.9	12.4	12.5	12.2	4.0	12.2	12.2
Cemetery	7.0	8.0	8.1	7.1	7.1	7.1	12.1	12.1	12.1	11.1
Big Blue Bus	463.0	464.0	462.9	464.5	436.0	435.5	419.0	419.0	413.7	418.7
Vehicle management	29.3	29.3	29.0	29.0	28.0	28.0	28.0	28.0	28.0	28.0
Self insurance - workers' compensation	13.0	13.0	13.0	13.0	12.0	12.0	14.0	14.0	12.0	12.0
Community Broadband	3.0	4.0	4.0	—	—	—	—	—	—	—
Total all funds	<u>2,326.1</u>	<u>2,331.4</u>	<u>2,325.0</u>	<u>2,269.5</u>	<u>2,203.8</u>	<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>

Note: Includes permanent and temporary employees (2,080 hours = 1 full-time position).

Source: City of Santa Monica Budget

TABLE 19

CITY OF SANTA MONICA, CALIFORNIA
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function / program	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10
General government:										
Electronic requests for government information	11,784,998	12,465,631	13,811,858	12,558,833	13,410,283	12,420,770	12,175,143	16,000,000	16,000,000	15,900,000
Hours of live public meeting coverage	230	210	220	275	319	284	330	300	300	300
Public safety:										
Number of emergency response incidents	17,355	17,199	16,384	15,963	14,629	13,637	13,540	12,842	12,000	12,005
Number of inspections	8,201	8,795	10,592	10,202	8,119	9,031	8,706	9,549	8,549	7,235
Calls to Police Department for service	128,992	134,192	129,524	130,016	133,516	128,323	120,320	105,642	104,097	109,045
Police reports issued	16,043	16,298	14,467	14,358	13,984	13,983	13,708	13,086	13,377	13,995
Number of crimes recorded	10,369	10,008	8,988	8,774	8,500	8,744	8,986	8,579	8,581	8,793
General services:										
Number of square feet of sidewalks repaired	219,871 (1b)	126,959 (1a)	99,907 (1)	14,001	10,359	6,025	3,279	40,000	40,000	33,670
Number of graffiti removals performed	40,156	45,729	43,535	38,311	37,940	37,948	34,289	20,000	20,000	19,500
Feet of sewer mains cleaned	2,072,933	2,093,410 (7)	1,988,287	1,985,816	2,200,810	1,933,560	2,328,874	2,316,757	1,751,717	1,768,024
Cultural and recreation services:										
Number of cars parked in beach lots	2,190,104	2,553,233	2,829,771 (2)	2,580,752	2,580,225	2,568,733	2,163,186	1,500,000	1,500,000	1,798,000
Senior services meals served	118,875	104,472	64,406	52,917	48,253	43,020	64,711	56,232	52,440	49,786
Number of low income persons receiving primary health care	4,460	4,711	4,458	4,137	3,089	3,519	3,568	4,164	4,453	3,942
Number of youth regularly attending homework assistance programs	687	597	641	745	624	583	469	466	458	423
Library:										
Library visitors	1,131,524	1,221,015	1,257,746	1,184,130	1,262,708	1,265,286	1,373,663	1,500,000	1,500,000	1,500,000
Materials used	1,688,615	1,707,798	1,882,878	1,888,473	1,998,869	2,021,936	2,225,571	2,100,000	2,100,000	2,100,000
Public access computer sessions	159,705	175,485	173,702	164,318	182,655	215,907	271,680	300,000	300,000	300,000
Housing and community development:										
Building and Safety plan checks completed	4,389	4,412	4,749 (3)	2,823	3,080	2,366	1,998	1,500	1,500	1,712
Building inspections performed	23,342	24,009	24,080	23,858	20,690	20,732	21,576	16,000	16,000	13,608
Rounds of transportation plan check & entitlement application review completed	530 (5)	323 (4)	640	632	748	839	465	500	500	444
Resident parking passes sold	57,993	53,118	51,325	48,962	56,356	51,674	76,000	73,000	70,000	60,000
Number of traffic signs installed, replaced, repaired, or removed	2,951	3,024	2,858	1,659	2,079	2,417	2,859	5,600	5,600	4,600
Number of parking meters installed, replaced, repaired, or removed	21,650	18,605	14,843	13,844	5,875	5,874	6,100	23,000	23,000	49,000
Water:										
Number of direct customer accounts	18,342	18,061	17,976	17,842	17,798	17,760	17,705	17,902	17,823	17,709
Water sold to direct customers in whole acre feet	11,265	11,718	11,552	11,242	12,323	13,344	15,147	11,996	11,779	12,629
Airport:										
Number of tenant aircraft	256	278	310	309	325	274	420	420	420	420
Noise ordinance violations issued	38 (6)	130	148	162	118	153	160	142	148	154
Big Blue Bus:										
Revenue Miles	4,978,667	5,024,447	4,969,546	4,862,782	4,734,209	4,870,655	5,019,965	5,278,856	5,267,809	5,352,321
Farebox revenue (in millions)	11.40	11.72	11.80	12.84	13.36	13.68	14.09	11.86	11.74	11.63
Total passenger trips (in millions)	12.50	13.18	13.30	16.50	18.70	18.80	19.31	21.96	21.96	21.96
Number of customer relations phone calls	51,952	30,730	37,187	38,705	56,995	64,525	69,075	73,586	73,447	69,738
Total number of charters	0	0	0	0	0	3	3	90	349	202

(1) Per Streets this count was adjusted to include permanent, temporary, and hot-patch repairs.

(1a) There was an increase of 2200 SF of alternative sidewalk pavers replaced compared to the prior fiscal year.

(1b) Increased contractor repairs to multiple locations due to inspections.

(2) Excludes Beach House summer reservations and private event parking.

(3) Includes plan check projects at the public counter (OTC reviews) that were left out last fiscal year.

(4) Division no longer reviewing single family residences.

(5) Per Mobility and Traffic, name updated from "Transportation Managements plan checks completed".

(6) Per Airport decrease from prior year due to shortening of airport runway.

(7) Number updated per Wastewater.

Sources: Various City departments.

TABLE 20

CITY OF SANTA MONICA, CALIFORNIA

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function / program	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10
Public safety:										
Number of police vehicles	237	243	235 (1)	232	220	223	241	239	215	215
Number of fire vehicles	71	67	67	71	68	64	56	52	54	57
Number of fire stations	5	5 (6)	4	4	4	4	5	5	5	5
Number of police substations including Public Safety Facility	3	3	3	3	3	3	4	4	4	4
General services:										
Square footage of asphalt paved streets	30,191,740	30,170,740	30,170,740	30,170,740	30,403,785	30,403,785	30,403,785	30,403,785	30,385,115	30,585,115
Square footage of concrete paved streets	1,183,981	1,177,981	1,177,981	1,177,981	1,128,034	1,128,034	1,106,834	1,106,834	1,125,504	1,125,504
Square footage of sidewalks	8,451,871	8,451,871	8,451,871	8,451,871	8,403,428	8,403,428	8,386,998	8,386,998	8,386,998	8,386,998
Square footage of curbs and gutters	1,938,820	1,938,420	1,938,420 (2)	1,938,420	1,930,214	1,930,214	1,927,564	1,917,714	1,883,714	1,834,166
Cultural and recreation services:										
Number of beach parking lots	16	16	16 (3)	16	16	17	17	17	17	17
Number of parks	31	31	30	29	29	29	29	27	27	26
Number of swim centers	2	2	2	2	2	2	2	2	2	2
Library:										
Number of facilities: main and branches	5	5	5	5	5	5	4	4	4	4
Housing and community development:										
Downtown structure visitors	5,171,173	5,339,806	5,753,204 (4)	6,722,688	6,405,636	6,455,602	6,790,058	6,659,246	5,958,593	4,078,062
Water:										
Number of feet of new water main installed	4,825	4,500 (7)	2,269 (5)	2,495	10,465	9,510	9,510	12,384	—	—
Water main system (in miles)	205	205	205	205	205	205	205	205	205	205
Reclaimed water main system (in miles)	5	5	5	5	5	5	4	4	4	4
Wastewater:										
City sewage flow in million gallons/day	14	13.8	14.2	13.9	13.9	12.2	11.4	11.4	11.3	10.6
Sewer main system (in miles)	152	151	151	151	151	151	151	151	152	152
Stormwater:										
Daily gallons treated for recycling by SMURRF	186,732	180,699	159,740	160,059	170,000	108,000	123,000	122,890	330,000	275,000
Storm drain system (in miles)	59	59	59	59	59	59	59	59	58	58
Airport:										
Aircraft operations (departures and arrivals)	74,511	74,130	83,471	89,217	84,633	85,052	102,109	105,026	106,521	112,212
Big Blue Bus:										
Number of buses	195	199	200	200	188	201	192	200	214	199

(1) Includes police patrol boat, Mobile Command Center, and SUVs (to eventually replace old Crown Victorias)

(2) Per Engineers, curbs and gutters are in linear feet. Thus, use approximate factor of 2 to convert from linear feet to square feet.

(3) 1650 Appian is residential parking only and has been removed from count.

(4) 2017 Downtown Community Plan (DCP) Downtown perimeter: Wilshire Blvd (north), Lincoln Blvd (east), I-10 Freeway (south), Ocean Avenue (west)

- includes Parking Structures 1-8, Main Library Parking Structure, Ken Edwards Center

- excludes Parking Structure 9, Civic Center Parking Lot, Civic Center Parking Structure

- includes transient ("daily") visitor parking and does not include monthly permit parkers

(5) Per Engineers, this total is lower compared to prior years because no water main CIP was started this year.

(6) Per Fire, there were 4 permanent and 1 temporary station @ Station #4 for FY17/18

(7) Total updated per Engineering.

Sources: Various City departments.



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