

City of Santa Monica California



Comprehensive Annual Financial Report for the Year Ended June 30, 2020



City of Santa Monica California

Comprehensive Annual Financial Report

Year ended June 30, 2020

Prepared by the Finance Department

Gigi Decavalles-Hughes	Director of Finance/City Treasurer
Stephanie Manglaras	Financial Operations Manager
Robert Garcia	Supervising Accountant
Randy Chow	Financial Reporting Administrator
Amelia Dawson	Senior Grants Analyst
Jason Duvall	Accountant II
Adriana Franco	Accountant II
Lisa Nakamine	Accountant II
Jane Lim	Accountant I
Swen Yang	Accountant I
Brian Mondragon	Executive Administrative Assistant

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City of Santa Monica, California
Year Ended June 30, 2020

INTRODUCTORY SECTION



Finance Department

1685 Main Street, Mail Stop 09 | Santa Monica, CA 90401 | www.smgov.net

January 22, 2021

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, 2020 (FY 2019-20).

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 2019-20. Their report is located at the front of the financial section of this report.

PROFILE OF THE CITY OF SANTA MONICA

The City of Santa Monica, bordered by the City of Los Angeles on three sides and by the Pacific Ocean on the west, encompasses an area slightly greater than eight square miles and serves a residential population of 92,357 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 and five-year fiscal forecasts and capital plans and continuous review and refinement of fiscal policies and processes. This careful planning allowed the City to quickly reposition itself in response to the COVID-19 pandemic that has devastated economies at all levels around the world. In the US, we have seen the worst contractions in our economy since the Great Depression and, despite the upcoming distribution of a vaccine, economists agree that we will be in a downturn or potentially a recession through the end of next calendar year. Cities like Santa Monica, with strong tourism, retail and entertainment amenities, are being hit the hardest. Adding to the challenge is the lack of federal stimulus aid for state and local governments. Beginning in early April 2020, staff forecasted the effects of COVID-19 on Santa Monica's operations and revenues and embarked on a process to restructure programs, services and capital projects, and the staffing and financial resources that support them, to meet the public health and fiscal challenges. In a transparent process that spanned five City Council meetings, staff prepared a FY 2020-21 budget that was almost 25% less than the prior year and included a combination of one-time funds and ongoing reductions, to meet the immediate and longer-lasting effects of the COVID-19 pandemic. While the reductions have been difficult, they, along with a \$20 million Shutdown Reserve that acts as an extra layer of budget protection to maintain essential services in the event of another economic shutdown like the one we are experiencing in December 2020, have put the City on a financially sustainable track despite the continued lack of federal aid.

The City's financial health is impacted in part by the national and State economic climates. As a result of the COVID-19 pandemic, forty-eight states closed nonessential businesses for several months before starting a reopening process that was followed by new and larger surges of the virus during the summer and required a pullback in reopening plans. The country is in a third surge in December, with an unprecedented number of new infections daily requiring renewed stay at home orders. Restaurants, hotels, retailers and countless small businesses have laid off millions as revenue has receded. Gross Domestic Product (GDP) contracted at an annual rate of 5% in the first quarter and 31.4% in the second quarter, the worst drop since the Great Depression. The third quarter 33.1% increase, while positive, still leaves the economy below its prior year level. Even with the promise of a vaccine widely available in 2021, economists are anticipating that the economy will not recover until late 2021 or 2022.

Santa Monica's economy has been and will continue to be significantly impacted by the COVID-19 pandemic. Cities with a high dependence on sales and hotel occupancy taxes are suffering the most. Tourism and hospitality are key components of the Santa Monica economy. Transient occupancy taxes have historically accounted for a higher proportion of General Fund revenues (17%) than in most cities, and sales taxes generated by tourists and daytime visitors at restaurants and retail outlets also contribute greatly to the City's revenues. In fact, these two sources account for nearly one-third of General Fund revenues. The full or partial shutdown of non-essential businesses also affects other key City revenue sources such as parking, utility users taxes, and business license taxes. It is anticipated that some social distancing measures will be kept in place in hotels, restaurants, and shopping establishments for a period beyond widespread distribution of the vaccine. It will likely be months or even years before international and interstate travel resume in a meaningful way, and business travel may never return to pre-virus levels. People's shopping habits may also be altered for a significant amount of time or forever.

With this in mind, City revenues are anticipated to be negatively affected in FY 2020-21 and likely longer. Sales Taxes are projected to decrease by nearly 14% in FY 2020-21 after a 14% decrease in FY 2019-20, due to greatly-reduced sales in restaurant/hotel, general consumer goods, and auto sales categories. Transient Occupancy Taxes (TOT) are projected to decrease by 42% in FY 2020-21 after a 21% decrease in FY 2019-20. Even with hotels open, stay at home orders are curtailing travel and social distancing requirements are keeping a number of rooms off-line and it will take some time before international and business travel resumes. Parking Revenues (including parking fines) are projected to decline by about 30% in FY 2020-21 after a 21.7% decrease in FY 2019-20. Even with partial lifting of stay at home orders, the recessionary conditions, continued social distancing guidelines, potential business closings, and increases in teleworking are all expected to negatively impact visitation to the City.

Smaller decreases are anticipated in Parking Facility Taxes and Utility Users Taxes, reflecting the impact of temporary and permanent business closures. Documentary Transfer Taxes, consistent with past recessions, are projected to decrease by 50% in FY 2020-21 reflecting decreased property sales. Property Taxes for FY 2020-21 will be based on assessed values as of January 1, 2020. Therefore, most of the impact from any value decreases due to the recession would be realized in FY 2021-22. Santa Monica values have tended to hold up well even in times of economic downturn. Based on this, property taxes are projected to increase by 6.6% in FY 2020-21. Business License Taxes are projected to decrease by about 5% in FY 2020-21 due to business closures resulting from the pandemic. Due to the time period on which taxes are based, most of the impact of the pandemic and the resulting recession on these revenues will not be seen until FY 2021-22, when a 14% decrease is anticipated. Fees and Charges are projected to decrease by 12.5% in FY 2020-21 reflecting the closing and/or scaling back of programs due to City restructuring as well as a decline in certain development related revenues due to the recession.

On November 3, 2020, Santa Monica voters approved Measure SM, a general tax measure increasing the Documentary Transfer Tax on properties selling for \$5 million or more by \$3.00 per \$1000 in sale price. The measure won handily with 71.88% of the vote. Staff anticipates that 10% of properties sold in the City annually will be subject to the tax increase and that the measure will generate \$3 million annually initially, and up to \$6 million annually in 4-5 years.

Staff is also completing an updated fee study during the year to ensure that the City is recovering costs of running programs and services that benefit individuals. The updated fees will be adopted along with the FY 2021-23 Biennial Budget in June 2021.

CITYWIDE BUDGET

Beginning in mid-March, with the initial State and County Stay at Home Orders, the public health emergency has changed how, and whether, we can operate programs and facilities. These orders resulted

in closures and contractions in services, the majority of which persist today as the country is experiencing yet another surge in coronavirus infections. The economic impacts of the COVID-19 pandemic have devastated nearly all of the City's long-trusted revenue streams, as noted above. Considering these impacts, staff projected revenue losses that would result in General Fund deficits of \$48 million in FY 2019-20, \$102 million in FY 2020-21, and \$74 million in FY 2021-22. After reviewing these impacts, Council directed staff to develop a plan for FY 2020-21 to restructure City operations to meet the challenges posed by COVID-19 and to balance the budget.

To eliminate the deficits, maintain essential operations according to new public health protocols, and preserve the City's financial resilience to the greatest extent possible, staff proposed a combination of expenditure savings in FY 2019-20; significant budget restructuring beginning in FY 2020-21 that reflects changes to programs and services that cannot be operated in the current environment; and the use of \$117 million in one-time funds, including capital project funds that were deferred, reduced or cancelled, and economic uncertainty, contingency and other reserve funds, that would allow City essential operations to withstand the severe revenue dip during what we project to be the worst part of the economic crisis through June 30, 2022. The FY 2020-21 General Fund budget that was ultimately adopted included a 23.9% reduction in expenditures from the previously approved FY 2020-21 Budget Plan (the second year of the FY 2019-20 Biennial Budget).

Based on the City's revised budget performance, the City completed the fiscal year in line with its updated projections. While we had estimated a deficit of \$48 million, we anticipated that a retraction of programs and services during the first months of the Safer at Home Orders would result in at least \$6 million in expenditure savings, thereby relying on one-time funds set aside to close the remaining \$42 million gap. Year-end revenues performed slightly better resulting in an approximate \$30 million gap that must be closed using one-time funds. While this still translates to a significant deficit, one-time funds set aside by Council specifically to address the revenue shortfalls were applied to balance the budget.

To continue to provide essential services safely and within the constraints of our diminished revenues, the City's Adopted Budget for FY 2020-21 reflects significant restructuring in services and operations, and ultimately significant staffing reductions. Resources are focused primarily on emergency response, providing clean and safe foundational services, and economic recovery, with an emphasis on the City's values including working towards greater racial equity. The FY 2020-21 citywide budget is \$192.3 million less than the FY 2019-20 Revised Budget and has 298.8 fewer full time equivalent permanent positions and 122.3 fewer full-time equivalent as-needed positions. Within the General Fund, the difference is \$111.8 million, with 234.1 fewer permanent positions and 103.3 fewer as-needed positions. Staffing reductions reflect limitations in the programming that could be offered, anticipated decreases in workload during the economic slowdown and safer at home orders, and budget constraints that required very difficult decisions to be made in order to preserve essential services.

It is not anticipated that our national or local economy will recover quickly. Even the approval of a vaccine and progress on successful therapeutic treatments to fight coronavirus infections will not erase the permanent changes impacting the traditional economic structure that we have relied upon to achieve revenue targets. Staff projects that the City's revenues will recover to pre-COVID-19 levels in FY 2024-25, at which point it would be prudent to rebuild the City's reserve balances and focus more attention on deferred capital projects before considering new or expanded programs and services that are not addressing the key priorities on which the current budget is based.

While we are able to balance the budget through reserves and other one-time funds, an extraordinary amount of uncertainty surrounding both the duration of the pandemic and its ramifications on economic recovery remains. Economic instability exists for local governments throughout the country, uncertainty made worse by the absence of substantial federal stimulus funds. This high level of uncertainty, both

about the future of the COVID-19 pandemic and the economy means we must continue to exercise extreme caution in the management of our finances in the foreseeable future.

While local governments have yet to receive meaningful federal financial assistance, the City did receive a nominal \$1.14 million allocation of federal Coronavirus Aid, Relief and Economic Security (CARES) Act funding from the State of California. These funds cover a very small portion of the City's unfunded needs related to the public health emergency and the economic crisis that has ensued; however, they provide some measure of relief and allow us to address, on a one-time basis, critical service needs in the areas of emergency response, clean and safe spaces and services, and economic recovery.

With the restructuring as it now stands, assuming a slow recovery, we anticipate reaching pre-COVID-19 revenue levels in FY 2024-25. We would anticipate that a portion of the positive balances, as the economy and revenue flows recover, would support the resumption of programs, such as opening libraries, funding critical capital projects, and replenishing General Fund reserves to better position the City to withstand future challenges.

POLICIES, RESERVES AND TRANSPARENCY

Over the years, the City has worked to add policies and reserves to affirm its commitment to safeguarding public funds through transparent and careful fiscal management. For more than ten years, the City has kept an economic uncertainty reserve of \$9.7 million in addition to its General Fund contingency reserve totaling 15% of annual expenditure budget. The contingency reserve has been reduced to 12.5% until the City recovers from the pandemic. In addition to a comprehensive set of fiscal policies, the Council has approved a Fiscal Sustainability Philosophy, a Compensation Philosophy, and Guiding Principles to Handle Pension Liability.

The Compensation Philosophy, adopted on July 24, 2018, established 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.

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 Audit Subcommittee of the City Council, made up of three Council members and two residents with financial backgrounds, meets 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 and departmental efficiency process improvements.

The safeguards and planning principles built over time have provided the City a path to stability during the devastating economic downturn that we are experiencing today. The City moved quickly to ensure that it would be able to continue to provide essential services despite a projected \$224 million revenue shortfall over three years (FY 2019-20 through FY 2021-22). This required a combination of staffing and program cuts, in most cases dictated by the pandemic restrictions, cancellation or deferral of all but the most critical capital projects, use of settlement funds and tax funds that were available, and use of economic uncertainty and contingency reserves set aside specifically for this type of situation.

The City ended the fiscal year with a positive operating balance and a General Fund fund balance of \$226.5 million which includes nonspendable, restricted, committed, assigned, and unassigned fund balances, each with varying constraints that control how amounts can be spent.

MANAGING FISCAL CHALLENGES

In addition to the extraordinary fiscal challenges the City is facing during and in the aftermath of the pandemic, longstanding areas of pressure on our finances continue to be considered in our fiscal management. The key long term challenges the City faces are steep increases in pension costs reflecting the phasing in of the California Public Employees' Retirement System (CalPERS) discount rate decrease from 7.5% to 7.0% and additional changes to the methods in which liability is amortized, all of which have the effect of stabilizing the pension fund but resulting in higher contribution rates by employers. In addition to pension costs, the City must forecast steady increases in workers' compensation costs and healthcare costs, all of which were anticipated to outpace revenue growth before building in the effects of the pandemic.

The City has enacted a number of initiatives to mitigate the pressure of these cost drivers on the budget. 44% of current employees receive a reduced level of pension benefits based on Public Employee Pension Reform Act (PEPRA) levels or the City's own "Tier 2" levels established on July 1, 2012, six months before the enactment of PEPRA, for employees who entered the City during those six months as new Miscellaneous bargaining group (non-sworn) employees. Employees in all bargaining groups hired after January 1, 2013 receive lower benefits as well. All employee groups have eliminated the employer paid member contribution (EPMC) benefit and the employee-paid portion of the pension cost is deducted from employees' paychecks and paid directly to PERS. In March 2020, the City's Coalition of Miscellaneous employees agreed to a lower level of pension benefits, eliminating the employer paid member contribution (EPMC) benefit that will result in a further \$35 million decrease in the City's unfunded pension liability. In addition to paying the employee portion of the contribution, Public Safety employee bargaining groups reimburse the City for a portion of the employer cost. Both Police and Fire Classic sworn employees (those hired before PEPRA benefits were established) pay over a quarter of the annual pension contribution cost, while Miscellaneous Classic employees, who have a lower level of benefits and therefore a lower cost contribution, pay approximately 23% of the annual cost.

Another cost-saving measure is the series of payments made to CalPERS beyond the actuarially determined 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.

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. This accelerated paydown plan was adopted by Council and incorporated into the FY 2019-20 budget as part of the Guiding Principles to Handle Pension Liability. It was projected that the accelerated 13-year repayment would save more than \$100 million in interest costs over 30 years (\$41 million Present Value). This pay down plan 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 actuarially determined contribution. Due to the economic crisis the City is currently experiencing, Council has temporarily changed the schedule of the accelerated paydowns, per

the emergency provision of the policy, to shift to a 15-year paydown schedule and suspend payments for up to the next two years.

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 2020-21. 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 has shortened 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 apply to new unfunded liability bases and will likely further increase contributions beginning in FY 2021-22.

In 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 has paid the equivalent of its annual actuarially determined OPEB contribution into the irrevocable trust each year. This has allowed the City to benefit from a higher discount rate used in calculating its OPEB unfunded liability. Due to the economic crisis the City is currently experiencing, the Council has authorized the suspension of these prefunding payments to the OPEB trust through June 30, 2023. As a result, the discount rate used to determine the unfunded liability in the FY 2019-20 financial statements is blended and lowered to reflect that no payment was made in FY 2019-20. Staff has set aside the equivalent amount of the suspended payment as an assignment in the fund balance in case a better than projected financial situation in FY 2020-21 allows for the prefunding.

To counter the trend of health insurance cost increases, all members from the City's collective bargaining groups contribute to health insurance premiums. Additionally, the City's current contract with its insurance provider provides fixed rates through calendar year 2021. In addition, Miscellaneous employees increased their contribution towards healthcare premiums by 1 percent in the most recent labor agreement approved in March 2020.

Risk Management is implementing and managing a variety of measures to help control workers' compensation costs. The BBB has extended a pilot program in which claims administration responsibilities for all BBB claims are transferred from the City's in-house workers' compensation unit to a private claims administrator; through June 30, 2020 BBB's total program liabilities were reduced from \$7.44 million to \$5.8 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.

While we had previously reported that the City had embarked on a six year transition from maintenance of effort budgeting to one based on Framework Priorities in order to focus limited resources on the areas and items that are most critical to the community, the severe reduction in revenues forced an acceleration of this priority setting, at least for the current situation. As we look towards recovery, we will use the priority areas identified in the Framework for a Sustainable City of Wellbeing to gauge our community's

needs and focus resources and effort on those areas. With the elimination of 298.8 full time equivalent permanent positions, the administrative effort to map all departmental activities and track metrics is not possible at this time. Staff will continue to measure performance at a more focused level, and to use the Framework to communicate community priorities.

MAJOR CAPITAL PROJECTS

The limited number of projects adopted in the FY 2020-21 CIP Budget represent critical infrastructure needs, projects that cannot be deferred without compromising essential operations or public health and safety, and projects that generate revenue. The temporary reductions in CIP funding will also help to mitigate the revenue shortage in each of the next two years. Two new essential projects funded in FY 2020-21 are the Parking Meter Replacement and Public Safety Computer Aid Dispatch Management System 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 their 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. Phases 1 and 2 of the project design and construction costs were funded using a combination of the City's General Fund and Enterprise Fund resources. Construction of these initial two phases is 41% complete and scheduled to be completed in Summer 2022.

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 funded using the City's Wastewater, Stormwater, and Clean Beaches and Ocean Parcel Tax Funds with financing from Clean Water State Revolving Fund loan. All elements are being implemented in one phase. Design of all elements is 100% complete. Construction phase is 15% complete. The project is scheduled to be completed in late 2022.

The North Beach Trail Improvements Project includes improvements to 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. The project renovated Ocean Front Walk by installing new paving, architectural concrete seat walls, and lighting. It also widened approximately two miles of the Marvin K. Braude Bike Trail, as outlined in the City's Bike Action Plan, from 14 feet to 30 feet to accommodate a 16-foot-wide bike path and a 12-foot-wide pedestrian path that provides safer passage for the high volume of cyclists and pedestrians using the trail. Construction on the project is nearing completion and is expected to be completed within budget by the end of December 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 in November 2020.

The Bus Replacement project includes the purchase of 18 Battery-Electric 40-foot Gillig buses and bus chargers. Council awarded a contract to Gillig in October 2019. The first battery-electric buses from this

order is scheduled to be delivered in April 2021 with the remaining vehicles to be delivered between September 2021 through November 2021. The bus chargers will be delivered in June 2021.

The Historic Belmar Park 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 Historic Belmar Park Project is built on a 3.5-acre site, which was previously the location of the Civic Center Parking Lot, located at 1840 4th Street and adjacent to the Santa Monica Civic Auditorium. Construction is 95% complete and the project will be completed in February 2021.

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, 2019. 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-six years. We believe our current CAFR also conforms to the Certificate of Achievement program requirements.

A copy of this CAFR can be viewed by appointment in the City Clerk's Office. Electronic copies have been provided 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. Physical copies can be provided upon request to the City's Finance Department.

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,



Gigi Decavalles-Hughes
Director of Finance/City Treasurer

OFFICIALS OF THE CITY OF SANTA MONICA

As of December 31, 2020

City Council

Sue Himmelrich, Mayor

Kristin McCowan, Mayor Pro Tempore

Phil Brock

Gleam Davis

Oscar De La Torre

Kevin McKeown

Christine Parra

Administration and Department Heads

Interim City Manager

Deputy City Manager

Interim City Attorney

City Clerk (Director of Records and Election Services)

Director of Finance/City Treasurer

Director of Human Resources

Chief Information Officer

Interim Chief of Police

Fire Chief

Director of Community Development

City Librarian

Director of Transit Services

Director of Community Services

Director of Public Works

Lane Dilg

Anuj Gupta

George Cardona

Denise Anderson-Warren

Gigi Decavalles-Hughes

Lori Gentles

Joseph Cevetello

Jacqueline Seabrooks

Bill Walker

David Martin

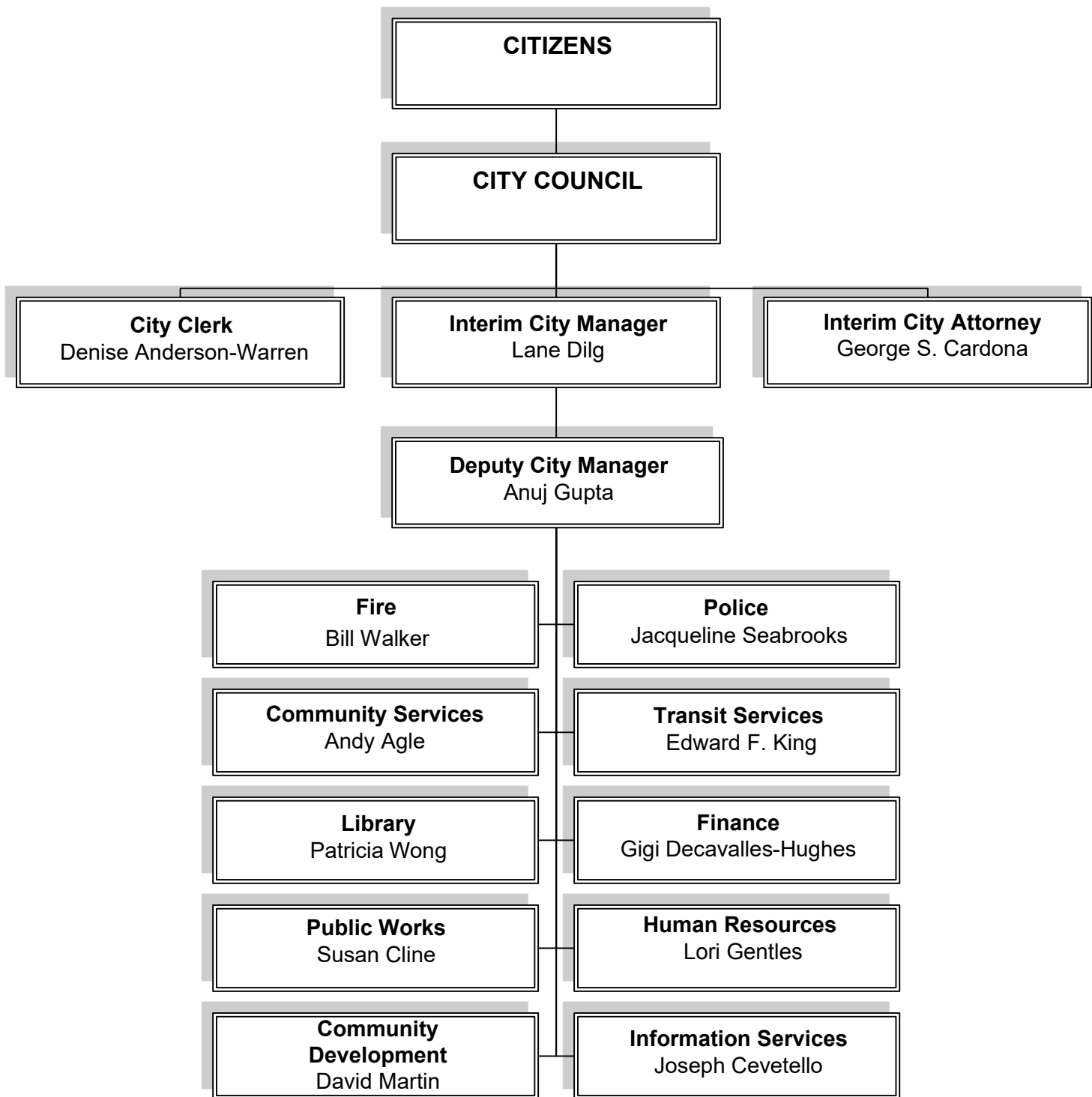
Patty Wong

Edward F. King

Andy Agle

Susan Cline

ORGANIZATION OF THE
CITY OF SANTA MONICA
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Government Finance Officers Association

Certificate of
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for Excellence
in Financial
Reporting

Presented to

**City of Santa Monica
California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO

City of Santa Monica, California
Year Ended June 30, 2020

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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 auditors' 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of revenue, expenditures, and changes in fund balance – budget and actual for the general fund, special revenue source fund and the low and moderate income housing assets fund, the schedule of changes in net pension liability and related ratios, the schedule of contributions – pension plans, the schedule of changes in 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual 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 January 22, 2021 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
January 22, 2021

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis For the fiscal year ended June 30, 2020 (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, 2020. 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 \$1,517.5 million as of June 30, 2020. Of this amount, \$1,210.3 million represents net investment in capital assets, \$245.2 million represents net position restricted for specific purposes, and \$62.0 million represents unrestricted net position. Governmental activities and business-type activities reported unrestricted net positions of (\$56.6) and \$118.6 million which is a reduction of \$43.8 and \$40.8 million respectively. The decrease in governmental activities and business-type activities unrestricted net position is primarily due to a COVID 19 pandemic related decline in revenues and additional related expenses, termination expenses related to a reduction in force and settlement agreements. \$927.9 million represents net position for governmental activities and \$589.6 million represents net position for business-type activities.
- For the fiscal year ended June 30, 2020, the City's total net position decreased by \$84.6 million, to \$1,517.5 million at June 30, 2020 from \$1,602.1 million at June 30, 2019. This decrease was due to decreases in governmental activities net position of \$43.8 million and business-type activities net position of \$40.8 million during FY 2019-20.
- At the end of the current fiscal year, the City's governmental funds reported total ending fund balances of \$550.8 million, compared to \$641.6 million at the end of the prior fiscal year, which is a decrease of \$90.8 million or 14.2%.
- The General Fund reported an ending fund balance of \$226.5 million as of June 30, 2020, compared to \$340.7 million as of June 30, 2019, which represents a decrease of \$114.2 million or 33.5%. The main reasons for the overall decrease in fund balance are increase in capital project spending for projects such as the City Yards Modernization, Fire Station 1, Civic Center Sports Field and the City Services Building. Additionally, the General Fund contributed an additional \$29.6 million to the General Liability Self-Insurance Fund to fund a settlement, and made expenditures related to a reduction in force and additional expenditures related to the COVID-19 pandemic, offset by a transfer in of \$24.0 million from the Water Fund.
- The City's net capital assets increased by \$68.1 million, or 5.3%, to \$1,354.6 million as of June 30, 2020 from \$1,286.5 million as of June 30, 2019.
- The City's long-term debt (excluding unamortized issuance premiums) decreased by \$2.4 million or 1.5% to \$161.9 million as of June 30, 2020 from \$164.3 million as of June 30, 2019. The decrease is due to annual debt service payments made during FY 2019-20 offset by draws on a loan for water infrastructure.

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued For the fiscal year ended June 30, 2020 (Unaudited)

- The City's net pension liability increased from \$447.8 million at June 30, 2019 to \$465.7 million at June 30, 2020; an increase of \$17.9 million or 4.0%. The increase in the liability was primarily due to the lower than expected investment returns in 2018-19.

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, transit services, community broadband, and parking.

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.

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued
For the fiscal year ended June 30, 2020
(Unaudited)

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

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

The City maintains 19 individual governmental funds for financial reporting purposes. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General, 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 Clean Beaches and Ocean Parcel Tax Fund). The City Council does not adopt budgets for the two permanent funds (the cemetery and mausoleum perpetual care funds) or the one debt service fund. A comparison schedule has been provided for the General Fund, Special Revenue Source 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.

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued For the fiscal year ended June 30, 2020 (Unaudited)

The proprietary funds financial statements can be found at pages 9 through 12 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 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 14 through 15 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 16 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 \$1.5 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 80.0%, reflects the City's investment in capital assets less any related outstanding debt and associated deferred outflows/inflows 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, \$245.2 million or 16.2%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$62.0 million or 4.1%, 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 net investment in capital assets and restricted net assets for governmental activities and all three categories of net position for business-type activities (the City reported negative net unrestricted assets in governmental activities). Both activities had positive net position in all categories the prior fiscal year.

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued For the fiscal year ended June 30, 2020 (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	
	6/30/20	6/30/19	6/30/20	6/30/19	6/30/20	6/30/19
Current and other assets	\$ 725.7	788.8	298.7	332.4	1,024.4	1,121.2
Capital assets	890.3	825.5	464.2	461.0	1,354.5	1,286.5
Total assets	1,616.0	1,614.3	762.9	793.4	2,378.9	2,407.7
Deferred outflows of resources	89.7	93.3	20.1	20.9	109.8	114.2
Current and other liabilities	69.8	69.0	46.4	39.3	116.2	108.3
Long-term liabilities	688.0	644.9	141.7	138.3	829.7	783.2
Total liabilities	757.8	713.9	188.1	177.6	945.9	891.5
Deferred inflows of resources	20.0	21.9	5.3	6.4	25.3	28.3
Net position:						
Net investment in capital assets	756.3	730.1	454.0	453.3	1,210.3	1,183.4
Restricted	228.2	226.9	17.0	19.9	245.2	246.8
Unrestricted	(56.6)	14.7	118.6	157.2	62.0	171.9
Total net position	\$ 927.9	971.7	589.6	630.4	1,517.5	1,602.1

Total current and other assets decreased \$96.8 million or 8.6% from the prior fiscal year. Governmental activities decreased by \$63.1 million and business-type activities decreased by \$33.7 million.

Total deferred outflows of resources decreased \$4.4 million or 3.9% from the prior fiscal year. Governmental activities decreased by \$3.6 million and business-type activities decreased by \$0.8 million. GASB 68 and 75 require that certain differences between expected and actual net liability components are reported on the Statement of Net Position as deferred outflows of resources in 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 \$7.9 million or 7.3% from the prior fiscal year. Governmental activities increased by \$0.8 million and business-type activities increased by \$7.1 million.

Total long-term liabilities increased \$46.5 million or 5.9% from the prior fiscal year. The increase in this category is primarily due to the \$30.4 million increase in claims payable due to several settlements and a \$17.8 million increase in pension liability.

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued For the fiscal year ended June 30, 2020 (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)

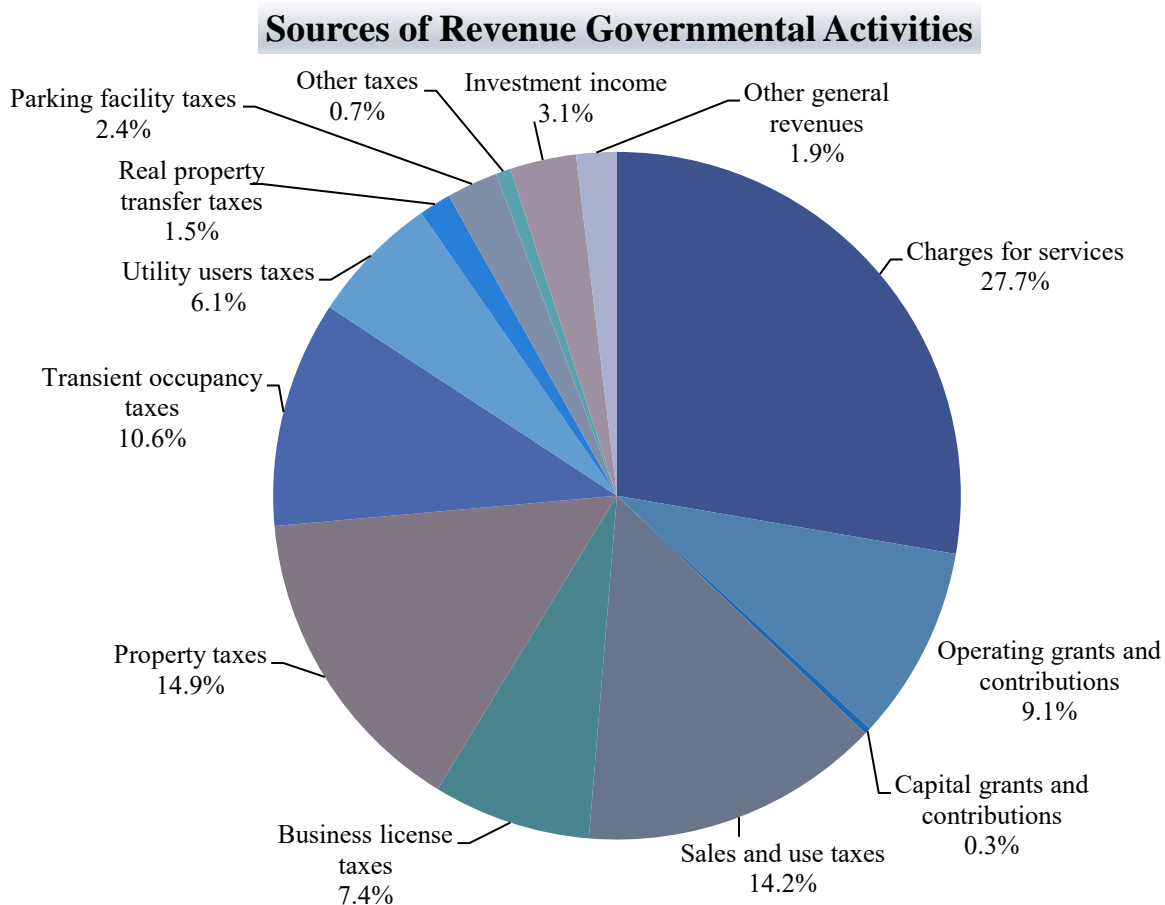
	Governmental activities		Business-type activities		Total	
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
Revenues						
Program revenues:						
Charges for services	\$ 126.3	136.2	119.2	120.9	245.5	257.1
Operating grants and contributions	41.4	32.8	59.8	59.3	101.2	92.1
Capital grants and contributions	1.5	5.9	10.1	23.8	11.6	29.7
General revenues:						
Sales and use taxes	64.7	73.7	—	—	64.7	73.7
Business license taxes	33.9	31.9	—	—	33.9	31.9
Property taxes	67.8	62.6	—	—	67.8	62.6
Transient occupancy taxes	48.6	60.8	—	—	48.6	60.8
Utility users taxes	28.0	28.3	—	—	28.0	28.3
Real property transfer taxes	6.9	9.8	—	—	6.9	9.8
Parking facility taxes	11.1	12.7	—	—	11.1	12.7
Other taxes	3.4	3.3	—	—	3.4	3.3
Investment income	14.4	21.6	7.8	7.1	22.2	28.7
Other revenue	9.3	11.3	7.1	3.0	16.4	14.3
Total revenues	<u>457.3</u>	<u>490.9</u>	<u>204.0</u>	<u>214.1</u>	<u>661.3</u>	<u>705.0</u>
Expenses						
General government	83.7	87.3	—	—	83.7	87.3
Public safety	171.5	160.5	—	—	171.5	160.5
General services	95.6	85.5	—	—	95.6	85.5
Cultural and recreation services	75.3	73.3	—	—	75.3	73.3
Library	15.0	15.0	—	—	15.0	15.0
Housing and community development	67.3	60.3	—	—	67.3	60.3
Interest on long-term debt	5.2	6.2	—	—	5.2	6.2
Water	—	—	21.6	23.5	21.6	23.5
Resource recovery and recycling	—	—	29.3	27.3	29.3	27.3
Community broadband	—	—	3.1	2.5	3.1	2.5
Pier	—	—	8.5	9.3	8.5	9.3
Wastewater	—	—	17.8	20.4	17.8	20.4
Airport	—	—	12.5	9.6	12.5	9.6
Stormwater management	—	—	1.2	0.4	1.2	0.4
Cemetery	—	—	2.3	1.8	2.3	1.8
Big Blue Bus	—	—	100.3	100.1	100.3	100.1
Parking Authority	—	—	0.1	0.4	0.1	0.4
Total expenses	<u>513.6</u>	<u>488.1</u>	<u>196.7</u>	<u>195.3</u>	<u>710.3</u>	<u>683.4</u>
Excess (deficiency) of revenues over expenses before special items and transfers	(56.3)	2.8	7.3	18.8	(49.0)	21.6
Special items	(34.2)	—	(1.4)	—	(35.6)	-
Transfers	46.7	(15.7)	(46.7)	15.7	—	—
Change in net position	<u>(43.8)</u>	<u>(12.9)</u>	<u>(40.8)</u>	<u>34.5</u>	<u>(84.6)</u>	<u>21.6</u>
Beginning net position	971.7	984.6	630.4	595.9	1,602.1	1,580.5
Ending net position	<u>\$ 927.9</u>	<u>971.7</u>	<u>589.6</u>	<u>630.4</u>	<u>1,517.5</u>	<u>1,602.1</u>

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued
For the fiscal year ended June 30, 2020
(Unaudited)

Governmental Activities. The City's governmental activities net position decreased by \$43.8 million, or 4.5%. Analysis of revenues and expenses are discussed below and on the following pages.

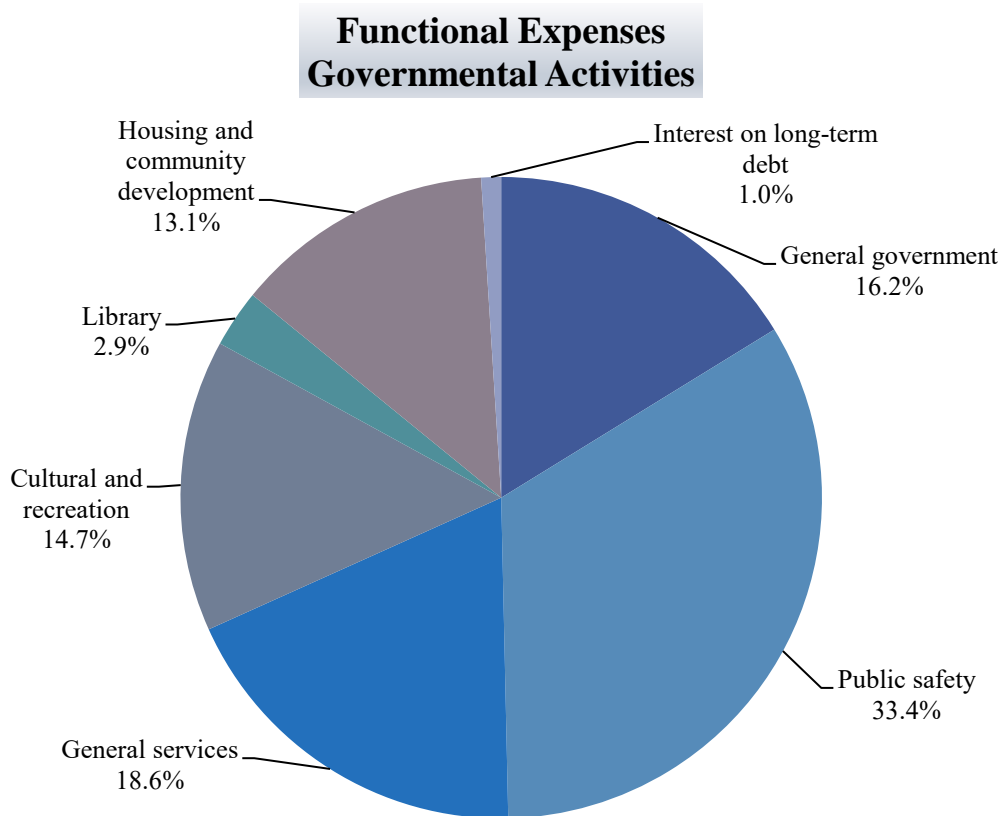
Revenue Sources: Governmental Activities. As shown in the chart below, the largest category of revenue for governmental activities is charges for services, which represents 27.7% of total governmental activities revenue. The category totaled \$126.3 million in FY 2019-20, compared to \$136.2 million in FY 2018-19, which is a decrease of \$9.9 million or 7.3% due to a decrease in parking and parking citations due to the COVID-19 pandemic and interfund and billable services. The second largest category is sales and use taxes, which decreased \$9.0 million or 12.2% from the prior fiscal year due to the decline in taxable sales as a result of the COVID-19 pandemic. The third largest category is property taxes, which represent 14.9% of total governmental activities revenue. Property taxes increased \$5.2 million or 8.3% from the prior fiscal year. The increase was primarily due to a continued strong increase in City assessed valuation. Also of note, Transient Occupancy Taxes decreased \$12.2 from \$60.8 million to \$48.6 million or 20.1% due to lower hotel occupancy caused by the COVID-19 pandemic shutdowns.



CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued
For the fiscal year ended June 30, 2020
(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 96.1% of total governmental activities expenses.

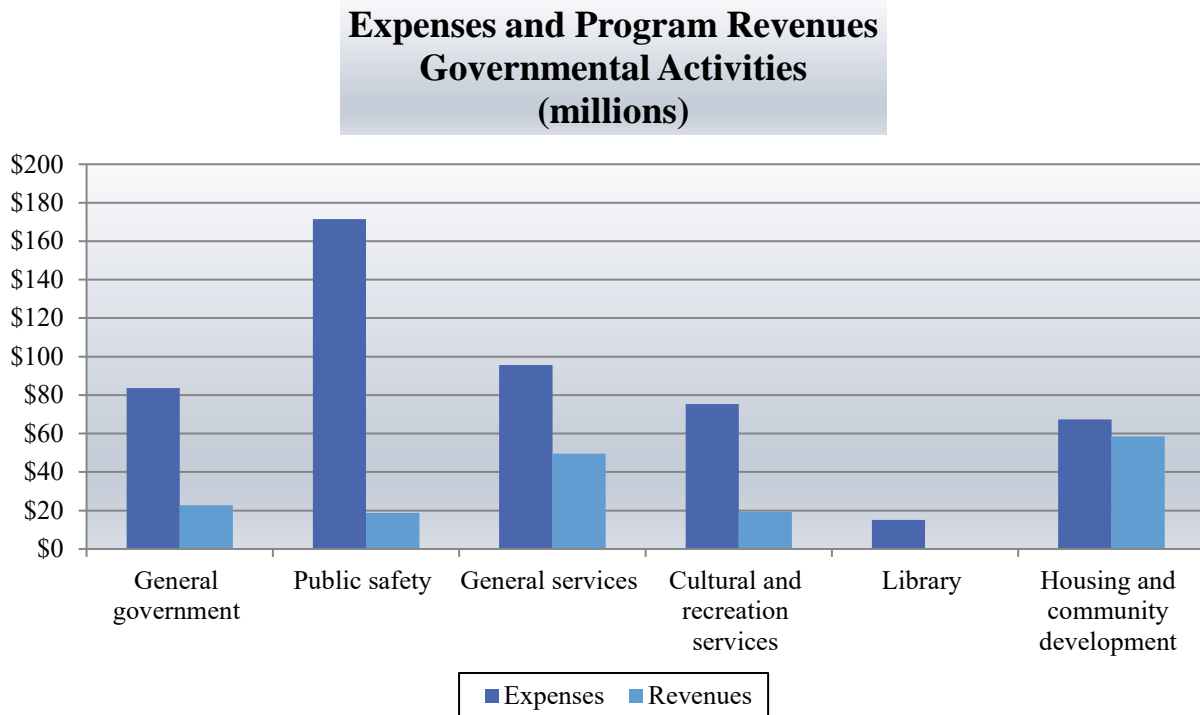


Total governmental activities expenses increased \$25.3 million or 5.2% from the prior fiscal year. The three categories with the largest variance from the prior year were general services, public safety, and housing and community development. General services expenses increased \$10.1 million or 11.8%. Public safety expenses increased \$11.0 million or 6.9%. Housing and community development increased \$6.9 million or 11.5%. The increase in general services is primarily due to recategorization of some public works departments from general government to the general services category. The increase in public safety expense was due to increased pension and OPEB expense, mostly related to the amortization of deferred outflows in the police and fire safety pension plans, and overtime in a response to the COVID19 pandemic (75% of which is eligible for FEMA reimbursement) and recent fires (which are fully reimbursed by CalOES). The increase in housing and community development was related to increases in housing vouchers and payments to housing developers.

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued
For the fiscal year ended June 30, 2020
(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 2019-20 is housing and community development, which had expenses of \$67.3 million and program revenues of \$58.8 million, which is a ratio of 87.4%. 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 including promissory note repayments.

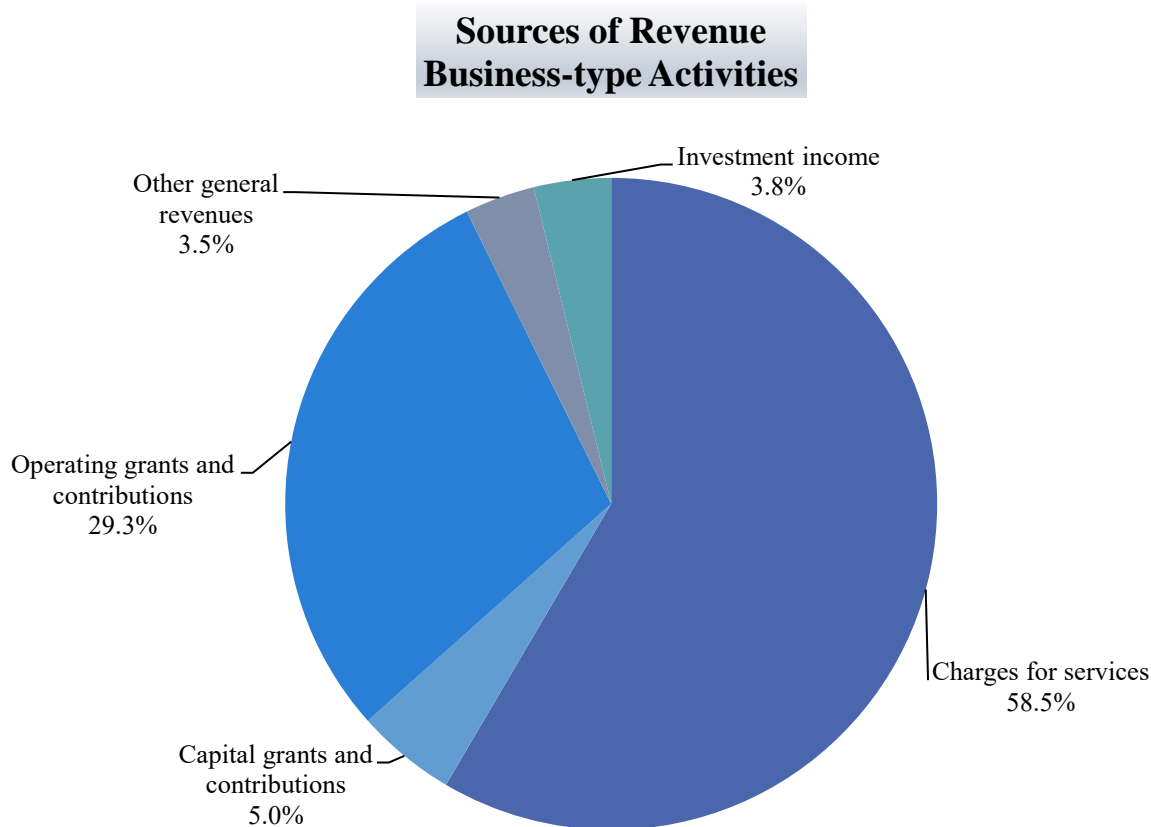
The function with the lowest percentage of program revenues to direct expenses in FY 2019-20 is the Library, which had expenses of \$15.0 million and program revenues of \$0.3 million, a ratio of 2.0%. This low percentage indicates that most of the expenses in this category are financed by the general revenues of the City.

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued
For the fiscal year ended June 30, 2020
(Unaudited)

Business-type Activities. The City's business-type activities net position decreased \$40.8 million or 6.5% from the prior fiscal year.

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 like those for the Big Blue Bus which includes both Federal and Local Grants. These three categories account for 92.8% of the total business-type activities revenues of \$203.9 million.

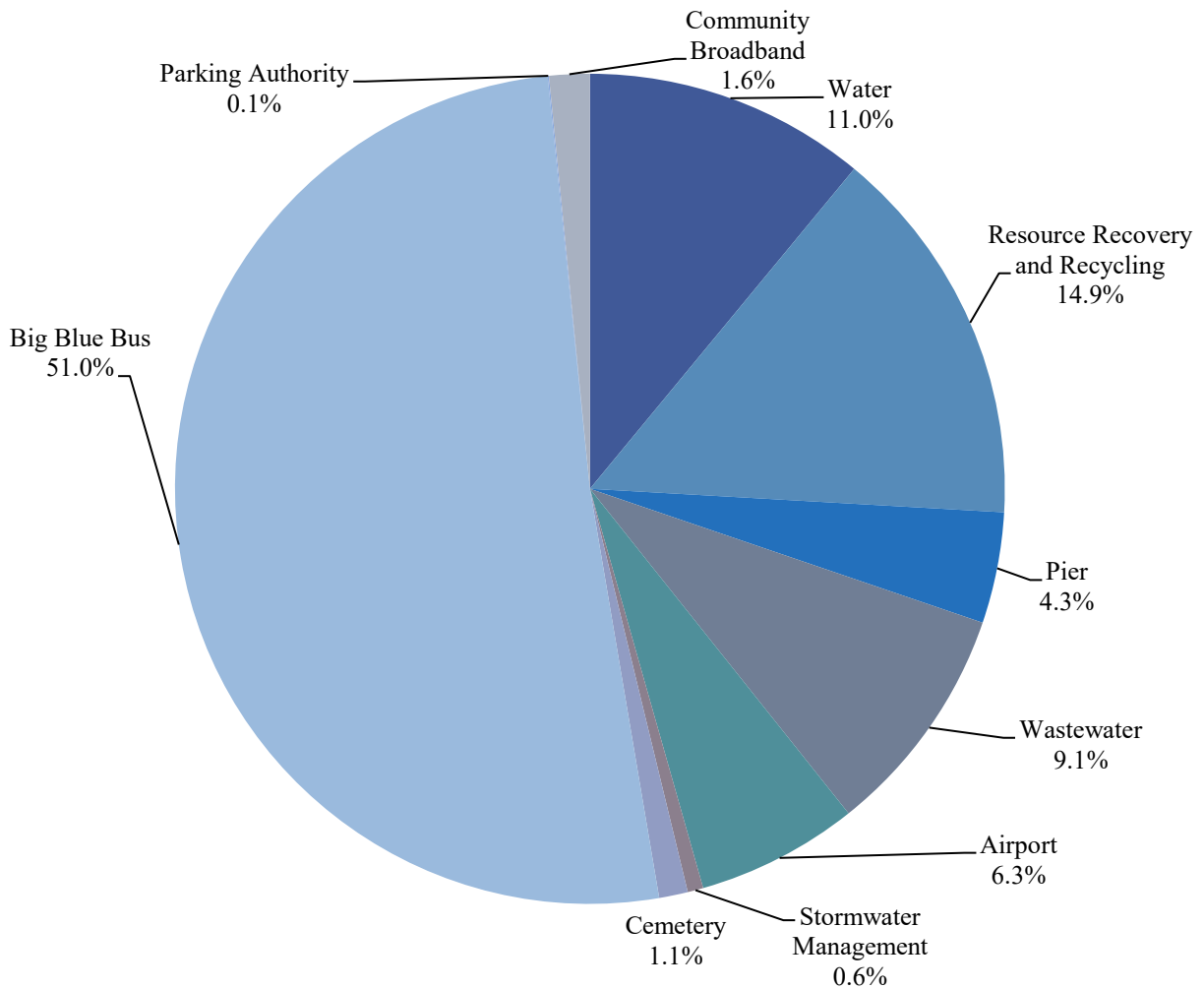


CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued
For the fiscal year ended June 30, 2020
(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 86.0% 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.

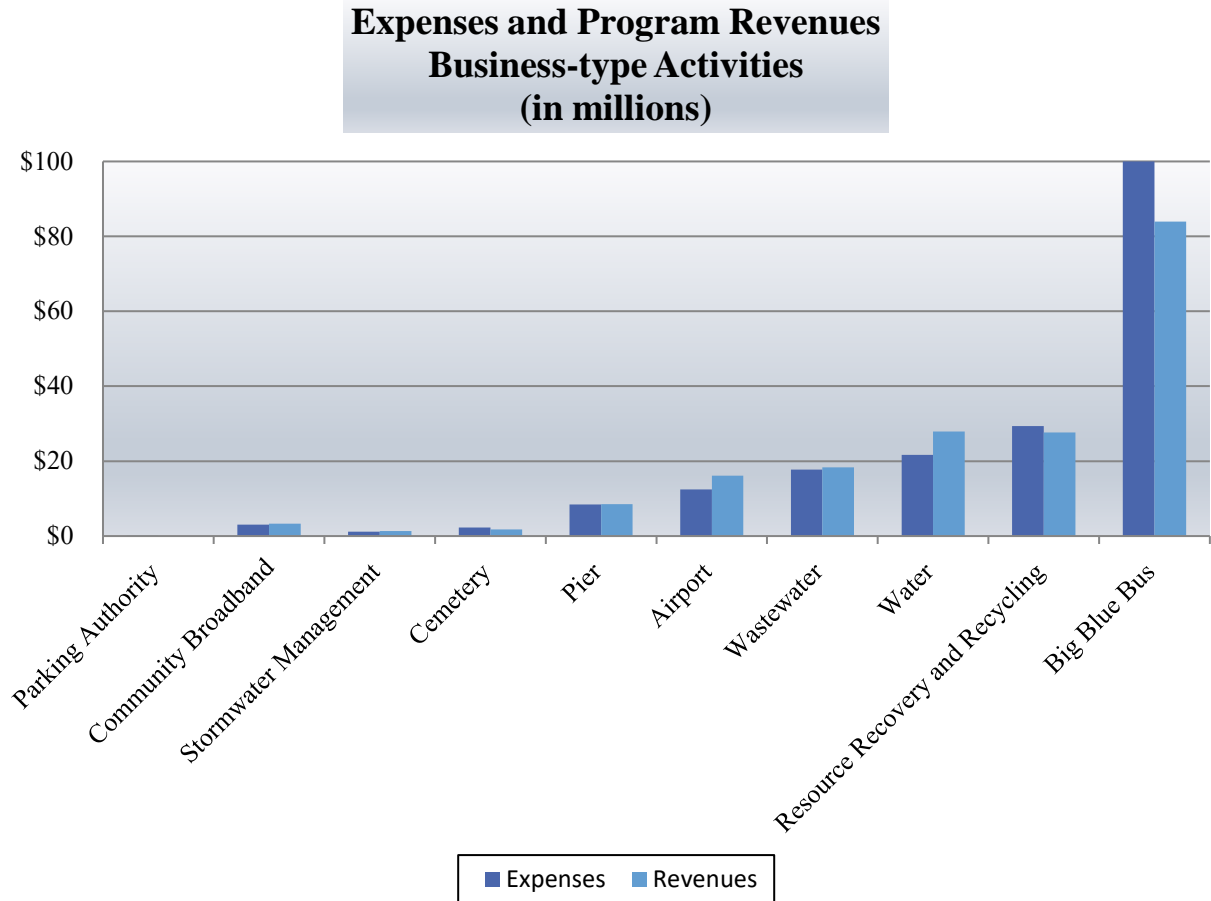
Business-type Activities Expenses



CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued
For the fiscal year ended June 30, 2020
(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 \$90.8 million, or 14.2% 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 \$114.1 million or 33.5% from the prior fiscal year.

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued For the fiscal year ended June 30, 2020 (Unaudited)

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

1. Total General Fund revenues decreased \$38.3 million or 9.2% from the prior fiscal year. The largest revenue source in the General Fund is sales and use taxes, which decreased \$9.0 million or 12.3%. The second largest revenue source in the General Fund is property taxes, which increased \$5.2 million or 8.3%. The third largest revenue source is transient occupancy taxes, which decreased \$12.1 million or 19.9%. Combined, these three categories represented 47.9% of total General Fund revenues for FY 2019-20. Sales and use taxes decreased primarily due to the COVID-19 pandemic and related government shutdowns in both Santa Monica and on the national and international level. Property taxes increased primarily due to continued strong increases in City assessed valuation. Transient occupancy taxes also decreased due to the COVID-19 pandemic and related shutdowns.
2. Total General Fund expenditures increased \$29.0 million or 6.6% from the prior fiscal year. This increase was due primarily to an increase in general government expenditures of \$30.3 million or 29.8% and an increase in public safety expenditures of \$4.7 million or 2.8%. These two expenditure categories represent the largest expenditure categories of the General Fund which account for 64.6% of all General Fund expenditures for FY 2019-20. General Government increased due to several large capital projects currently under construction including the City Services Building at \$34.1 million and City Yards Modernization at \$22.3 million.
3. The General Fund made contributions totaling \$29.6 million to the General Liability Self-Insurance Fund to fund a settlement and incurred \$4.5 million in severance cost related to incentivized retirements and layoffs. These were reported as special items. The Water Fund transferred \$24.0 million to the General Fund to assist in dealing with the decline in revenues due to the COVID-19 pandemic.

Special Revenue Source Fund

Total fund balance in the Special Revenue Source Fund increased \$23.4 million or 15.0% from the prior fiscal year primarily due to transfers in related to promissory note repayments. Total revenues increased \$0.7 million or 8.4%. The increase in revenues was due to the \$2.0 million increase in other revenue and an increase in charges for services of \$0.3 million, and a \$1.6 million decrease in investment income.

Low and Moderate Income Housing Asset Fund

Total fund balance in the Low and Moderate Income Housing Asset Fund increased \$4.3 million or 7.3% from the prior fiscal year. Total revenues and transfers in increased \$1.9 million or 50.7% from the prior fiscal year. The biggest reason for the increase in fund balance was the proceeds from the sale of property held in the Low and Moderate Fund located at 2018 19th Street. The City determined land was too small to build any meaningful housing project so it was sold. Transfers in represent the Fund's required 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 project areas.

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

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued For the fiscal year ended June 30, 2020 (Unaudited)

The total net position of all the City's enterprise funds decreased \$44.2 million, or 7.4% from the prior fiscal year.

Water Fund

The total net position of the Water Fund decreased \$20.2 million, or 19.6% from the prior fiscal year. Revenues reflect a \$1.0 million increase in water service charges primarily from a 20% water rate increase offset by a decrease in customer water usage. The primary reason for the decrease is the transfer out of \$24.0 million to the General Fund to assist with the loss of revenues due to the COVID-19 pandemic. These were settlement funds which had no restrictions and had been recently transferred from the General Fund to cover water sustainability projects.

Wastewater Fund

The total net position of the Wastewater Fund increased \$0.6 million, or 0.2% from the prior fiscal year. Contractual services decreased by \$2.0 million primarily due to decreases in the City of Los Angeles' sewer disposal fees and a \$1.1 million true up payment made in FY 2018-19 based on a reconciliation of prior year fees.

Resource Recovery and Recycling Fund

The total net position of the Resource Recovery and Recycling Fund decreased \$1.1 million or 30.7%.

The decrease was primarily related to an increase in materials and supplies, increases in disposal fees, and contributions to the Vehicle Management Internal Service Fund. The City's cost of recycling continues to increase due to the erosion of the market for recyclable materials .

Big Blue Bus Fund

The total net position of the Big Blue Bus Fund decreased \$14.5 million, or 7.2% from the prior fiscal year. The primary reason was the reduction of capital contributions of \$13.6 million due to a decrease in purchased revenue vehicles from nineteen in FY 2018-19 to one in FY 2019-20.

General Fund Budgetary Variances

Revenue Original Budget to Final Amended Budget. The final revenue budget of \$418.3 million for the General Fund exceeded the original budget of \$417.5 million by \$0.8 million or 0.1%. Revenue budget changes are approved by the City Council. The primary components of the variance were sales and use taxes which increased \$5.5 million or 7.9%, with an original budget of \$69.8 million and a final budget of \$75.3 million, due to greater than anticipated sales taxes from several new large businesses and increases in State and County pools due to the impact of the "Wayfair" decision requiring tax collection on out-of-state internet sales. This was offset by a reduction in transient occupancy taxes from the original budget of \$68.8 million and final budget of \$63.4 million, primarily due to the COVID-19 pandemic.

Revenue Final Amended Budget to Actuals. Actual General Fund revenues of \$377.7 million were less than the final budget of \$418.3 million by \$40.6 million. The primary components of the variance were sales and use taxes with actual revenues less than the final budgeted amounts by \$10.6 million or 14.1% due to the COVID-19 pandemic; transient occupancy taxes with actual revenues less than the

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued For the fiscal year ended June 30, 2020 (Unaudited)

final budget by \$14.8 million or 23.3% due to the COVID-19 pandemic; and licenses and permits with actual revenues falling short of the final budget by \$8.5 million or 18.0% due to reduced parking receipts due to the COVID-19 pandemic.

Expenditure Original Budget to Final Amended Budget. The final General Fund expenditure budget is greater than the original budget by \$156.6 million, or 38.2%. 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 \$27.1 million, \$41.1 million and \$41.7 million, respectively.

Expenditure Final Amended Budget to Actuals. Actual expenditures (budgetary basis) for the General Fund totaled \$530.0 million, while the final budget totaled \$566.4 million, a variance of \$36.4 million. Almost all the variance is due to capital improvement expenditures, which had actual expenditures of \$147.9 million, compared to the final budget of \$174.0 million, a variance of \$26.1 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 2020-21 to continue work on projects that have not yet been completed. However, the amount of capital budget reappropriated to FY 2020-21 is lower than usual and reflects a significant number of project cancellations and reductions in order to address COVID-19 budget challenges and free one-time funds to preserve services during the worst year of the pandemic. Actual operating expenditures totaled \$382.1 million, compared to the final budget of \$392.4 million, which is a variance of \$10.3 million or 2.6%. This small variance was largely the result of the City's quick response to the losses incurred as a result of the pandemic (suspending or eliminating non-essential services while maintaining essential services and operations) and the savings achieved as a result of those changes.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City's capital assets (net of accumulated depreciation) as of June 30, 2020 amounted to \$1,354.6 million, an increase of \$68.1 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, 2020
(Unaudited)

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

	Governmental activities		Business-type activities		Total	
	6/30/20	6/30/19	6/30/20	6/30/19	6/30/20	6/30/19
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	161.9	72.1	28.0	17.7	189.9	89.8
Buildings	206.0	213.8	77.0	81.9	283.0	295.7
Improvements other than buildings	99.8	106.8	10.1	9.9	109.9	116.7
Machinery and equipment	23.1	24.1	84.6	90.1	107.7	114.2
Infrastructure	126.3	135.2	138.5	135.4	264.8	270.6
Utility systems	0.2	0.5	—	—	0.2	0.5
Intangibles	0.5	0.5	72.7	72.6	73.2	73.1
Capital assets, net	<u>\$ 890.3</u>	<u>825.5</u>	<u>464.3</u>	<u>461.0</u>	<u>1,354.6</u>	<u>1,286.5</u>

Some of the City's major capital asset events in FY 2019-20 were:

Governmental Activities:

1. Major projects included \$34.1 million for the construction of the new City Services Building, \$22.3 million for the design and construction for City Yards Modernization, and \$14.7 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, 2020 of \$68.2 million, \$31.0 million, and \$31.1 million, respectively.

Business-Type Activities:

1. Major projects included \$6.4 million for the replacement of water mains and various water projects in construction in progress of \$3.4 million. Also included are a \$5.7 million payment for wastewater improvements including a payment to the City of Los Angeles for capital improvements to the Amalgamated Sewer System and \$8.2 million in water infrastructure projects.

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

As of June 30, 2020, the City had \$17.1 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, 2020 (Unaudited)

Long-term Debt. At the end of the current fiscal year, the City's total long-term debt outstanding (excluding issuance premiums) was \$161.9 million, a decrease from the prior year of \$2.4 million or 1.5%, representing debt service payments for existing debt. This decrease was due to payments of \$5.8 million in revenue bonds and \$1.2 million in general obligation bonds offset by an increase in notes and loans of \$4.7 million.

CITY OF SANTA MONICA Outstanding Debt (in millions)

	Governmental activities		Business-type activities		Total	
	6/30/20	6/30/19	6/30/20	6/30/19	6/30/20	6/30/19
General obligation bonds (backed by the City)	\$ 3.2	4.3	—	—	3.2	4.3
Revenue bonds (backed by specific tax, fee and lease revenues)	148.5	152.1	4.6	6.8	153.1	158.9
Notes and loans	-	0.2	5.6	0.9	5.6	1.1
Total	<u>\$ 151.7</u>	<u>156.6</u>	<u>10.2</u>	<u>7.7</u>	<u>161.9</u>	<u>164.3</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 2019-20.

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 2020-21 supports the basic responsibilities of local government, the policy interests of the City Council members and diverse concerns of residents. The ongoing COVID-19 pandemic and related economic fallout require significant adjustments in the budget compared to previous years. As such, management made difficult decisions to assure long term financial stability of the City and feels that, in the long term, there are adequate resources available to fund the proposed expenditures.

In preparing the budget for FY 2020-21, many factors were taken into consideration:

- Challenges posed by the COVID-19 pandemic where the City’s operations are to focus on foundational services for a clean and safe Santa Monica, effective emergency response, economic recovery for all, and racial equity.
- Strategic spending reductions, use of reserves and reclaiming of funds to cover the projected deficits in future years.
- Creation of a \$20 million shutdown reserve equal to the potential revenue loss during a two month shutdown should there be a resurgence of COVID-19 during FY 2020-21.
- Restructuring operations to better serve the community through the COVID-19 pandemic and beyond through:

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued For the fiscal year ended June 30, 2020 (Unaudited)

- Scaling back nonessential operations such as the Annenberg Beach House during FY 2020-21
- Adjusting scheduling of the Big Blue Bus
- Reducing grant funds for non-profits, artists and community events
- Suspending policy work that does not address the pressing needs of our community
- Restructuring of the City departments by creating the **Community Development Department** which consists of Building and Safety, Code Enforcement, Economic Development, Planning and Mobility and the **Community Services Department** consisting of Community Recreation, Cultural Affairs, and the Housing and Human Services Division.

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, 2020

BASIC FINANCIAL STATEMENTS

CITY OF SANTA MONICA, CALIFORNIA

Statement of Net Position

June 30, 2020

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (note 5)	\$ 421,451,956	221,563,328	643,015,284
Receivables (net of allowances for uncollectibles):			
Accounts	9,110,459	15,993,820	25,104,279
Interest	1,628,189	11,652,689	13,280,878
Taxes	9,327,039	-	9,327,039
Settlement	-	3,670,000	3,670,000
Notes (note 6)	188,407,247	-	188,407,247
Other governments	3,197,111	6,685,595	9,882,706
Internal balances	10,730,775	(10,730,775)	-
Inventory	-	3,356,045	3,356,045
Deposits	58,959	-	58,959
Prepays	3,733,703	75,168	3,808,871
Restricted cash and investments (note 5)	18,725,389	46,182,938	64,908,327
Restricted cash and investments with fiscal agent (note 5)	51,835,435	649	51,836,084
Notes receivable from Successor Agency	7,488,093	259,400	7,747,493
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	161,943,715	27,972,800	189,916,515
Capital assets being depreciated:			
Buildings	340,429,097	148,326,983	488,756,080
Improvements other than buildings	197,362,735	28,865,015	226,227,750
Utility systems	1,742,913	-	1,742,913
Machinery and equipment	59,306,980	227,404,898	286,711,878
Infrastructure	376,593,979	249,653,154	626,247,133
Intangibles	695,710	113,808,997	114,504,707
Less accumulated depreciation	(520,292,645)	(385,196,266)	(905,488,911)
Total capital assets, net	890,343,331	464,216,331	1,354,559,662
TOTAL ASSETS	1,616,037,686	762,925,188	2,378,962,874
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refundings	28,857	114,399	143,256
Deferred outflows from pensions (note 16)	83,746,445	18,932,271	102,678,716
Deferred outflows from OPEB (note 16)	5,954,848	1,006,623	6,961,471
TOTAL DEFERRED OUTFLOWS OF RESOURCES	89,730,150	20,053,293	109,783,443
LIABILITIES			
Accounts payable	27,110,212	13,171,530	40,281,742
Accrued liabilities	9,485,817	3,004,458	12,490,275
Accrued interest payable	2,091,416	47,938	2,139,354
Contracts payable (retained percentage)	4,219,307	1,388,704	5,608,011
Unearned revenue (note 8)	25,752,612	8,500,473	34,253,085
Deposits payable from restricted assets	1,174,983	20,340,905	21,515,888
Long-term liabilities:			
Compensated absences due within one year (note 2)	8,615,765	2,787,641	11,403,406
Compensated absences due in more than one year (note 2)	5,155,428	653,432	5,808,860
Claims payable due within one year (note 15)	39,202,556	2,514,041	41,716,597
Claims payable due in more than one year (note 15)	56,505,019	2,656,637	59,161,656
Loans and bonds payable due within one year (note 9)	4,910,000	2,275,000	7,185,000
Loans and bonds payable due in more than one year (note 9)	161,101,015	8,040,635	169,141,650
Pollution remediation obligation due within one year (note 4)	332,216	14,010,573	14,342,789
Pollution remediation obligation due in more than one year (note 4)	2,000,651	20,163,941	22,164,592
Net OPEB liability due in more than one year (note 16)	28,234,108	4,772,761	33,006,869
Net pension liability due in more than one year (note 16)	381,900,707	83,778,304	465,679,011
TOTAL LIABILITIES	757,791,812	188,106,973	945,898,785
DEFERRED INFLOWS OF RESOURCES			
Deferred gain on refunding	50,485	-	50,485
Deferred inflows from pensions (note 16)	18,397,924	4,979,362	23,377,286
Deferred inflows from OPEB (note 16)	1,586,752	268,228	1,854,980
TOTAL DEFERRED INFLOWS OF RESOURCES	20,035,161	5,247,590	25,282,751
NET POSITION			
Net investment in capital assets	756,311,492	454,015,095	1,210,326,587
Restricted for (note 12):			
Housing and community development	144,107,308	2,199,779	146,307,087
Culture and recreation services	9,198,154	-	9,198,154
Transportation	31,592,519	-	31,592,519
Clean beaches and ocean parcel tax	9,295,780	-	9,295,780
Debt service	5,038,085	2,298,946	7,337,031
Miscellaneous	14,207,293	-	14,207,293
Perpetual care - nonexpendable	14,861,164	-	14,861,164
Rail reserve and Prop 1B	-	12,547,043	12,547,043
Unrestricted	(56,670,932)	118,563,055	61,892,123
TOTAL NET POSITION	\$ 927,940,863	589,623,918	1,517,564,781

CITY OF SANTA MONICA, CALIFORNIA

Statement of Activities

For the fiscal year ended June 30, 2020

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	\$ 83,627,840	20,087,674	2,599,029	94,291	(60,846,846)	-	(60,846,846)
Public safety	171,485,637	17,918,929	505,342	14,964	(153,046,402)	-	(153,046,402)
General services	95,598,940	39,978,065	8,187,379	1,396,793	(46,036,703)	-	(46,036,703)
Cultural and recreation services	75,276,083	19,145,932	86,282	-	(56,043,869)	-	(56,043,869)
Library	15,023,233	260,503	41,583	-	(14,721,147)	-	(14,721,147)
Housing and community development	67,260,671	28,859,612	29,948,007	-	(8,453,052)	-	(8,453,052)
Interest on long-term debt	5,146,663	-	-	-	(5,146,663)	-	(5,146,663)
Total governmental activities	513,419,067	126,250,715	41,367,622	1,506,048	(344,294,682)	-	(344,294,682)
Business-Type Activities:							
Water	21,651,904	27,872,084	21,120	-	-	6,241,300	6,241,300
Resource recovery and recycling	29,322,186	27,630,068	-	-	-	(1,692,118)	(1,692,118)
Community broadband	3,065,926	3,301,563	-	-	-	235,637	235,637
Pier	8,448,065	8,547,985	-	-	-	99,920	99,920
Wastewater	17,751,175	18,366,169	-	-	-	614,994	614,994
Airport	12,477,436	16,148,655	-	-	-	3,671,219	3,671,219
Stormwater management	1,206,606	1,370,311	-	-	-	163,705	163,705
Cemetery	2,273,113	1,789,748	-	-	-	(483,365)	(483,365)
Big Blue Bus	100,300,186	14,194,438	59,719,231	10,047,937	-	(16,338,580)	(16,338,580)
Parking authority	27,937	-	-	-	-	(27,937)	(27,937)
Total business-type activities	196,524,534	119,221,021	59,740,351	10,047,937	-	(7,515,225)	(7,515,225)
Total Primary Government	\$ 709,943,601	245,471,736	101,107,973	11,553,985	(344,294,682)	(7,515,225)	(351,809,907)
General revenues:							
Taxes:							
Property					67,791,186	-	67,791,186
Sales and use					64,665,646	-	64,665,646
Transient occupancy					48,624,638	-	48,624,638
Utility users					28,026,008	-	28,026,008
Business license					33,894,714	-	33,894,714
Parking facility					11,072,445	-	11,072,445
Real property transfer					6,856,663	-	6,856,663
Other					3,441,908	-	3,441,908
Other revenue					9,263,443	7,068,596	16,332,039
Investment income					14,397,259	7,810,542	22,207,801
Special items					(34,215,371)	(1,422,782)	(35,638,153)
Transfers					46,698,101	(46,698,101)	-
Total general revenues and transfers					300,516,640	(33,241,745)	267,274,895
Change in net position					(43,778,042)	(40,756,970)	(84,535,012)
Net position at beginning of year					971,718,905	630,380,888	1,602,099,793
Net position at end of year					\$ 927,940,863	589,623,918	1,517,564,781

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 (Special Revenue 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, 2020

		Special Revenue Funds			
			Low and Moderate Income Housing Asset Fund	Nonmajor governmental funds	Total governmental funds
	General Fund	Special Revenue Source Fund			
ASSETS					
Cash and investments (note 5)	\$ 221,516,063	84,282,849	11,581,726	29,048,709	346,429,347
Restricted cash and investments (note 5)	427,435	-	-	18,297,954	18,725,389
Receivables (net, where applicable, of allowances for uncollectibles):					
Accounts	6,794,875	269,646	-	2,026,891	9,091,412
Notes (note 6)	-	113,409,658	52,362,933	22,634,656	188,407,247
Taxes	9,310,413	-	-	16,626	9,327,039
Interest	1,100,199	65,068	37,816	216,734	1,419,817
Other governments	-	-	-	3,197,111	3,197,111
Due from other funds (note 11)	2,116,856	-	-	-	2,116,856
Deposits	55,702	-	-	3,257	58,959
Prepays	3,680,815	-	-	52,888	3,733,703
Restricted cash and investments with fiscal agent (note 5)	32,024,476	-	-	19,810,959	51,835,435
Advances to other funds (note 11)	9,737,875	-	-	-	9,737,875
Notes receivable Successor Agency (note 17)	7,488,093	-	-	-	7,488,093
Total assets	<u>\$ 294,252,802</u>	<u>198,027,221</u>	<u>63,982,475</u>	<u>95,305,785</u>	<u>651,568,283</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 21,725,257	534,624	1	3,846,403	26,106,285
Accrued liabilities	9,084,305	-	-	328,718	9,413,023
Contracts payable (retained percentage)	3,248,858	55,452	-	914,997	4,219,307
Due to other funds (note 11)	20,300,000	-	-	2,116,856	22,416,856
Unearned revenue (note 8)	7,150,026	17,718,010	-	884,576	25,752,612
Deposits payable	652,977	475,000	-	47,006	1,174,983
Advances from other funds (note 11)	-	-	-	4,213,624	4,213,624
Total liabilities	<u>62,161,423</u>	<u>18,783,086</u>	<u>1</u>	<u>12,352,180</u>	<u>93,296,690</u>
Deferred inflows of resources (note 8)	<u>5,547,326</u>	<u>-</u>	<u>-</u>	<u>1,955,808</u>	<u>7,503,134</u>
Fund balances (note 13)					
Nonspendable	13,326,312	-	-	14,914,052	28,240,364
Restricted	21,447,581	78,263,098	63,982,474	68,101,931	231,795,084
Committed	1,671,078	100,981,037	-	-	102,652,115
Assigned	143,176,947	-	-	-	143,176,947
Unassigned	46,922,135	-	-	(2,018,186)	44,903,949
Total fund balances	<u>226,544,053</u>	<u>179,244,135</u>	<u>63,982,474</u>	<u>80,997,797</u>	<u>550,768,459</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 294,252,802</u>	<u>198,027,221</u>	<u>63,982,475</u>	<u>95,305,785</u>	<u>651,568,283</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, 2020

Fund balances - total governmental funds	\$	550,768,459
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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.		890,204,229
(2) Pension deferrals from reporting under GASB 68		64,960,184
(3) OPEB deferrals from reporting under GASB 75		4,354,433
(4) Deferred gain on refunding of debt is not a current financial resource and, therefore, is not reported in the balance sheet.		(50,485)
(5) Deferred loss on refundings of debt is not a current financial resource and, therefore, is not reported in the balance sheet.		28,857
(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.		(591,781,645)
(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.		7,503,134
(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.		1,953,697

Net position of governmental activities	\$	<div style="border-top: 1px solid black; border-bottom: 3px double black; padding: 2px 0;">927,940,863</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, 2020

		Special Revenue Funds			
	General Fund	Special Revenue Source Fund	Low and Moderate Income Housing Asset Fund	Nonmajor governmental funds	Total governmental funds
Revenues:					
Property taxes	\$ 67,791,186	-	-	-	67,791,186
Sales and use taxes	64,665,646	-	-	-	64,665,646
Transient occupancy taxes	48,624,638	-	-	-	48,624,638
Utility user taxes	28,026,008	-	-	-	28,026,008
Business license taxes	33,894,714	-	-	-	33,894,714
Other taxes	18,046,183	-	-	3,324,833	21,371,016
Licenses and permits	38,559,605	-	-	59,293	38,618,898
Intergovernmental	1,335,931	-	-	41,900,152	43,236,083
Charges for services	44,869,845	1,242,075	-	15,284,673	61,396,593
Fines and forfeitures	10,357,155	-	-	-	10,357,155
Investment income	9,344,420	183,295	352,840	2,878,485	12,759,040
Rental income	7,239,944	-	-	1,864,443	9,104,387
Other revenue	4,939,961	7,847,996	2,179,769	945,531	15,913,257
Total revenues	<u>377,695,236</u>	<u>9,273,366</u>	<u>2,532,609</u>	<u>66,257,410</u>	<u>455,758,621</u>
Expenditures:					
Current:					
General government	132,110,963	1,907	-	5,109,873	137,222,743
Public safety	172,302,785	1,839	-	1,283,136	173,587,760
General services	63,263,101	788,197	-	14,075,943	78,127,241
Cultural and recreation services	60,052,065	3,721,605	-	19,143,383	82,917,053
Library	12,990,189	26,768	-	17,241	13,034,198
Housing and community development	30,170,367	553,638	1,235,246	30,415,463	62,374,714
Debt service expenditures:					
Principal	-	-	-	4,755,000	4,755,000
Interest	-	-	-	6,785,313	6,785,313
Total expenditures	<u>470,889,470</u>	<u>5,093,954</u>	<u>1,235,246</u>	<u>81,585,352</u>	<u>558,804,022</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(93,194,234)</u>	<u>4,179,412</u>	<u>1,297,363</u>	<u>(15,327,942)</u>	<u>(103,045,401)</u>
Other financing sources (uses):					
Transfers in	34,192,236	20,684,853	3,048,120	15,583,425	73,508,634
Transfers out	(21,010,700)	(1,439,109)	-	(4,607,576)	(27,057,385)
Total other financing sources (uses)	<u>13,181,536</u>	<u>19,245,744</u>	<u>3,048,120</u>	<u>10,975,849</u>	<u>46,451,249</u>
Special items (note 18)	<u>(34,122,029)</u>	<u>-</u>	<u>-</u>	<u>(73,694)</u>	<u>(34,195,723)</u>
Net change in fund balances	(114,134,727)	23,425,156	4,345,483	(4,425,787)	(90,789,875)
Fund balances at beginning of year	<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>
Fund balances at end of year	<u>\$ 226,544,053</u>	<u>179,244,135</u>	<u>63,982,474</u>	<u>80,997,797</u>	<u>550,768,459</u>

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, 2020

Net change in fund balances – total governmental funds	\$	(90,789,875)
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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. | | 95,102,021 |
| 2) The cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense in the statement of activities. | | (30,119,639) |

Measurement focus:

- | | | |
|--|--|--------------|
| 3) Change in accrued interest payable. | | 826,278 |
| 4) Principal payments on long-term obligations use current financial resources but have no effect on net position. | | 4,755,000 |
| 5) Debt service payment made by developer | | 200,000 |
| 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. | | (159,314) |
| 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. | | 62,665 |
| 10) Interest income related to airport advances are recorded as revenue in the statement of activities but are reported as deferred inflows of resources in the fund statements. | | 16,422 |
| 11) Grant revenue previously recognized in the statement of activities is recorded as revenue in the fund statements. | | (2,368,820) |
| 12) Grant revenue earned but not yet available being recorded on the statement of activities that are not recorded on the fund statements. | | 1,955,807 |
| 13) Pollution remediation expense activity was recorded in the fund statements and reduced the liability in the statement of activities. | | 322,540 |
| 14) Unavailable revenue previously recognized in the statement of activities is recorded as revenue in the fund statements. | | (265,274) |
| 15) GASB 75 OPEB reporting timing differences. | | (3,233,448) |
| 16) GASB 68 pension reporting timing differences. | | (15,053,124) |

Internal service funds:

- | | | |
|--|--|--|
| 17) 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.		(5,841,654)
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Change in net position (statement of activities, governmental activities)	\$	(43,778,042)
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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, 2020

	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)	\$ 77,476,001	39,827,372	11,314,183	31,262,983	33,688,853	193,569,392	103,016,545
Restricted cash and investments (note 5)	355,474	2,298,946	-	14,026,117	8,345,979	25,026,516	-
Receivables (net, where applicable, of allowances for uncollectibles):							
Accounts	4,418,661	2,772,426	4,413,154	802,096	3,500,769	15,907,106	105,754
Due from other funds	-	-	-	-	-	-	20,300,000
Interest	331,115	148,854	87,991	133,724	127,137	828,821	292,745
Settlement	3,670,000	-	-	-	-	3,670,000	-
Due from other governments	-	-	-	6,680,044	5,551	6,685,595	-
Inventory	-	-	-	3,312,110	-	3,312,110	43,935
Prepays	54,274	9,365	2,751	275	8,503	75,168	-
Total current assets	86,305,525	45,056,963	15,818,079	56,217,349	45,676,792	249,074,708	123,758,979
Noncurrent assets:							
Restricted cash and investments (note 5)	1,435,680	2,761,725	16,959,017	-	-	21,156,422	-
Restricted cash with fiscal agent	-	649	-	-	-	649	-
Notes receivable Successor Agency	-	-	-	-	259,400	259,400	-
Accrued interest non current	-	-	-	-	10,739,495	10,739,495	-
Capital assets (note 7):							
Land	21,006	3,189,132	-	48,807,900	1,362,712	53,380,750	-
Construction in progress	5,144,984	16,740,542	-	1,811,538	3,610,575	27,307,639	665,161
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	15,314,657	12,137,937	28,865,015	-
Machinery and equipment	3,778,029	1,649,296	246,078	176,247,677	1,552,612	183,473,692	45,462,896
Infrastructure	59,975,628	161,555,114	-	-	28,122,412	249,653,154	-
Intangibles	3,575,000	110,233,997	-	-	-	113,808,997	-
Less: accumulated depreciation	(33,859,908)	(112,492,717)	(551,616)	(180,960,960)	(35,312,023)	(363,177,224)	(23,411,630)
Net capital assets	41,182,348	181,424,403	108,416	191,102,167	27,821,672	441,639,006	22,716,427
Total noncurrent assets	42,618,028	184,186,777	17,067,433	191,102,167	38,820,567	473,794,972	22,716,427
TOTAL ASSETS	128,923,553	229,243,740	32,885,512	247,319,516	84,497,359	722,869,680	146,475,406
DEFERRED OUTFLOWS OF RESOURCES							
Deferred loss on refunding	-	114,399	-	-	-	114,399	-
Deferred outflows from pensions	1,650,419	612,602	2,423,972	11,931,472	1,447,899	18,066,364	1,392,829
Deferred outflows from OPEB	72,929	18,686	270,343	477,684	118,335	957,977	67,272
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,723,348	745,687	2,694,315	12,409,156	1,566,234	19,138,740	1,460,101
LIABILITIES							
Current liabilities:							
Accounts payable	4,377,824	2,686,008	1,233,972	1,646,147	1,830,395	11,774,346	2,401,110
Accrued liabilities	190,120	66,945	255,492	2,225,406	176,975	2,914,938	162,314
Contracts payable (retained percentage)	550,851	470,835	-	144,370	222,648	1,388,704	-
Compensated absences due within one year (note 2)	221,612	78,873	362,562	1,743,728	245,994	2,652,769	217,837
Claims payable due within one year (note 15)	-	-	-	-	-	-	41,716,597
Unearned revenue (note 8)	-	-	-	8,478,680	21,793	8,500,473	-
Accrued interest payable	-	47,938	-	-	-	47,938	-
Loans and bonds payable due within one year (note 9)	-	2,275,000	-	-	-	2,275,000	-
Liabilities payable from restricted assets - deposits	239,071	-	18,438,844	47,975	1,615,015	20,340,905	-
Pollution remediation obligation due within one year (note 4)	14,010,573	-	-	-	-	14,010,573	-
Total current liabilities	19,590,051	5,625,599	20,290,870	14,286,306	4,112,820	63,905,646	44,497,858
Long-term liabilities:							
Compensated absences due in more than one year (note 2)	141,517	56,101	81,040	244,188	83,621	606,467	103,636
Advances from other funds (note 11)	-	-	-	-	5,524,251	5,524,251	-
Claims payable due in more than one year (note 15)	-	-	-	-	-	-	59,161,656
Loans and bonds payable due in more than one year (note 9)	-	8,040,635	-	-	-	8,040,635	-
Pollution remediation obligation due in more than one year (note 4)	20,163,941	-	-	-	-	20,163,941	-
Net OPEB liability due in more than one year (note 16)	345,781	88,598	1,281,793	2,264,873	561,066	4,542,111	318,964
Net pension liability due in more than one year (note 16)	7,303,364	2,710,861	10,726,463	52,798,660	6,407,179	79,946,527	6,163,488
Total long-term liabilities	27,954,603	10,896,195	12,089,296	55,307,721	12,576,117	118,823,932	65,747,744
TOTAL LIABILITIES	47,544,654	16,521,794	32,380,166	69,594,027	16,688,937	182,729,578	110,245,602
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows from pensions	434,075	161,120	637,527	3,138,087	380,811	4,751,620	366,327
Deferred inflows from OPEB	19,433	4,979	72,037	127,285	31,532	255,266	17,925
TOTAL DEFERRED INFLOWS OF RESOURCES	453,508	166,099	709,564	3,265,372	412,343	5,006,886	384,252
NET POSITION							
Net investment in capital assets	41,182,348	171,223,167	108,416	191,102,167	27,821,672	431,437,770	22,716,427
Restricted for Rail Reserve and Prop 1B (note 12)	-	-	-	12,547,043	-	12,547,043	-
Restricted for housing	-	-	-	-	2,199,779	2,199,779	-
Restricted for debt service	-	2,298,946	-	-	-	2,298,946	-
Unrestricted	41,466,391	39,779,421	2,381,681	(16,779,937)	38,940,862	105,788,418	14,589,226
TOTAL NET POSITION	\$ 82,648,739	213,301,534	2,490,097	186,869,273	68,962,313	554,271,956	37,305,653
Net position, business-type activities - internal service funds						40,558,486	
Net adjustment to reflect the allocation of the internal service funds net income						(5,206,524)	
Net position of business-type activities						\$589,623,918	

CITY OF SANTA MONICA, CALIFORNIA
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the fiscal year ended June 30, 2020

	Business-Type Activities - Enterprise Funds						Total internal service funds
	Water	Wastewater	Resource Recovery and Recycling	Big Blue Bus	Nonmajor enterprise funds	Total enterprise funds	
Operating revenues							
Charges for services	\$ 27,872,084	18,366,169	27,630,068	11,914,477	30,047,531	115,830,329	79,335,379
Total operating revenues	27,872,084	18,366,169	27,630,068	11,914,477	30,047,531	115,830,329	79,335,379
Operating expenses							
Personnel services	7,344,828	2,807,661	12,153,466	60,255,271	6,776,426	89,337,652	5,906,470
Administrative indirect	1,628,966	747,911	1,276,612	4,921,405	1,923,706	10,498,600	1,276,586
Contractual services	2,312,556	4,051,105	5,180,754	2,787,661	3,749,763	18,081,839	1,325,762
Repairs and maintenance	1,327,671	200,094	2,368,037	1,243,272	1,684,282	6,823,356	1,759,754
Materials and supplies	1,784,243	598,794	7,058,147	8,060,621	7,293,775	24,795,580	4,604,137
Utilities	2,321,710	21,185	63,645	528,008	1,107,258	4,041,806	71,044
Water purchases	5,166,214	-	-	-	-	5,166,214	-
Casualty property and liability costs	353,972	239,583	344,709	5,233,031	776,261	6,947,556	164,414
Claims expense net of claims reserve adjustment	-	-	-	-	-	-	56,600,137
Insurance and bonds	-	-	-	-	-	-	6,740,674
Miscellaneous fees and costs	50,994	-	-	140,673	-	191,667	1,504,222
Depreciation and amortization	1,355,440	7,103,982	4,897	17,012,387	2,080,067	27,556,773	4,456,633
Other	1,220,656	1,850,762	871,919	117,857	2,085,661	6,146,855	441,312
Total operating expenses	24,867,250	17,621,077	29,322,186	100,300,186	27,477,199	199,587,898	84,851,145
Operating income (loss)	3,004,834	745,092	(1,692,118)	(88,385,709)	2,570,332	(83,757,569)	(5,515,766)
Nonoperating revenues (expenses)							
Shared sales tax proceeds	-	-	-	58,797,736	-	58,797,736	-
Investment income	3,294,697	1,426,721	835,048	1,171,466	1,224,447	7,952,379	2,753,344
Interest expense	(3,629)	(130,098)	-	-	(21,884)	(155,611)	-
Gain (loss) on disposal of capital assets	-	-	-	2,202	-	2,202	667,015
Other nonoperating revenues	477,334	1,680,476	464,325	4,469,071	3,378,778	10,469,984	33,410
Total nonoperating revenues (expenses) net	3,768,402	2,977,099	1,299,373	64,440,475	4,581,341	77,066,690	3,453,769
Income (loss) before capital contributions, transfers and special items	6,773,236	3,722,191	(392,745)	(23,945,234)	7,151,673	(6,690,879)	(2,061,997)
Capital contributions	-	-	-	10,047,937	-	10,047,937	-
Transfers in (note 11)	94,120	1,172,090	-	668,049	1,909,267	3,843,526	2,498,869
Transfers out (note 11)	(26,959,512)	(4,266,403)	(467,144)	(498,224)	(17,903,270)	(50,094,553)	(2,699,091)
Special items (note 18)	(113,057)	(30,082)	(240,909)	(773,797)	(122,420)	(1,280,265)	(162,165)
Change in net position	(20,205,213)	597,796	(1,100,798)	(14,501,269)	(8,964,750)	(44,174,234)	(2,424,384)
Net position at beginning of year	102,853,952	212,703,738	3,590,895	201,370,542	77,927,063	598,446,190	39,730,037
Net position at end of year	\$ 82,648,739	213,301,534	2,490,097	186,869,273	68,962,313	554,271,956	37,305,653
Change in net position						\$ (44,174,234)	
Net adjustment to reflect the consolidation of internal service fund activities related to enterprise funds						3,417,264	
Change in net position of business-type activities						\$ (40,756,970)	

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, 2020

	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	\$ 27,215,851	18,210,686	28,172,703	12,978,837	27,402,468	113,980,545	59,095,590
Cash payments for materials and services	(18,167,458)	(10,928,839)	(17,336,550)	(24,677,396)	(18,168,415)	(89,278,658)	(18,250,569)
Cash payments to employees for services	(6,665,245)	(2,512,387)	(11,003,857)	(57,588,590)	(6,010,874)	(83,780,953)	(5,386,718)
Cash paid for claims and related services	—	—	—	—	—	—	(26,132,973)
Other revenue received	477,334	1,680,476	464,325	4,469,071	3,378,778	10,469,984	33,410
Net cash provided by (used in) operating activities	2,860,482	6,449,936	296,621	(64,818,078)	6,601,957	(48,609,082)	9,358,740
Cash flows from noncapital financing activities:							
Sales tax proceeds	—	—	—	62,973,889	—	62,973,889	—
Repayment of advances to/(from) other funds	—	—	—	—	(226,798)	(226,798)	—
Payment received from promissory note	—	—	—	—	7,352,725	7,352,725	—
Other	(113,057)	(30,082)	—	(773,940)	(122,420)	(1,039,499)	(162,165)
Transfers in	3,764,120	1,172,090	—	668,049	1,909,267	7,513,526	2,498,869
Transfers out	(26,959,512)	(4,266,403)	(467,144)	(498,224)	(17,903,270)	(50,094,553)	(2,699,091)
Net cash provided by (used in) noncapital financing activities	(23,308,449)	(3,124,395)	(467,144)	62,369,774	(8,990,496)	26,479,290	(362,387)
Cash flows from capital and related financing activities:							
Capital contributions received	—	—	—	10,631,510	—	10,631,510	—
Acquisition and construction of capital assets	(8,689,272)	(11,285,082)	—	(4,776,399)	(502,086)	(25,252,839)	(5,998,837)
Proceeds from sale of capital assets	—	—	—	2,201	—	2,201	822,161
Proceeds from long-term obligations	—	5,010,099	—	—	—	5,010,099	—
Payments on long-term obligations	—	(2,210,000)	—	—	(315,130)	(2,525,130)	(5,176,676)
Interest paid on long-term obligations	(3,629)	(181,350)	—	—	(24,615)	(209,594)	—
Net cash provided by (used in) capital and related financing activities	(8,692,901)	(8,666,333)	—	5,857,312	(841,831)	(12,343,753)	(10,353,352)
Cash flows from investing activities							
Investments income	3,249,370	1,473,012	858,523	1,162,814	8,762,070	15,505,789	2,809,569
Net cash provided by investing activities	3,249,370	1,473,012	858,523	1,162,814	8,762,070	15,505,789	2,809,569
Net increase (decrease) in cash and cash equivalents	(25,891,498)	(3,867,780)	688,000	4,571,822	5,531,700	(18,967,756)	1,452,570
Cash and cash equivalents at beginning of year	105,158,653	48,756,473	27,826,109	40,717,278	36,503,132	258,961,645	96,387,299
Cash and cash equivalents at end of year	\$ 79,267,155	44,888,693	28,514,109	45,289,100	42,034,832	239,993,889	97,839,869
Cash and investments	\$ 77,476,001	39,827,372	11,314,183	31,262,983	33,688,853	193,569,392	103,016,545
Restricted cash and investments	1,791,154	5,061,320	16,959,017	14,026,117	8,345,979	46,183,587	—
Total cash and cash equivalents	\$ 79,267,155	44,888,692	28,273,200	45,289,100	42,034,832	239,752,979	103,016,545

(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, 2020

	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)	\$ 3,004,834	745,092	(1,692,118)	(88,385,709)	2,570,332	(83,757,569)	(5,515,766)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Add depreciation	1,355,440	7,103,982	4,897	17,012,387	2,080,067	27,556,773	4,456,633
Other revenue received	477,334	1,680,476	464,325	4,469,071	3,378,778	10,469,984	33,410
Change in assets and liabilities and deferred outflows and inflows of resources:							
(Increase) decrease in accounts receivable	(539,830)	(155,483)	(885,937)	866,552	(2,696,958)	(3,411,656)	153,956
Decrease in due from other governments	—	—	—	179,148	—	179,148	—
(Increase) in due from other funds	—	—	—	—	—	—	(20,300,000)
(Increase) decrease in prepaids	(5,997)	7,189	(2,749)	18,538	17,882	34,863	10,312
(Increase) in inventory	—	—	—	(45,937)	—	(45,937)	3,979
Increase (decrease) in accounts payable	1,172,521	(3,668,847)	(169,978)	(1,575,923)	512,345	(3,729,882)	(376,955)
Increase (decrease) in accrued liabilities	8,781	5,993	(13,941)	(107,893)	5,171	(101,889)	266
Increase (decrease) in contracts payable	344,687	442,253	—	50,822	(77,936)	759,826	—
(Decrease) in unearned revenue	—	—	—	(86,000)	—	(86,000)	—
Increase (decrease) in deposits payable from restricted assets	(116,403)	—	1,428,572	—	51,895	1,364,064	—
Increase (decrease) in compensated absences payable	(17,974)	13,675	(19,786)	(140,216)	(32,171)	(196,472)	32,596
Increase in claims payable	—	—	—	—	—	—	30,373,419
(Decrease) in pollution remediation obligation	(3,511,687)	—	—	—	—	(3,511,687)	—
Net OPEB liability and related changes in deferred outflows and inflows of resources	(38,583)	(23,144)	426,653	(310,917)	192,413	246,422	(88,211)
Net pension liability and related changes in deferred outflows and inflows of resources	727,359	298,750	756,683	3,237,999	600,139	5,620,930	575,101
Total adjustments	(144,352)	5,704,844	1,988,739	23,567,631	4,031,625	35,148,487	14,874,506
Net cash provided by (used in) operating activities	\$ 2,860,482	6,449,936	296,621	(64,818,078)	6,601,957	(48,609,082)	9,358,740
Schedule of non-cash capital and related financing activities:							
Capital assets acquired through accounts payable	\$ 1,106,611	2,620,595	—	—	2,470	3,729,676	325,106
Gain/(Loss) on disposal of capital assets	—	—	—	2,202	—	2,202	667,015

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, 2020

	Total Private-Purpose Trust Fund	Total Agency Funds
ASSETS		
Restricted cash (note 5)	\$ 23,865,815	3,407,577
Restricted cash and investments with fiscal agent (note 5)	7,047,455	-
Accounts receivable	1	34,680
Total assets	<u>30,913,271</u>	<u>3,442,257</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on refunding	<u>1,487,490</u>	
LIABILITIES		
Accounts payable and accrued liabilities	-	3,442,257
Long term liabilities:		
Loans and bonds payable, due within one year (note 17)	8,953,628	-
Loans and bonds payable, due in more than one year (note 17)	133,251,478	-
Accrued interest payable, due in more than one year	19,764,085	-
Total liabilities	<u>161,969,191</u>	<u>3,442,257</u>
NET POSITION		
Restricted for the dissolution of the Former Redevelopment Agency	<u>\$ (129,568,430)</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, 2020

	<u>Private-Purpose Trust Fund</u>
Additions:	
Property tax distribution	\$ 33,463,519
Investment income	<u>30,766</u>
Total additions	<u>33,494,285</u>
Deductions:	
Project expenses	425,892
Interest expense	<u>7,581,498</u>
Total deductions	<u>8,007,390</u>
Change in net position	25,486,895
Net position at beginning of year	<u>(155,055,325)</u>
Net position at end of year	<u><u>\$ (129,568,430)</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

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements For the fiscal year ended June 30, 2020

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.

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2020

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.

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.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2020

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

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2020

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.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements For the fiscal year ended June 30, 2020

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, 2020, the allowance for uncollectible accounts for governmental and business-type activities is \$817,585 and \$886,099 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

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements For the fiscal year ended June 30, 2020

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

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
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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.

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2020

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

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Notes to Basic Financial Statements For the fiscal year ended June 30, 2020

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 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.

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Notes to Basic Financial Statements For the fiscal year ended June 30, 2020

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, 2020, 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 OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements For the fiscal year ended June 30, 2020

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, 2019
Measurement Date	June 30, 2019
Measurement Period	June 30, 2018 to June 30, 2019

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.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2020

(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.

	<u>Balance at July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2020</u>	<u>Due within one year</u>	<u>Due beyond one year</u>
Governmental Activities	13,610,615	8,707,739	8,547,161	13,771,193	8,615,765	5,155,428
Business-type activities	3,606,211	2,768,768	2,933,906	3,441,073	2,787,641	653,432
Total	<u>\$ 17,216,826</u>	<u>11,476,507</u>	<u>11,481,067</u>	<u>17,212,266</u>	<u>11,403,406</u>	<u>5,808,860</u>

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

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2020

(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	\$ 346,429,347	—	75,022,609	—	421,451,956
Restricted cash and investments	18,725,389	—	—	—	18,725,389
Receivables (net, where applicable, of allowances for uncollectibles):					
Accounts	9,091,412	—	19,047	—	9,110,459
Notes	188,407,247	—	—	—	188,407,247
Taxes	9,327,039	—	—	—	9,327,039
Interest	1,419,817	—	208,372	—	1,628,189
Other governments	3,197,111	—	—	—	3,197,111
Internal balances	—	—	5,206,524	5,524,251	10,730,775
Due from other funds	2,116,856	—	20,300,000	(22,416,856)	—
Deposits	58,959	—	—	—	58,959
Prepays	3,733,703	—	—	—	3,733,703
Restricted cash and investments with fiscal agent	51,835,435	—	—	—	51,835,435
Advances to other funds	9,737,875	—	—	(9,737,875)	—
Notes Receivable Successor Agency	7,488,093	—	—	—	7,488,093
Capital assets, net	—	890,204,229	139,102	—	890,343,331
Total assets	<u>651,568,283</u>	<u>890,204,229</u>	<u>100,895,654</u>	<u>(26,630,480)</u>	<u>1,616,037,686</u>
Deferred Outflows of Resources					
Deferred loss on refundings	—	28,857	—	—	28,857
Deferred outflows from pensions	—	83,219,523	526,922	—	83,746,445
Deferred outflows from OPEB	—	5,936,222	18,626	—	5,954,848
Total deferred outflow of resources	<u>—</u>	<u>89,184,602</u>	<u>545,548</u>	<u>—</u>	<u>89,730,150</u>
Liabilities, Deferred Inflows of Resources and Fund Balances/Net Position					
Liabilities:					
Accounts payable	26,106,285	—	1,003,927	—	27,110,212
Accrued liabilities	9,413,023	—	72,794	—	9,485,817
Accrued interest payable	—	2,091,416	—	—	2,091,416
Contracts payable (retained percentage)	4,219,307	—	—	—	4,219,307
Due to other funds	22,416,856	—	—	(22,416,856)	—
Unearned revenue	25,752,612	—	—	—	25,752,612
Deposits payable from restricted assets	1,174,983	—	—	—	1,174,983
Advances from other funds	4,213,624	—	—	(4,213,624)	—
Compensated absences due within one year	—	8,532,800	82,965	—	8,615,765
Compensated absences due in more than one year	—	5,098,757	56,671	—	5,155,428
Claims payable due within one year	—	—	39,202,556	—	39,202,556
Claims payable due in more than one year	—	—	56,505,019	—	56,505,019
Loans and bonds payable due within one year	—	4,910,000	—	—	4,910,000
Loans and bonds payable due in more than one year	—	161,101,015	—	—	161,101,015
Pollution remediation obligation due within one year	—	332,216	—	—	332,216
Pollution remediation obligation due in more than one year	—	2,000,651	—	—	2,000,651
Net OPEB liability	—	28,145,794	88,314	—	28,234,108
Net pension liability	—	379,568,996	2,331,711	—	381,900,707
Total liabilities	<u>93,296,690</u>	<u>591,781,645</u>	<u>99,343,957</u>	<u>(26,630,480)</u>	<u>757,791,812</u>
Deferred Inflows of Resources					
Unavailable revenue	7,503,134	—	—	(7,503,134)	—
Deferred gain on refunding	—	50,485	—	—	50,485
Deferred inflows from pensions	—	18,259,339	138,585	—	18,397,924
Deferred inflows from OPEB	—	1,581,789	4,963	—	1,586,752
Total deferred inflows of resources	<u>7,503,134</u>	<u>19,891,613</u>	<u>143,548</u>	<u>(7,503,134)</u>	<u>20,035,161</u>
Total fund balances/net position	<u>\$ 550,768,459</u>	<u>367,715,573</u>	<u>1,953,697</u>	<u>7,503,134</u>	<u>927,940,863</u>

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements For the fiscal year ended June 30, 2020

- 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 \$139,102 net of accumulated depreciation, are not included in this amount.

	\$ 1,409,104,286
Less accumulated depreciation/amortization	(518,900,057)
	<u>\$ 890,204,229</u>

Deferred outflows from pension	83,219,523
Deferred inflows from pension	(18,259,339)
	<u>\$ 64,960,184</u>

Deferred outflows from OPEB	5,936,222
Deferred inflows from OPEB	(1,581,789)
	<u>\$ 4,354,433</u>

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

General obligation bonds	(3,230,000)
Revenue bonds	(148,455,000)
Accrued interest on long-term debt	(2,091,416)
Unamortized premium on long-term debt	(14,326,015)
Employee compensated absences	(13,631,557)
Accrued pollution remediation costs	(2,332,867)
Net OPEB liability	(28,145,794)
Net pension liability	(379,568,996)
Total long-term liabilities	<u>\$ (591,781,645)</u>

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

\$ (3,252,827)

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.

5,206,524
<u>\$ 1,953,697</u>

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2020

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	\$193,569,392	27,993,936	—	221,563,328
Receivables (net, where applicable, of allowances for uncollectibles):				
Accounts	15,907,106	86,714	—	15,993,820
Interest	11,568,316	84,373	—	11,652,689
Notes receivable Successor Agency	259,400	—	—	259,400
Settlement	3,670,000	—	—	3,670,000
Due from other governments	6,685,595	—	—	6,685,595
Internal balances	—	—	(10,730,775)	(10,730,775)
Inventory	3,312,110	43,935	—	3,356,045
Prepays	75,168	—	—	75,168
Restricted cash and investments	46,182,938	—	—	46,182,938
Restricted cash and investments with fiscal agent	649	—	—	649
Capital assets, net	441,639,006	22,577,325	—	464,216,331
Total assets	<u>722,869,680</u>	<u>50,786,283</u>	<u>(10,730,775)</u>	<u>762,925,188</u>
Deferred Outflows of Resources				
Deferred loss on refunding	114,399	—	—	114,399
Deferred outflows from pensions	18,066,364	865,907	—	18,932,271
Deferred outflows from OPEB	957,977	48,646	—	1,006,623
Total deferred outflows of resources	<u>19,138,740</u>	<u>914,553</u>	<u>—</u>	<u>20,053,293</u>
Liabilities				
Accounts payable	11,774,346	1,397,184	—	13,171,530
Accrued liabilities	2,914,938	89,520	—	3,004,458
Accrued interest payable	47,938	—	—	47,938
Contracts payable (retained percentage)	1,388,704	—	—	1,388,704
Internal balances	5,524,251	5,206,524	(10,730,775)	—
Unearned revenue	8,500,473	—	—	8,500,473
Liabilities payable from restricted assets	20,340,905	—	—	20,340,905
Compensated absences due within one year	2,652,769	134,872	—	2,787,641
Compensated absences due in more than one year	606,467	46,965	—	653,432
Claims payable due within one year	—	2,514,041	—	2,514,041
Claims payable due in more than one year	—	2,656,637	—	2,656,637
Loans and bonds payable due within one year	2,275,000	—	—	2,275,000
Loans and bonds payable due in more than one year	8,040,635	—	—	8,040,635
Pollution remediation obligation due within one year	14,010,573	—	—	14,010,573
Pollution remediation obligation due in more than one year	20,163,941	—	—	20,163,941
Net OPEB liability due in more than one year	4,542,111	230,650	—	4,772,761
Net pension liability due in more than one year	79,946,527	3,831,777	—	83,778,304
Total liabilities	<u>182,729,578</u>	<u>16,108,170</u>	<u>(10,730,775)</u>	<u>188,106,973</u>
Deferred Inflows of Resources				
Deferred inflows from pensions	4,751,620	227,742	—	4,979,362
Deferred inflows from OPEB	255,266	12,962	—	268,228
Total deferred inflows of resources	<u>5,006,886</u>	<u>240,704</u>	<u>—</u>	<u>5,247,590</u>
Total Net Position	<u>\$554,271,956</u>	<u>35,351,962</u>	<u>—</u>	<u>589,623,918</u>

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

\$ 40,558,486

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.

\$ (5,206,524)

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2020

(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.

CITY OF SANTA MONICA, CALIFORNIA

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For the fiscal year ended June 30, 2020

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 \$2,332,867 in the governmental activities of which \$332,216 is due within one year and \$34,174,514 in the business-type activities, of which \$14,010,573 is due within one year. These liabilities are reported in the business-type and governmental activities in the Statement of Net Position.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2020**(5) CASH AND INVESTMENTS**

Cash and investments as of June 30, 2020 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 643,015,284
Restricted cash and investments	64,908,327
Restricted cash with fiscal agent	51,836,084
Fiduciary funds:	
Restricted cash and investments	27,273,392
Restricted cash with fiscal agent	7,047,455
Total cash and investments	<u>\$ 794,080,542</u>

Cash and investments as of June 30, 2020 consist of the following:

Cash on hand	\$ 27,833
Deposits with financial institutions	109,512,384
Investments	684,540,325
Total cash and investments	<u>\$ 794,080,542</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 \$1,541,435 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

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2020

Investment types authorized by state law	Authorized by investment policy	*Maximum maturity	*Maximum percentage of portfolio	*Maximum investment in one issuer
Banker's acceptances	Yes	180 days	10%	30%
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

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2020

Authorized investment type	Maximum maturity	Maximum percentage allowed	Maximum investment in one issuer
Banker's acceptances	180 days	None	None
State obligations	None	None	None
Repurchase agreements	1 year	None	None
Pre-refunded municipal obligations	None	None	None
Commercial paper	270 days	None	None
Money market mutual funds	None	None	None
Investment contracts	30 years	None	None

Investments Authorized by Actions of the City Council

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

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2020

the Federal agency security and Supranational categories, 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, 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	\$ 299,170,884	115,349,102	33,320,090	150,501,692	—	—
Treasury Bills	9,999,400	9,999,400	—	—	—	—
Corporate medium term notes	159,984,539	50,660,115	57,644,021	51,680,403	—	—
Municipal bonds	45,607,822	6,792,940	16,095,853	22,719,029	—	—
Commercial Paper	5,000,000	5,000,000	—	—	—	—
Supranationals	32,413,280	—	—	32,413,280	—	—
State investment pool	74,634,987	74,634,987	—	—	—	—
Held by others:						
Treasury notes/bonds	2,919,611	—	836,680	735,047	1,347,884	—
Corporate medium term notes	2,592,071	—	—	1,140,892	1,451,179	—
Municipal Bonds	129,410	—	129,410	—	—	—
Common stock	8,964,274	—	—	—	—	8,964,274
Money market funds	43,124,047	43,124,047	—	—	—	—
Total	\$ 684,540,325	305,560,591	108,026,054	259,190,343	2,799,063	8,964,274

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City's investments as of June 30, 2020 (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.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2020

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	\$ 299,170,884	N / A	—	245,544,174	—	—	—	—	—	—	—	—	53,626,710
Treasury bills	9,999,400	N / A		9,999,400									
Corporate medium term notes	159,984,539	A	16,724,961	10,033,096	2,505,525	21,928,780	28,710,792	36,045,765	35,728,546	8,307,074	—	—	—
Municipal bonds	45,607,822	N/A	—	14,901,308	5,308,084	21,118,990	—	4,279,440	—	—	—	—	—
Commercial Paper	5,000,000	A+1	5,000,000	—	—	—	—	—	—	—	—	—	—
Supranationals	32,413,280	AA	32,413,280	—	—	—	—	—	—	—	—	—	—
State investment pool	74,634,987	N / A	—	—	—	—	—	—	—	—	—	—	74,634,987
	626,810,912												
Held by others:													
Treasury notes/bonds	2,919,611	N / A	—	2,919,611	—	—	—	—	—	—	—	—	—
Municipal Bonds	129,410	N / A	—	129,410	—	—	—	—	—	—	—	—	—
Corporate medium term notes	2,592,071	N / A	121,963	—	—	—	—	—	442,230	416,704	872,665	738,509	—
Common stock	8,964,274		—	—	—	—	—	—	—	—	—	—	8,964,274
Money market funds	43,124,047	*	42,956,539	—	—	—	—	—	—	—	—	—	167,508
	\$ 684,540,325		97,216,743	283,526,999	7,813,609	43,047,770	28,710,792	40,325,205	36,170,776	8,723,778	872,665	738,509	137,393,479

*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-. The minimum rating applies as to the time of purchase.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements For the fiscal year ended June 30, 2020

As of June 30, 2020, 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 \$8,307,074 as of June 30, 2020 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 0.004% to 0.3% depending on the maturity dates of the bonds. Due to the very low risk of default, 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	\$ 35,812,548	5.7 %
Federal Farm Credit Bank	Federal agency securities	57,198	9.1
FHLMC (Freddie Mac)	Federal agency securities	83,790,811	13.4
Federal Home Loan Bank	Federal agency securities	68,742,715	11.0
Federal Agricultural Mortgage Assoc.	Federal agency securities	53,726,710	8.6

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

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements For the fiscal year ended June 30, 2020

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, 2020.

As of June 30, 2020, 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, 2020, \$74,634,121 was invested in the City's account and \$866 was invested in the SA account. The total amount invested by all public agencies in LAIF at that date was \$32.1 billion. The LAIF is part of the State's Pooled Money Investment Account (PMIA). As of June 30, 2020, the investments in the PMIA totaled \$101.0 billion, nearly all of which is invested in non-derivative financial products. The weighted average of LAIF investments was 191 days as of June 30, 2020. 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, 2020:

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2020

Investment Type	Totals	Level			Uncategorized
		1	2	3	
Federal agency securities	\$ 299,170,884	—	299,170,884	—	—
Treasury bills	9,999,400	9,999,400	—	—	—
Corporate medium term notes	159,984,539	—	159,984,539	—	—
Municipal bonds	45,607,822	—	45,607,822	—	—
Supranationals	32,413,280	—	32,413,280	—	—
Commercial Paper	5,000,000	—	5,000,000	—	—
Local Agency Investment Fund	74,634,987	—	—	—	74,634,987
Held by Others:					
Treasury notes/bonds	2,919,611	2,919,611	—	—	—
Corporate medium term notes	2,592,071	—	2,592,071	—	—
Municipal bonds	129,410	—	129,410	—	—
Common stock	8,964,274	8,964,274	—	—	—
Money market mutual funds	43,124,047	42,956,539	167,508	—	—
Investments at Fair Value	<u>\$ 684,540,325</u>	<u>64,839,824</u>	<u>545,065,514</u>	<u>—</u>	<u>74,634,987</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.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2020**(6) NOTES RECEIVABLE**

Notes receivable related to governmental activities total \$188,407,247 as follows:

	Balance at June 30, 2019	Transfers	Increases	Decreases	Balance at June 30, 2020
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)	9,458,285	-	1,112,655	-	10,570,940
EAH, Inc (k)	-	5,477,961	1,260,153	-	6,738,114
Community Corporation of Santa Monica (l)	143,498	-	234,275	-	377,773
Community Corporation of Santa Monica (m)	5,912,737	-	2,218,855	-	8,131,592
Community Corporation of Santa Monica (n)	8,395,583	-	283,595	-	8,679,178
Community Corporation of Santa Monica (o)	11,995,084	-	409,880	-	12,404,964
EAH, Inc (p)	7,000,000	(5,354,795)	-	-	1,645,205
Community Corporation of Santa Monica (q)	-	-	13,820,136	-	13,820,136
Total Special Revenue Source Fund	93,946,943	123,166	19,339,549	-	113,409,658
Low and Moderate Income Housing Asset Fund					
Community Corporation of Santa Monica (r)	7,979,656	-	-	-	7,979,656
Community Corporation of Santa Monica (s)	2,738,277	-	-	-	2,738,277
Community Corporation of Santa Monica (t)	4,437,001	-	-	-	4,437,001
FAME Santa Monica Senior Apartments (u)	4,058,652	-	-	-	4,058,652
Step Up (v)	3,011,818	-	-	-	3,011,818
Community Corporation of Santa Monica (w)	4,234,506	-	-	-	4,234,506
Community Corporation of Santa Monica (x)	2,900,000	-	-	-	2,900,000
Community Corporation of Santa Monica (y)	5,408,035	-	-	-	5,408,035
Step Up (z)	5,870,000	-	-	-	5,870,000
Santa Monica Housing Partners (aa)	5,684,455	-	-	-	5,684,455
Community Corporation of Santa Monica (bb)	685,738	-	-	-	685,738
EAH, Inc (cc)	5,354,795	(5,477,961)	123,166	-	-
EAH, Inc (dd)	-	5,354,795	-	-	5,354,795
Total Low and Moderate Income Housing Asset Fund	52,362,933	(123,166)	123,166	-	52,362,933
Other Nonmajor Governmental Funds					
Ocean Park Community Center (ee)	400,000	-	-	-	400,000
Community Corporation of Santa Monica (ff)	6,345,807	-	-	-	6,345,807
Community Corporation of Santa Monica (gg)	841,600	-	-	-	841,600
Community Corporation of Santa Monica (hh)	1,691,965	-	-	-	1,691,965
Low- and moderate-income housing (DPRLP) (ii)	200,000	-	-	200,000	-
Low- and moderate-income housing (DPRLP) (ii)	200,000	-	-	200,000	-
Ocean Park Community Center (jj)	800,000	-	-	-	800,000
Step Up (kk)	1,300,000	-	-	-	1,300,000
Community Corporation of Santa Monica (ll)	669,456	-	-	-	669,456
Low- and moderate-income housing (mm)	719,619	-	-	-	719,619
MERL Program (nn)	5,897,857	-	164	111,182	5,786,839
MERL Program (oo)	4,139,778	-	-	60,408	4,079,370
Total nonmajor governmental funds	23,206,082	-	164	571,590	22,634,656
Total notes receivable	\$ 169,515,958	-	19,462,879	571,590	188,407,247

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2020

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, 2020, \$448,280 had been disbursed to the borrower. See item “r” 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, 2020, \$7,114,401 had been disbursed to the borrower. See item “s” 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, 2020, \$4,420,698 had been disbursed to the borrower. See item “t” 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, 2020, \$7,416,347 had been disbursed to the borrower. See item “u” 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, 2020, \$2,029,437 had been disbursed to the borrower. See item “v” 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, 2020, \$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

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2020

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, 2020, \$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, 2020, \$3,350,000 had been disbursed to the borrower. See item "x" 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, 2020, \$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 was a 0% interest loan with the principal amount due and payable after a two-year deferral period. As of June 30, 2020, \$10,570,940 had been disbursed to the borrower.
- k. A promissory note dated March 12, 2020 in the amount of \$11,400,000 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 was a 3% interest loan with a fifty-five-year term. Payments are deferred during construction of the project and then payments of residual receipts are due annually once the construction has been completed. The loan is due and payable at the end of the loan term. As of June 30, 2020, \$6,738,114 had been disbursed to the borrower. This balance was transferred from the Low and Moderate Income Housing Asset Fund. See item "cc" below.
- l. 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, 2020, \$377,773 had been disbursed to the borrower.
- m. A promissory note dated April 2, 2020 in the amount of \$9,745,656 was executed with Community Corporation of Santa Monica for an affordable housing project located at 2120 Lincoln Boulevard. This is 3% interest loan with a fifty-five-year term. Payments are deferred construction of the project and then payments of residual receipts are due annually once the construction has been completed. The loan is due and payable at the end of the loan term. As of June 30, 2020, \$8,131,592 had been disbursed to the borrower.
- n. 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.

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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, 2020, \$8,679,178 had been disbursed to the borrower.

- o. 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, 2020, \$12,404,964 had been disbursed to the borrower.
- p. 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, 2020, \$1,645,205 had been disbursed to the borrower. A part of the loan balance in this fund was transferred to the Low and Moderate Income Housing Asset Fund. See item "dd" below.
- q. A promissory note dated January 14, 2020 in the amount of \$15,183,670 was executed with Community Corporation of Santa Monica for an affordable housing project located at 2033-2101 Virginia Ave. Payments are deferred during loan term including any extensions. The loan is due and payable in full twenty-four (24) months from the date of the Note. This is a 0% interest loan with an eighteen (18) month term and option to extend for an additional twelve (12) months. As of June 30, 2020, \$13,820,136 had been disbursed to the borrower.

Low and Moderate Income Housing Asset Fund

- r. 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, 2020, the outstanding balance is \$7,979,656. See item "a" above for the amount disbursed from the Special Revenue Source Fund.
- s. 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, 2020, \$2,738,277 had been disbursed to the borrower. See item "b" above for amounts disbursed from the Special Revenue Source Fund.
- t. 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, 2020, the outstanding balance is \$4,437,001. See item "c" above for the amount disbursed from the Special Revenue Source Fund.

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- u. 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, 2020, \$4,058,652 had been disbursed to the borrower. See item “d” above for the amount disbursed from the Special Revenue Source Fund.
- v. 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, 2020, \$3,011,818 had been disbursed to the borrower. See item “e” above for the amount disbursed from the Special Revenue Source Fund.
- w. 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, 2020, \$4,234,506 had been disbursed to the borrower.
- x. 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, 2020, \$2,900,000 had been disbursed to the borrower. See item “h” above for the amount disbursed from the Special Revenue Source Fund.
- y. 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, 2020, \$5,408,035 had been disbursed to the borrower. See item “hh” below for the amount disbursed from the CDBG Fund.
- z. 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, 2020, \$5,870,000 had been disbursed to the borrower. See item “kk” below for the amount disbursed from the Miscellaneous Grants Fund.
- aa. 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

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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, 2020, the outstanding balance is \$5,684,455.

- bb. 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, 2020, \$685,738 had been disbursed to the borrower.
- cc. A promissory note dated March 12, 2020 in the amount of \$11,400,000 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 was a 3% interest loan with a fifty-five-year term. Payments are deferred during construction of the project and then payments of residual receipts are due annually once the construction has been completed. The loan is due and payable at the end of the loan term. As of June 30, 2020, \$6,738,114 had been disbursed to the borrower. This balance was transferred to the Special Revenue Source Fund. See item "k" above.
- dd. 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, 2020, \$5,354,795 had been disbursed to the borrower. This balance was transferred from the Special Revenue Source Fund. See item "p" above.

Other Nonmajor Governmental Funds

- ee. 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, 2020, \$400,000 had been disbursed to the borrower. This was disbursed from the TORCA Fund. See item "jj" below for the amount disbursed from the Miscellaneous Grants Fund.
- ff. 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, 2020, \$6,345,807 had been disbursed to the borrower. This was disbursed from the TORCA Fund.
- gg. 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, 2020, \$841,600 had been

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Notes to Basic Financial Statements
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disbursed to the borrower. This was disbursed from the CDBG Fund.

- hh. 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, 2020, \$1,691,965 had been disbursed to the borrower. This was disbursed from the CDBG Fund. See item “y” above for the amount disbursed from the Low and Moderate Income Housing Asset Fund.
- ii. 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. These were disbursed from the Miscellaneous Grants Fund. As of June 30, 2020 these two notes were fully paid.
- jj. 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, 2020, \$800,000 had been disbursed to the borrower. This was disbursed from the Miscellaneous Grants Fund. See item “ee” above for the amount disbursed from the TORCA Fund.
- kk. 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, 2020, \$1,300,000 had been disbursed to the borrower. This was disbursed from the Miscellaneous Grants Fund. See item “z” above for the amount disbursed from the Low and Moderate Income Housing Asset Fund.
- ll. 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

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22, 2053. As of June 30, 2020, the outstanding balance is \$669,456.

- mm. 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, 2020, the outstanding balances of such loans total \$719,619.
- nn. 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, 2020, the CDBG Program Emergency Supplemental Fund outstanding balance is \$5,786,839. See item “oo” below for the amount disbursed from the Miscellaneous Grants Fund.
- oo. 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, 2020, the Miscellaneous Grants Fund outstanding balance is \$4,079,370. See item “nn” above for the amount disbursed from the CDBG fund.

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Notes to Basic Financial Statements
For the fiscal year ended June 30, 2020**(7) CAPITAL ASSETS**

Capital assets activity for the primary government for fiscal year ended June 30, 2020 is as follows:

	Balance at July 1, 2019	Increases	Decreases	Transfers	Balance at June 30, 2020
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	72,054,574	93,244,831	—	(3,355,690)	161,943,715
Total capital assets, not being depreciated	344,615,421	93,244,831	—	(3,355,690)	434,504,562
Capital assets, being depreciated:					
Buildings	340,429,097	—	—	—	340,429,097
Improvements other than buildings	194,445,830	559,745	—	2,357,160	197,362,735
Utility systems	1,742,913	—	—	—	1,742,913
Machinery and equipment	57,163,244	1,297,445	(1)	846,292	59,306,980
Infrastructure	376,441,741	—	—	152,238	376,593,979
Intangibles	695,710	—	—	—	695,710
Total capital assets being depreciated	970,918,535	1,857,190	(1)	3,355,690	976,131,414
Less accumulated depreciation for:					
Buildings	(126,578,322)	(7,853,474)	—	—	(134,431,796)
Improvements other than buildings	(87,583,963)	(10,022,843)	—	—	(97,606,806)
Utility systems	(1,248,077)	(329,893)	—	—	(1,577,970)
Machinery and equipment	(33,115,246)	(3,064,266)	1	—	(36,179,511)
Infrastructure	(241,347,094)	(8,907,151)	—	—	(250,254,245)
Intangibles	(200,876)	(41,441)	—	—	(242,317)
Total accumulated depreciation	(490,073,578)	(30,219,068)	1	—	(520,292,645)
Total capital assets, being depreciated, net	480,844,957	(28,361,878)	—	3,355,690	455,838,769
Subtotal governmental activities	825,460,378	64,882,953	—	—	890,343,331
Business-type activities:					
Capital assets, not being depreciated:					
Land	53,380,750	—	—	—	53,380,750
Construction in progress	17,730,616	15,123,228	—	(4,881,044)	27,972,800
Total capital assets, not being depreciated	71,111,366	15,123,228	—	(4,881,044)	81,353,550
Capital assets, being depreciated:					
Buildings	148,326,983	—	—	—	148,326,983
Improvements other than buildings	27,518,253	—	—	1,346,762	28,865,015
Machinery and equipment	223,341,385	8,049,443	(7,520,212)	3,534,282	227,404,898
Infrastructure	240,517,854	9,164,886	(29,586)	—	249,653,154
Intangibles	110,840,095	2,968,902	—	—	113,808,997
Total capital assets being depreciated	750,544,570	20,183,231	(7,549,798)	4,881,044	768,059,047
Less accumulated depreciation for:					
Buildings	(66,427,598)	(4,859,621)	—	—	(71,287,219)
Improvements other than buildings	(17,630,369)	(1,147,276)	—	—	(18,777,645)
Machinery and equipment	(133,237,008)	(16,925,140)	7,365,063	—	(142,797,085)
Infrastructure	(105,105,513)	(6,118,712)	29,586	—	(111,194,639)
Intangibles	(38,276,450)	(2,863,228)	—	—	(41,139,678)
Total accumulated depreciation	(360,676,938)	(31,913,977)	7,394,649	—	(385,196,266)
Total capital assets, being depreciated, net	389,867,632	(11,730,746)	(155,149)	4,881,044	382,862,781
Subtotal business-type activities	460,978,998	3,392,482	(155,149)	—	464,216,331
Total	\$ 1,286,439,376	68,275,435	(155,149)	—	1,354,559,662

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Notes to Basic Financial Statements
For the fiscal year ended June 30, 2020

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

Governmental activities:

General government	\$ 619,622
Public safety	3,679,455
General services	15,462,604
Cultural and recreation services	4,461,008
Library	1,328,332
Housing and community development	4,568,618
Capital assets held by the government's internal service funds are charged to the various functions based on their assets' usage	99,429
Total depreciation and amortization expense - governmental activities	<u>\$ 30,219,068</u>

Business-type activities:

Water	\$ 1,355,440
Resource Recovery and Recycling	4,897
Broadband	10,459
Pier	1,323,264
Wastewater	7,103,982
Airport	361,161
Stormwater management	324,607
Cemetery	44,313
Big Blue Bus	17,012,387
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	4,357,204
Total depreciation and amortization expense - business-type activities	<u>\$ 31,913,977</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.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2020

(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	\$ 152,856
Unearned rent	72,215
Business license tax	6,671,716
Unearned sponsorship fees	253,239
Total General Fund	<u>7,150,026</u>
Special Revenue Source Fund:	
Civic Center Village advanced lease payments	17,718,010
Total Special Revenue Source Fund	<u>17,718,010</u>
Nonmajor governmental funds:	
Grants received prior to meeting all eligibility requirements	285,978
Unearned user fees	598,598
Total nonmajor governmental funds:	<u>884,576</u>
Total governmental funds	<u>25,752,612</u>
Enterprise funds:	
Big Blue Bus Fund:	
Unearned developer fees	185,000
Unearned rent	8,256
Grant and other funds received prior to meeting all eligibility requirements	8,285,424
Total Big Blue Bus Fund	<u>8,478,680</u>
Nonmajor enterprise funds:	
Unearned rent	21,793
Total nonmajor enterprise funds:	<u>21,793</u>
Total enterprise funds	<u>8,500,473</u>
Total unearned revenue	<u>\$ 34,253,085</u>

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2020

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	\$ 5,547,326	(5,547,326)	—
Total General Fund	5,547,326	(5,547,326)	—
Nonmajor governmental funds:			
Interest on advances	—	—	—
Grants receivable	1,955,808	(1,955,808)	—
Total Nonmajor governmental funds	1,955,808	(1,955,808)	—
Total deferred inflows of resources	\$ 7,503,134	(7,503,134)	—

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2020

(9) LONG-TERM DEBT

Changes in long-term debt:

Long-term debt activity for the fiscal year ended June 30, 2020, was as follows:

	Balance at July 1, 2019	Additions	Reductions	Balance at June 30, 2020	Due within one year	Due beyond one year
Governmental Activities:						
Loans payable						
from direct borrowings	\$ 200,000	—	200,000	—	—	—
Lease Revenue bonds	152,100,000	—	3,645,000	148,455,000	3,815,000	144,640,000
General obligation bonds	4,340,000	—	1,110,000	3,230,000	1,095,000	2,135,000
Plus deferred amounts:						
For issuance premiums	15,173,662	—	847,647	14,326,015	—	14,326,015
Total loans and bonds payable	171,813,662	—	5,802,647	166,011,015	4,910,000	161,101,015
Business-type activities:						
Loans payable						
from direct borrowings	855,820	5,010,099	315,130	5,550,789	—	5,550,789
Revenue bonds	6,825,000	—	2,210,000	4,615,000	2,275,000	2,340,000
Plus deferred amounts:						
For issuance premiums	249,741	—	99,895	149,846	—	149,846
Total loans and bonds payable	7,930,561	5,010,099	2,625,025	10,315,635	2,275,000	8,040,635
Total	\$ 179,744,223	5,010,099	8,427,672	176,326,650	7,185,000	169,141,650

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Notes to Basic Financial Statements
For the fiscal year ended June 30, 2020

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, 2020</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%	\$ 22,450,000
Public Finance Authority Refunding 2011 (Series B)	Nov 16, 2011	8,625,000	Dec 1, 2020	2.00-4.00%	1,040,000
Public Finance Authority Refunding 2015	Jul 9, 2015	26,360,000	July 1, 2033	3.00-5.00%	22,180,000
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>148,455,000</u>
General obligation bonds (1):					
Main Library Improvements 2012	May 30, 2012	11,325,000	July 1, 2022	0.20-4.00%	<u>3,230,000</u>
Subtotal general obligation bonds - governmental activities					<u>3,230,000</u>
Subtotal governmental activities					<u>151,685,000</u>
Business-type activities (2):					
Revenue bonds:					
Hyperion Project Revenue Refunding 2012	May 30, 2012	8,955,000	Feb 1, 2022	2.00-4.00%	<u>4,615,000</u>
Subtotal revenue bonds - business-type activities					<u>4,615,000</u>
Loans payable from direct borrowings (1):					
State Water Resources Control Board Construction Installment Sale Agreement	Sep 21, 2017	75,885,903	Dec 31, 2052	1.80%	<u>5,550,789</u>
Subtotal business-type activities					<u>10,165,789</u>
Total					<u>\$ 161,850,789</u>

(1) For construction of City facilities.

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

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

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2020

Annual debt service requirements to maturity are as follows:

Governmental Activities						
Fiscal year ending June 30,	Lease Revenue bonds		General obligation bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
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	5,610,000	5,581,563	—	—	5,610,000	5,581,563
2026-2030	32,150,000	23,819,476	—	—	32,150,000	23,819,476
2031-2035	26,610,000	16,644,020	—	—	26,610,000	16,644,020
2036-2040	20,380,000	12,086,238	—	—	20,380,000	12,086,238
2041-2045	25,700,000	6,736,412	—	—	25,700,000	6,736,412
2046-2049	20,235,000	1,338,238	—	—	20,235,000	1,338,238
	<u>\$ 148,455,000</u>	<u>90,935,799</u>	<u>3,230,000</u>	<u>186,925</u>	<u>151,685,000</u>	<u>91,122,724</u>

Business-type activities						
Fiscal year ending June 30,	Revenue bonds		Loan payable from direct borrowings		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 2,275,000	115,050	—	—	2,275,000	115,050
2022	2,340,000	46,800	—	—	2,340,000	46,800
2023	—	—	—	—	—	—
2024	—	—	1,828,161	1,293,946	1,828,161	1,293,946
2025	—	—	1,861,068	1,261,039	1,861,068	1,261,039
2026	—	—	1,861,560	1,227,540	1,861,560	1,227,540
	<u>\$ 4,615,000</u>	<u>161,850</u>	<u>5,550,789</u>	<u>3,782,525</u>	<u>10,165,789</u>	<u>3,944,375</u>

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements For the fiscal year ended June 30, 2020

The City's outstanding balance of a construction installment sale agreement from direct borrowings related to business type activities of \$5,550,789 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 \$4,615,000 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	\$ 1,056,000	1,056,000	100%	1,060,800
Public Finance Authority 2011	2,667,131	2,667,131	100%	29,352,568
Public Finance Authority Refunding 2015	2,051,693	2,047,194	100%	28,727,675
Public Finance Authority 2017	2,991,600	2,991,600	100%	118,298,700
Public Finance Authority 2018	1,554,387	1,554,387	100%	60,119,407
Library bond tax revenue				
Main Library Improvements Refunding 2012	1,213,250	1,213,250	100%	2,262,800
Wastewater charges for services				
Hyperion Project Revenue Refunding 2012	2,391,350	2,391,350	100%	4,776,850

Construction Installment Sale Agreement

On September 21, 2017, the City entered into a Construction Installment Sale agreement with the State Water Resources Control Board (SWRCB) 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 agreement called for the forgiveness of \$4,000,000 of

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2020

principal upon On May 27, 2020, in order to fund additional eligible projects, the SWRCB and the City modified the agreement to increase the loan amount to \$75.9 million. Amortization of the loan is expected to begin December 31, 2023 with the final payment being due on December 31, 2052. The City has drawn \$5,550,789 on the loan as of June 30, 2020.

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 \$1,825,000 as of June 30, 2020.

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2020

(10) FUND DEFICITS

Internal Service Funds

A net deficit of \$12,862,663 exists in the Self-Insurance General Liability Fund primarily due the settlement of claims related to the Santa Monica Police Activities League and 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 \$403,615 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.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2020

(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, 2020.

Advances to/from

Advances to/from other funds at June 30, 2020 are as follows:

Advances to (receivable fund)	Advances from (payable fund)	Amount
General Fund	Nonmajor governmental funds	\$ 4,213,624
	Nonmajor enterprise funds	5,524,251
	Total advances to/from	<u>\$ 9,737,875</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, 2020 are as follows:

Due From (receivable fund)	Due to (payable fund)	Amount
General Fund	Nonmajor governmental funds	\$ 2,116,856
	Internal service funds	20,300,000
	Total due to/from	<u>\$ 22,416,856</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.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2020**Transfers**

Transfers to/from other funds for the fiscal year ended June 30, 2020 are as follows:

Transfer in (receivable fund)	Transfer out (payable fund)	Amount
General Fund	Special Revenue Source Fund	\$ 1,050,843 ⁽¹⁾
	Nonmajor governmental funds	2,354,542 ⁽²⁾
	Water Fund	26,950,137 ⁽³⁾
	Big Blue Bus Fund	498,224 ⁽⁴⁾
	Wastewater Fund	859,219 ⁽¹⁸⁾
	Resource Recovery and Recycling Fund	467,144 ⁽⁵⁾
	Nonmajor enterprise funds	1,811,905 ⁽⁶⁾
	Internal service funds	200,222 ⁽⁷⁾
	Total General Fund	34,192,236
Special Revenue Source Fund	General Fund	8,764,853 ⁽⁸⁾
	Nonmajor enterprise funds	11,920,000 ⁽⁸⁾
	Total Special Revenue Source Fund	20,684,853
Low/Moderate Housing Fund	General Fund	68,120 ⁽⁸⁾
	Nonmajor enterprise funds	2,980,000 ⁽⁸⁾
	Total Low/Moderate Housing Fund	3,048,120
Nonmajor governmental funds	General Fund	11,580,271 ⁽⁹⁾
	Special Revenue Source Fund	388,266 ⁽¹⁰⁾
	Nonmajor governmental funds	148,264 ⁽¹⁰⁾
	Wastewater Fund	3,407,184 ⁽¹⁹⁾
	Nonmajor enterprise funds	59,440 ⁽¹¹⁾
	Total nonmajor governmental funds	15,583,425
Water Fund	General Fund	94,120 ⁽¹²⁾
	Total Water Fund	94,120
Wastewater Fund	General Fund	40,165 ⁽¹²⁾
	Nonmajor enterprise funds	1,131,925 ⁽¹³⁾
	Total Wastewater Fund	1,172,090
Big Blue Bus Fund	Nonmajor governmental funds	668,049 ⁽¹⁴⁾
	Total Big Blue Bus Fund	668,049
Nonmajor enterprise funds	General Fund	463,171 ⁽¹⁵⁾
	Water Fund	9,375 ⁽¹⁶⁾
	Nonmajor governmental funds	1,436,721 ⁽¹⁷⁾
	Total nonmajor enterprise funds	1,909,267
Internal service funds	Internal service funds	2,498,869 ⁽²⁰⁾
	Total Internal service funds	2,498,869
	Total transfers	\$ 79,851,029

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2020

- 1) Transfer of monies to subsidize cultural arts, community recreation, inclusionary and affordable housing programs, transportation management expenditures and payments for property used in CityTV operations.
- 2) Transfer of monies to subsidize literacy, housing, watershed management, planning, transportation and street program expenditures.
- 3) Transfer of settlement funds not committed to water pollution remediation that will be used by the General Fund to provide essential services during severe revenue decreases as a result of the COVID-19 pandemic.
- 4) Transfer of monies to subsidize finance, human resources, police and transit mall maintenance expenditures.
- 5) Transfer of monies to subsidize environmental program expenditures.
- 6) Transfer of monies to transfer surplus fund balance in Community Broadband Fund and to subsidize infrastructure improvements and environmental, administrative, and economic development program expenditures.
- 7) Transfer of monies to subsidize risk management program and administrative 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 to subsidize maintenance program expenditures.
- 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 the Twilight Concert Series and police expenditures.
- 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.
- 18) Transfer of monies to subsidize infrastructure improvements and environmental program expenditures.
- 19) Transfer of monies to subsidize Sustainable Water Infrastructure Project (SWIP) expenditures.
- 20) Transfer of monies to subsidize risk management program and administrative expenditures.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2020**(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, 2020 is as follows:

Housing and community development	
Low and moderate income housing funds	\$ 64,400,243
Special revenue source funds	43,954,537
Tenant Ownership Rights Charter Amendment (TORCA) funds	14,393,528
Community Development Block Grant (CDBG) funds	9,085,726
Miscellaneous grant funds	7,450,310
Rent control funds	1,816,982
Housing authority funds	3,005,982
Total housing and community development	<u>144,107,308</u>
Culture and recreation services	
Beach recreation funds	130,646
Special revenue source funds	8,994,531
Parks and recreation funds	72,977
Total culture and recreation services	<u>9,198,154</u>
Transportation	
Special revenue source funds - traffic	2,901,832
Special revenue source funds - parking	1,186,277
Special revenue source funds - roads	319,393
Special revenue source funds - transit	12,447,949
Local return funds	11,520,462
Gas tax funds	3,216,606
Total transportation	<u>31,592,519</u>
Clean beaches and ocean parcel tax	9,295,780
Debt service	5,038,085
Miscellaneous	14,207,293
Perpetual care - nonexpendable	14,861,164
Total governmental restricted net position	<u>\$ 228,300,303</u>

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2020

Restricted net position for business-type activities at June 30, 2020 is as follows:

Housing and community development -	
Low and moderate income housing funds	\$ 2,199,779
Rail reserve	1,831,969
Prop 1B	10,715,074
Debt service	<u>2,298,946</u>
Total business-type restricted net position	<u><u>\$ 17,045,768</u></u>

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements For the fiscal year ended June 30, 2020

(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, 2020 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	\$ 3,680,815	—	—	52,888	3,733,703
Advances to Airport	5,376,171	—	—	—	5,376,171
Advances to Beach	3,842,973	—	—	—	3,842,973
Advances to Rent Control	370,651	—	—	—	370,651
Deposits	55,702	—	—	—	55,702
Perpetual care	—	—	—	14,861,164	14,861,164
Total nonspendable	<u>\$ 13,326,312</u>	<u>—</u>	<u>—</u>	<u>14,914,052</u>	<u>28,240,364</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. Most affordable housing funds are already obligated or loaned to affordable housing developers for eligible projects. The 2017 CSB Bonds and FS1 Bonds represent the unspent portion of lease revenue bond proceeds that were issued to finance these large-scale capital projects. Other significant categories include transportation funds, 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.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2020

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>					
2017 CSB Bonds	\$ 10,022,555	—	—	—	10,022,555
2018 FSI Bonds	8,388,327	—	—	—	8,388,327
Advance to Low Mod Housing Fund	417,769	—	—	—	417,769
Affordable housing	—	43,954,537	63,982,474	35,697,591	143,634,602
Childcare programs	—	2,914,045	—	—	2,914,045
Clean beaches and ocean parcel tax	—	—	—	9,295,780	9,295,780
Consumer protection	2,365,236	—	—	—	2,365,236
Cultural and recreation services	—	8,994,531	—	203,623	9,198,154
Debt service	—	—	—	5,038,085	5,038,085
Disability	253,694	—	—	—	253,694
Miscellaneous	—	2,291,850	—	3,129,784	5,421,634
Overnight accommodations	—	3,252,684	—	—	3,252,684
Parking	—	1,186,277	—	—	1,186,277
Roads	—	319,393	—	3,216,606	3,535,999
Traffic	—	2,901,832	—	—	2,901,832
Transit	—	12,447,949	—	11,520,462	23,968,411
Total restricted	<u>\$ 21,447,581</u>	<u>78,263,098</u>	<u>63,982,474</u>	<u>68,101,931</u>	<u>231,795,084</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. Most affordable housing funds are already obligated or loaned to affordable housing developers for eligible projects.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2020

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>					
Advances to Successor Agency	\$ 1,671,078	—	—	—	1,671,078
Affordable housing	—	100,981,037	—	—	100,981,037
Total committed	<u>\$ 1,671,078</u>	<u>\$ 100,981,037</u>	<u>—</u>	<u>—</u>	<u>102,652,115</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 encumbrances and reappropriation of open contracts and purchase orders. Shutdown funds will maintain essential services in the event that a COVID-19 shutdown decreases revenues beyond budgeted reductions. Self-insurance supplemental payment funds are set aside to pay for settlement costs in excess of the City's liability self-insurance program as well as increases in liability insurance premium costs due to a hardening of the insurance market as a result of payouts related to natural disasters and the economic and public health crisis. Other purposes funds represent one-time funds set aside, per Council direction, to allow for the continuation of essential General Fund operations in the face of a severe revenue dip during what staff projects to be the worst part of the COVID-19 economic crisis through June 30, 2022. Continuing capital projects represents funds that are dedicated to completing capital improvement throughout the City, including City Yards and renovations to City Hall. Economic recovery, racial justice funds and Year End CIP savings have been appropriated into the FY 2020-21 budget, while the OPEB set aside will be set aside and paid towards OPEB liability in FY 2020-21 if not needed to cover revenue losses. Other funds are assigned for compensated absences and other key initiatives required for the health and safety of the City and its assets.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2020

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>					
Compensated absences	\$ 13,090,031	—	—	—	13,090,031
Continuing capital projects	13,505,442	—	—	—	13,505,442
Economic recovery fund	1,000,000	—	—	—	1,000,000
Encumbrances and reappropriations	51,466,152	—	—	—	51,466,152
OPEB set aside	2,254,692	—	—	—	2,254,692
Other purposes	22,974,270	—	—	—	22,974,270
Racial justice fund	200,000	—	—	—	200,000
Self insurance fund supplemental payments	17,825,000	—	—	—	17,825,000
Shutdown fund	20,000,000	—	—	—	20,000,000
Yearend CIP savings	861,360	—	—	—	861,360
Total assigned	<u>\$ 143,176,947</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>143,176,947</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. 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 City has lowered its contingency reserves from 15% to 12.5% of the following year's operating budget in order to make more one-time funds available to withstand the severe revenue decreases resulting from the COVID-19 pandemic. The unrealized gain 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.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2020

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>					
Contingency	\$ 44,778,518	—	—	—	44,778,518
Unrealized gain	2,143,617	—	—	—	2,143,617
Other unassigned	—	—	—	(2,018,186)	(2,018,186)
Total unassigned	<u>\$ 46,922,135</u>	<u>—</u>	<u>—</u>	<u>(2,018,186)</u>	<u>44,903,949</u>

(14) COMMITMENTS AND CONTINGENCIES

Litigation

(a) *Pico Neighborhood Association, et al. v. City of Santa Monica.* In this case, on February 13, 2019, the trial court issued its judgment in favor of plaintiffs and against the City of Santa Monica, holding that the City's at-large method of electing its City Council violated the California Voting Rights Act ("CVRA") and the Equal Protection Clause of the California Constitution. Plaintiffs' counsel then filed motions seeking approximately \$950,000 in costs and, under a provision of the CVRA, \$23 million in attorneys' fees. The City appealed on February 22, 2019, and on July 9, 2020, the Court of Appeal reversed the trial court, awarded costs to the City, and directed the trial court to enter judgment for the City. Plaintiffs filed a petition for rehearing on July 24, 2020, which the Court of Appeal denied on August 5, 2020. On August 18, 2020 the plaintiffs requested review by the California Supreme Court, and on October 21, 2020 the California Supreme Court granted the petition for review and ordered the parties to brief the following issue: "What must a plaintiff prove in order to establish vote dilution under the California Voting Rights Act?" The Supreme Court also ordered the Court of Appeal's opinion depublished. Plaintiffs' requests for costs and attorneys' fees remain pending in the trial court awaiting the final outcome of the Supreme Court proceedings and any subsequent proceedings in the Court of Appeal. One of the plaintiffs in the case is married to a City Council Member.

(b) *Litigation arising from allegations of sexual abuse of minors.* On October 22, 2018, the Los Angeles County District Attorney's Office charged City employee Eric Uller with five counts of sexual crimes against four minors. The criminal charges related to alleged incidents dating back to 1989 that were alleged to have occurred while Uller was volunteering and/or working as a City employee at the Santa Monica Police Activities League ("SM-PAL"). On November 5, 2018, Uller pled not guilty to the charges against him; on November 7, Uller bailed out of custody. On the morning of November 15, 2018, the date of his next scheduled court appearance, Uller was found dead in his residence of an apparent suicide.

Following Uller's arrest and subsequent suicide, a total of 23 individuals (all young boys at the time of the alleged abuse) filed suit against the City and SM-PAL alleging abuse by Uller between the late 1980s and early 2000s while he was associated with SM-PAL and one individual (a young girl at the time of the alleged abuse) alleging abuse by another individual within this same time period while he allegedly was a probationer performing community service at SM-PAL. In early 2020, the City reached settlements, fully executed and effective April 7, 2020, with the 24 plaintiffs for a total of \$42.6 million payable in two installments. As of October 10, 2020, the City has fully paid these settlements.

After the original settlements, an additional 20 plaintiffs sued the City and SM-PAL alleging abuse by Uller between the 1980s and early 2000s while he was associated with SM-PAL. The City reached settlements with all 20 plaintiffs as follows: (a) \$9.5 million to be paid to 19 of the plaintiffs in three installments, \$4 million 45 days after the effective date of the settlement, \$2.4 million on or before July 30, 2021, and \$3.1 million on or before July 30, 2022; and (b) \$325,000 to be paid to one plaintiff in two installments, \$162,500 45 days after the effective date of the settlement and \$162,500 on or before October 13, 2021. The City anticipates paying the first installment of these settlements in late November or early December 2020.

Fourteen other plaintiffs have recently sued the City and SM-PAL alleging abuse by Uller. In addition, counsel for another 17 plaintiffs have indicated these plaintiffs' intent to sue the City and SM-PAL based on similar allegations of abuse by Uller.

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Notes to Basic Financial Statements For the fiscal year ended June 30, 2020

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, implemented through a consent decree from the court, that settled all legal disputes between the City and the federal government regarding the Airport and included the following:

- City may close the Airport to all aeronautical use forever after December 31, 2028; until that date, the City must continue to operate the Airport subject to FAA rules and requirements, including requirements imposed by certain specified federal grant assurance provisions;
- City may reduce the operational runway length to 3,500 feet;
- City has the right to establish its own proprietary fixed base operation services.

The City completed 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 appealed the Director's Determination on January 23, 2020. If the City is not successful in its 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, 2019 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.

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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 \$17.1 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, 2020 \$8.63 million will be due under this agreement for fiscal year 2020-21. 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. As of June 30, 2020, \$440,868 remains to be disbursed.

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, 2020 total encumbrances for the governmental funds are reported as follows:

General Fund	\$ 59,160,219
Special Revenue Fund	1,821,353
Low and Moderate Income Housing Asset Fund	—
Nonmajor governmental funds	40,235,567
Total	<u>\$ 101,217,139</u>

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For the fiscal year ended June 30, 2020

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, 2020:

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>(37,042,233)</u>
Total	<u>\$ 115,608,572</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, 2020:

<u>Fiscal year ending June 30</u>	<u>Rental revenue</u>	<u>Lease payments</u>
2021	\$ 17,341,239	223,479
2022	15,695,278	20,649
2023	11,235,223	-
2024	10,412,876	-
2025	9,063,621	-
2026 - 2030	33,574,212	-
2031 - 2035	11,091,252	-
2036 - 2040	7,575,776	-
2041 - 2045	6,320,699	-
2046 - 2050	4,274,093	-
2051 - 2055	3,814,651	-
2056 - 2060	3,814,651	-
2061 - 2065	3,814,651	-
2066 - 2070	361,006	-
2071 - 2075	178,363	-
2076 - 2080	87,000	-
Total	<u>\$ 138,654,591</u>	<u>244,128</u>

The total long-term lease annual rental revenues and expenditures/expenses for the year ended June 30, 2020, were \$18,368,692 and \$510,720 respectively.

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Notes to Basic Financial Statements For the fiscal year ended June 30, 2020

(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 thirteen medium-size California municipalities. ACCEL is a member of PRISM (Public Risk Innovation, Solutions, and Management) 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 \$200,000,000. The City retains self-insurance up to \$750,000 for workers' compensation. PRISM 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, 2020 audited financial statements, the net reserves amounts related to the City were minus \$2,452,041 (17% of ACCEL's total net reserves and incurred but not reported). Total assets of ACCEL at June 30, 2020 were \$40,427,154. 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, 2020, based on a 2.0% interest rate. 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.

During the year the City entered into settlement agreements with a compendium of claimants for a total of \$42.6 million. Of this amount, \$11.0 million was reimbursed by ACCEL with the City making up the difference.

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Notes to Basic Financial Statements
For the fiscal year ended June 30, 2020

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, 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
Total Governmental activities	<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>
June 30, 2020:					
Governmental activities:					
General Liability and Automobile	\$ 12,180,972	40,900,719	(12,968,669)	40,113,022	28,526,923
Workers' Compensation	51,228,115	14,663,182	(10,296,744)	55,594,553	10,675,633
	<u>\$ 63,409,087</u>	<u>55,563,901</u>	<u>(23,265,413)</u>	<u>95,707,575</u>	<u>39,202,556</u>
Business-type activities:					
Bus	\$ 7,095,747	600,008	(2,525,077)	5,170,678	2,514,041
Total Business-type activities	<u>\$ 7,095,747</u>	<u>600,008</u>	<u>(2,525,077)</u>	<u>5,170,678</u>	<u>2,514,041</u>

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2020

(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		
		Between July 1, 2012 and December 31, 2012	On or after January 1, 2013
Hire Date	Prior to July 1, 2012		
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	23.61%	23.61%	23.61%

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Notes to Basic Financial Statements
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	Police	
	Prior to December 31, 2012	On or after 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	53.05%	53.05%

	Fire	
	Prior to December 31, 2012	On or after 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	43.32%	43.32%

As of June 30, 2020, the City had 2,089 active members of which 1,169 were considered “classic” members (hired prior to 12/31/2012) and 920 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 2019-20, the City paid CalPERS \$20,063,066, \$9,838,418 and \$4,694,334 for the employer paid amortization of the unfunded liability for the miscellaneous, police and fire plans respectively. In addition, the City paid \$9.3 million beyond the actuarially determined contribution to conform to the City adopted a policy to amortize the unfunded liability over 13

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements For the fiscal year ended June 30, 2020

years. Because of the fiscal impact of the pandemic, future payments will correspond to a 15 year amortization schedule.

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 7.5% during FY 2018-19 and 8.5% during FY 2019-20 and fire safety employees reimburse the City at a rate of 5.0% during FY 2018-19 and 6.0% during FY 2019-20. Employee reimbursements totaled \$11,687,459 in FY 2019-20.

Starting July 1, 2020, the City eliminated Employer Paid Member Contributions for Miscellaneous members. This is expected to reduce employer contributions in future years.

Employees Covered

At June 30, 2018, 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	1,350	328	145
Inactive employees entitled to but not yet receiving benefits	144	7	1
Active members	1,961	207	117
Total	3,455	542	263

Note: Information derived from 2018 CalPERS Census Data

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Notes to Basic Financial Statements For the fiscal year ended June 30, 2020

During FYE 2019-20, the City's work force was reduced by 232 employees due to incentivized voluntary retirements and lay-offs. This reduction in force is expected to reduce future pension expense and reduce the unfunded liability.

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, 2019, using an annual actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 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, 2019 (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, 2018	June 30, 2018	June 30, 2018
Measurement date	June 30, 2019	June 30, 2019	June 30, 2019
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 probabilities of mortality are based on the 2017 CalPERS experience study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates includes 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.15% for each Plan. The projection of cash flows used to determine the discount rate assumed that contributions from all plan members will be made at current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefits to determine total pension liability.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements For the fiscal year ended June 30, 2020

Long Term Expected Rate of Return

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

In determining the long-term expected rate of return, CalPERS took into account both the short- and long-term market return expectations as well as the expected pension fund cash flows. 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+ 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 rounded 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 Allocation %	Real Return % Years 1 - 10 ²	Real Return % Years 11+ ³
Global equity	50.00	4.80	5.98
Fixed income	28.00	1.00	2.62
Inflation assets	-	0.77	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 Short-term Investments; Inflation assets expected inflation of 2.50% used for this period included in both Global Equity and Securities and Global Debt Securities.

² An expected inflation rate of 2.00% is used for this period

³ An expected inflation rate of 2.92% is used for this period

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.

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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:

	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(c)=(a)-(b)
Balance at 6/30/2018 (VD) ¹	\$ 1,140,378,642	892,254,651	248,123,991
Changes recognized for the measurement period			
Service cost	27,751,083	—	27,751,083
Interest on total pension liability	81,225,010	—	81,225,010
Differences between expected and actual experience	6,325,353	—	6,325,353
Plan to plan resource movement	—	(1,658)	1,658
Contribution - employer	—	32,912,163	(32,912,163)
Contribution - employee	—	11,502,697	(11,502,697)
Net investment income	—	58,848,094	(58,848,094)
Benefit payments, includes employee contribution refunds	(49,130,828)	(49,130,828)	—
Administrative expense	—	(636,732)	636,732
Other Miscellaneous Income(Expense)	—	2,066	(2,066)
Net changes	66,170,618	53,495,802	12,674,816
Balance at 6/30/2019 (MD)	\$ 1,206,549,260	945,750,453	260,798,807

¹ VD = Valuation Date

² MD = Measurement Date

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For the fiscal year ended June 30, 2020

Public Safety - Police:

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c)=(a)-(b)
Balance at 6/30/2018 (VD) ¹	\$ 480,186,517	354,418,572	125,767,945
Changes recognized for the measurement period			
Service cost	10,255,581	—	10,255,581
Interest on total pension liability	33,763,191	—	33,763,191
Differences between expected and actual experience	(1,686,562)	—	(1,686,562)
Contribution - employer	—	15,926,339	(15,926,339)
Contribution - employee	—	3,118,363	(3,118,363)
Net investment income	—	23,179,043	(23,179,043)
Benefit payments, includes employee contribution refunds	(22,830,569)	(22,830,569)	—
Administrative expense	—	(252,921)	252,921
Other Miscellaneous Income(Expense)	—	823	(823)
Net changes	19,501,641	19,141,078	360,563
Balance at 6/30/2019 (MD)	\$ 499,688,158	373,559,650	126,128,508

¹ VD = Valuation Date

² MD = Measurement Date

Public Safety - Fire:

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c)=(a)-(b)
Balance at 6/30/2018 (VD) ¹	\$ 247,996,546	174,053,908	73,942,638
Changes recognized for the measurement period			
Service cost	4,994,560	—	4,994,560
Interest on total pension liability	17,610,724	—	17,610,724
Differences between expected and actual experience	2,419,289	—	2,419,289
Contribution - employer	—	7,213,925	(7,213,925)
Contribution - employee	—	1,690,559	(1,690,559)
Net investment income	—	11,434,835	(11,434,835)
Benefit payments, includes employee contribution refunds	(13,218,568)	(13,218,568)	—
Administrative expense	—	(124,209)	124,209
Other Miscellaneous Income(Expense)	—	405	(405)
Net changes	11,806,005	6,996,947	4,809,058
Balance at 6/30/2019 (MD)	\$ 259,802,551	181,050,855	78,751,696

¹ VD = Valuation Date

² MD = Measurement Date

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2020

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	\$ 424,937,114	194,602,695	113,308,671
Current Discount Rate	7.15%	7.15%	7.15%
Net Pension Liability	\$ 260,798,807	126,128,508	78,751,696
1% Increase	8.15%	8.15%	8.15%
Net Pension Liability	\$ 125,063,197	70,002,757	50,239,146

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, 2020, the City recognized pension expense as follows:

Plan	Pension Expense
Miscellaneous	\$ 53,416,278
Safety - Police	25,861,624
Safety - Fire	12,369,673
Total	<u>\$ 91,647,575</u>

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2020

As of June 30, 2020, 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	\$ 14,366,490	(4,556,693)	3,788,817	(912,441)	6,137,149	(1,149,707)
Difference between expected and actual experience	4,782,584	(6,132,655)	251,598	(1,650,652)	2,957,930	(1,355,522)
Net difference between projected and actual earnings on pension plan investments	-	(4,811,223)	—	(1,825,441)	—	(982,952)
Employer contributions subsequent to the measurement date	39,786,395	-	19,904,358	—	10,703,395	—
Total	<u>\$ 58,935,469</u>	<u>(15,500,571)</u>	<u>23,944,773</u>	<u>(4,388,534)</u>	<u>19,798,474</u>	<u>(3,488,181)</u>

The amounts above are net of outflows and inflows recognized in the pension expense for the fiscal year ended June 30, 2020.

Contributions of \$70,394,147 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	\$ 11,907,747	3,633,560	2,369,295
2020	(9,233,975)	(3,613,400)	743,064
2021	(109,355)	(765,722)	1,458,217
2022	1,084,086	397,443	594,456
2023	—	—	402,207
Thereafter	—	—	39,659

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,

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Notes to Basic Financial Statements For the fiscal year ended June 30, 2020

retirement, death or unforeseeable emergency. For the fiscal year ended June 30, 2020 the total employee contributions were \$14,544,739.

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, 2020 the total employee contributions were \$998,268.

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, 2020 the combined employee/employer contributions were \$356,878.

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, 2019 actuarial valuation date, the following current and former employees were covered by the benefit terms under the OPEB plan:

Active employees	2,150
Inactive employees or beneficiaries receiving benefits	232
Inactive employees entitled to, but not receiving benefits	<u>127</u>
Total	<u>2,509</u>

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Notes to Basic Financial Statements
For the fiscal year ended June 30, 2020

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.

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by actuarial valuation dated June 30, 2019 based on the following assumptions:

Actuarial Assumptions:

Discount rate	3.73%
Inflation	2.50%
Salary increases	3.0% per year, used only to allocate the costs between service years.
Investment rate of return	3.73%
Mortality rate	Mortality rates used were those published the CalPERS 2017 experience study, adjusted to back out 15 years of Scale MP 2016, then projected using the MacLeod Watts Scale 2020 from 2015 forward.
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 2017 Experience Study Report.
Healthcare Trend Rate	6.50% decreasing to 4.90%

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Notes to Basic Financial Statements
For the fiscal year ended June 30, 2020

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>Real Return % Years 1-10</u>	<u>Real Return % Years 11+</u>
Global equity	40%	4.80%	5.98%
Fixed Income	43%	1.10%	2.62%
Global real estate	8%	3.20%	5.00%
Treasury Inflation Protected Securities	5%	0.25%	1.46%
Commodities	4%	1.50%	2.87%

Discount Rate

The discount rate used to measure the OPEB liability was 3.73%. This discount rate was determined based on the results of analysis described in GASB 75. Plan benefits for all current and future retirees are projected from year to year from the results of the valuation. Future employer contributions are projected based on levels over the last 5 years and certain assumptions about the benefit costs of future employees. Trust assets are projected based on the projected future contributions and the assumed return on assets. Where the trust is expected to have sufficient assets to pay all retiree benefits in a particular year, the assumed trust rate of return is applied; once that trust is no longer expected to be able to pay plan benefits, the municipal bond rate I applied for the remainder of the projection period.

The Council authorized the suspension of pre-funding payments to the CERBT trust for FY 2019-20 and potentially through FY 2021-22 pending the revenue downturn caused by the COVID-19 pandemic. Because the City did not contribute to the plan for FY 2019-20 and does not intend to contribute in FY 2020-21, the discount rate was reduced from 6.3% (the expected rate of return for CERBT) to 3.73% which increased the OPEB liability by \$9,486,557. It is anticipated that once the City begins the annual funding of the trust then a higher discount will be used.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2020

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 6/30/2018	\$ 33,391,562	5,850,358	27,541,204
Changes recognized for the measurement period			
Service cost	1,207,816	—	1,207,816
Interest on total OPEB liability	2,125,930	—	2,125,930
Changes of assumptions	6,467,787	—	6,467,787
Differences between expected and actual experience	(577,838)	—	(577,838)
Contribution - employer	—	3,047,011	(3,047,011)
Net investment income	—	712,791	(712,791)
Benefit payments	(1,708,929)	(1,708,929)	—
Administrative expense	—	(1,772)	1,772
Net changes	7,514,766	2,049,101	5,465,665
Balance at 6/30/2019	\$ 40,906,328	7,899,459	33,006,869

The City's OPEB contributions of \$3,047,011 during the measurement period slightly exceeded the Actuarial Determined Contribution for this period. All benefits were paid by the trust.

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, 2019:

	1% Decrease (2.73%)	Current Discount Rate (3.73%)	1% Increase (4.73%)
Net OPEB Liability	\$ 37,923,351	33,006,869	28,852,870

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For the fiscal year ended June 30, 2020

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, 2019.

	1% Decrease (5.5% decreasing to 3.0%)	Current Healthcare Cost Trend Rates (6.5% decreasing to 4.0%)	1% Increase (7.5% decreasing to 5.0%)
Net OPEB Liability	\$ 28,140,062	33,006,869	38,950,288

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 (10.28 years for June 30, 2019)

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Notes to Basic Financial Statements
For the fiscal year ended June 30, 2020

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

For the fiscal year ended June 30, 2020 the City recognized OPEB expense of \$3,391,661. As of fiscal year ended June 30, 2020, the City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumption	\$ 6,961,471	214,165
Differences between expected and actual experience	-	1,298,128
Net difference between projected and actual earnings on investments	-	342,687
	<u>\$ 6,961,471</u>	<u>1,854,980</u>

Other amounts reported as deferred inflows of resources related to OPEB will be recognized as expense as follows:

Measurement Year Ending June 30	Recognized Deferred Outflows(Inflows) of Resources
2020	\$ 466,809
2021	466,810
2022	488,866
2023	507,824
2024	568,249
Thereafter	2,607,933

In prior years, pension and OPEB liabilities have been extinguished primarily by the general fund.

Impact of reduction in staff on future Net OPEB Liability and Expense

In May and June, the City reduced its workforce by 232 through both early retirements and layoffs. Because these individuals are no longer eligible for OPEB, the reduction in force is expected to reduce both the Net OPEB and expense in future years.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2020

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, 2020 the City contributed \$4,190,105 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.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2020

(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, 2020 are classified in the accompanying financial statements as follows:

Statement of Fiduciary Net Position:	
Restricted cash and investments	\$ 23,865,815
Restricted cash and investments with fiscal agent	<u>7,047,455</u>
Total cash and investments	<u>\$ 30,913,270</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, 2020, the Successor Agency had \$7,047,455 (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.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2020

Investments Not Measured at Fair Value

The Successor Agency holds \$866 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.

Investment Type	Maturity 12 Months or less
Held by City	
State Investment Pool	\$ 866
Held by bond trustee:	
Money market mutual funds	7,047,455
Total	<u>\$ 7,048,321</u>

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Notes to Basic Financial Statements
For the fiscal year ended June 30, 2020

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	Total	Minimum Legal Rating	AAAm	Not rated
Held by City				
State Investment Pool	\$ 866	N/A	-	866
Held by bond trustee:				
Money market mutual funds	7,047,455	AAAm	7,047,455	-
Total	\$ 7,048,321		7,047,455	866

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, 2020 was as follows:

	Balance at June 30, 2019	Additions	Reductions	Balance at June 30, 2020	Due within one year	Due beyond one year
Loans and notes payable						
from direct borrowings	\$ 38,514,381	—	674,127	37,840,254	720,078	37,120,176
Term loan from direct borrowings	28,787,870	—	3,030,303	25,757,567	3,030,303	22,727,264
Tax allocation bonds	78,775,000	—	2,730,000	76,045,000	2,855,000	73,190,000
Notes payable to the City of Santa Monica (1)	10,041,572	—	7,693,325	2,348,247	2,348,247	-
Less deferred amounts:						
For issuance discounts	(80,835)	—	(8,085)	(72,750)	—	(72,750)
For issuance premiums	300,436	—	13,648	286,788	—	286,788
Total loans, notes and bonds payable	\$ 156,338,424	—	14,133,318	142,205,106	8,953,628	133,251,478

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For the fiscal year ended June 30, 2020

- (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:

	<u>Date of issue</u>	<u>Original issue</u>	<u>Final maturity date</u>	<u>Interest rate</u>	<u>Balance at June 30, 2020</u>
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%	34,995,000
Subtotal tax allocation bonds					<u>76,045,000</u>
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%	25,757,567
Promissory note to the City of Santa Monica (2)	Oct 24, 1978	4,400,000	June 29, 2028	3.00%	2,088,847
Promissory note to the City of Santa Monica (3)	Jan 9, 2003	21,070,000	Jan 1, 2022	3.00 %	259,400
Promissory notes payable to others(3)*	Nov 1, 2010	42,500,000	Jan 1, 2042	6.82%	37,840,254
Subtotal loans and notes					<u>65,946,068</u>
Total					<u>\$ 141,991,068</u>

*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

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Notes to Basic Financial Statements
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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
2021	\$ 2,855,000	3,797,623	3,750,381	3,097,319	2,348,247	16,398,142	8,953,628	23,293,084
2022	2,975,000	3,669,720	3,799,476	2,984,214	—	—	6,774,476	6,653,934
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	3,390,000	3,242,020	3,967,771	2,629,029	—	—	7,357,771	5,871,049
2026-2030	15,170,000	13,581,963	16,443,864	11,199,634	—	—	31,613,864	24,781,597
2031-2035	13,965,000	9,867,388	8,691,397	8,408,602	—	—	22,656,397	18,275,990
2036-2040	15,510,000	5,714,778	9,706,034	4,940,240	—	—	25,216,034	10,655,018
2041-2042	15,825,000	1,026,666	9,479,046	674,671	—	—	25,304,046	1,701,337
	<u>\$ 76,045,000</u>	<u>47,825,761</u>	<u>63,597,821</u>	<u>39,553,574</u>	<u>2,348,247</u>	<u>16,398,142</u>	<u>141,991,068</u>	<u>103,777,477</u>

The Successor Agency's outstanding loan of \$25,757,567 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 \$76,045,000 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 \$37,840,254 from a direct borrowing contains a provision that, upon default, the lender may, at its option, increase the interest rate by 5% 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.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2020

Description of pledged revenue/debt:	Annual amount of pledged revenue (net of expenses, where required)	Annual debt service payments (of all debt secured by this revenue)	Debt service as a percentage of pledged revenue	Future amount of pledged revenue
Tax increment				
Earthquake Recovery Project Refunding 2006	\$ 4,452,664	4,452,664	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	3,918,671	3,918,671	100%	26,371,141

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2020

(18) SPECIAL ITEMS

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

The following transactions are reported as special items:

- Due to the effect of the pandemic and to manage future expenditures, the City offered incentives to employees to retire early and also effected an involuntary reduction in force. As such the City reported \$6,038,153 related to these early retirements and layoffs as a special item.
- The City settled a legal claim in the amount of \$42.6 million. The City's insurance coverage paid \$11,000,000, the City's Self-Insurance General Liability / Auto Fund paid \$2,000,000 and the City's General Fund paid \$29,600,000 which is reported as a special item.

(19) SUBSEQUENT EVENTS

On March 27, 2020 the \$2 trillion Coronavirus Aid, Relief and Economic Security Act (CARES Act) was signed into law.

The CARES Act provides that payments from the fund may only be used for used to cover costs that:

- 1) Are necessary expenditures incurred due to the public health emergency with the respect to the Corona Disease 2019 (COVID 19)
- 2) Were not accounted for in the budget most recently approved as of March 27, 2020
- 3) Were incurred during the period that begins on March 1, 2020 and ends on December 31, 2020.

On July 10, 2020, the City completed certification to become eligible for CARES Act allocations of which the City is to receive an allocation of \$1,140,344 which will be recognized as revenue in FY 2020-21.

Additionally, the Big Blue Bus has been awarded a total of \$24,360,412 of CARES act funding to pay for operating and capital expenses which will be recognized as revenue when spent.

City of Santa Monica, California

Year Ended June 30, 2020

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, 2020

	Original budget	Final budget	Actual, GAAP basis	Encumbrance	Actual, budgetary basis	Variance with final budget
Revenues:						
Property taxes	\$ 64,453,176	66,882,318	67,791,186	-	67,791,186	908,868
Sales and use taxes	69,801,000	75,282,000	64,665,646	-	64,665,646	(10,616,354)
Transient occupancy taxes	68,837,082	63,411,000	48,624,638	-	48,624,638	(14,786,362)
Utility user taxes	29,585,000	27,762,000	28,026,008	-	28,026,008	264,008
Business license taxes	32,277,000	33,849,048	33,894,714	-	33,894,714	45,666
Other taxes	19,783,000	20,213,000	18,046,183	-	18,046,183	(2,166,817)
Licenses and permits	47,088,027	47,055,879	38,559,605	-	38,559,605	(8,496,274)
Intergovernmental	1,212,389	1,297,389	1,335,931	-	1,335,931	38,542
Charges for services	47,072,598	49,385,358	44,869,845	-	44,869,845	(4,515,513)
Fines and forfeitures	15,722,024	15,100,000	10,357,155	-	10,357,155	(4,742,845)
Investment income	8,400,000	6,100,000	9,344,420	-	9,344,420	3,244,420
Rental income	7,579,369	7,544,089	7,239,944	-	7,239,944	(304,145)
Other revenue	5,695,139	4,438,145	4,939,961	-	4,939,961	501,816
Total revenues	<u>417,505,804</u>	<u>418,320,226</u>	<u>377,695,236</u>	<u>-</u>	<u>377,695,236</u>	<u>(40,624,990)</u>
Expenditures:						
General government:						
City council	904,357	1,405,606	1,050,250	-	1,050,250	355,356
City manager	7,174,245	7,784,638	7,289,713	119,885	7,409,598	375,040
Record and election services	2,730,243	2,773,662	2,541,093	12,395	2,553,488	220,174
Finance	14,720,227	14,735,832	13,563,014	304,840	13,867,854	867,978
City attorney	12,160,629	12,441,641	12,497,801	-	12,497,801	(56,160)
Human resources	5,412,603	5,730,519	5,138,838	319,766	5,458,604	271,915
Information services	10,089,570	10,264,538	10,191,901	40,677	10,232,578	31,960
Public Works	4,347,375	6,375,034	4,729,123	906,558	5,635,681	739,353
Other	12,432,675	11,247,706	6,079,528	2,881,304	8,960,832	2,286,874
Capital improvement	10,991,996	122,571,691	69,029,702	44,393,384	113,423,086	9,148,605
Total general government	<u>80,963,920</u>	<u>195,330,867</u>	<u>132,110,963</u>	<u>48,978,809</u>	<u>181,089,772</u>	<u>14,241,095</u>
Public safety:						
City Manager	5,587,423	5,683,342	6,274,324	74,089	6,348,413	(665,071)
Police	100,025,998	101,405,834	100,800,571	29,773	100,830,344	575,490
Fire	45,891,062	46,231,511	48,865,877	49,849	48,915,726	(2,684,215)
Capital improvement	-	26,432,280	16,362,013	2,835,278	19,197,291	7,234,989
Total public safety	<u>151,504,483</u>	<u>179,752,967</u>	<u>172,302,785</u>	<u>2,988,989</u>	<u>175,291,774</u>	<u>4,461,193</u>

See accompanying notes to basic financial statements.

(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, 2020

	Original budget	Final budget	Actual, GAAP basis	Encumbrance	Actual, budgetary basis	Variance with final budget
General services:						
Planning and community development	\$ 16,252,485	16,665,956	14,872,908	292,062	15,164,970	1,500,986
Public works	48,944,965	48,449,582	45,653,523	379,301	46,032,824	2,416,758
Capital improvement	9,983,590	11,301,866	2,736,670	3,040,081	5,776,751	5,525,115
Total general services	<u>75,181,040</u>	<u>76,417,404</u>	<u>63,263,101</u>	<u>3,711,444</u>	<u>66,974,545</u>	<u>9,442,859</u>
Cultural and recreational services:						
Community and cultural services	30,177,243	30,546,874	28,637,415	655,561	29,292,976	1,253,898
Other	23,836,755	23,836,755	23,836,755	-	23,836,755	-
Capital improvement	3,258,625	12,883,996	7,577,895	1,136,299	8,714,194	4,169,802
Total cultural and recreational services	<u>57,272,623</u>	<u>67,267,625</u>	<u>60,052,065</u>	<u>1,791,860</u>	<u>61,843,925</u>	<u>5,423,700</u>
Library:						
Library	13,172,900	12,874,565	12,853,376	95,505	12,948,881	(74,316)
Capital improvement	536,200	203,245	136,813	36,111	172,924	30,321
Total library	<u>13,709,100</u>	<u>13,077,810</u>	<u>12,990,189</u>	<u>131,616</u>	<u>13,121,805</u>	<u>(43,995)</u>
Housing and community development:						
Planning and community development	21,741,090	22,446,764	20,850,546	410,684	21,261,230	1,185,534
Housing and economic development	8,732,157	11,255,486	8,738,916	1,000,764	9,739,680	1,515,806
Other	-	172,994	-	-	-	172,994
Capital improvement	678,610	639,429	580,905	21,000	601,905	37,524
Total housing and community development	<u>31,151,857</u>	<u>34,514,673</u>	<u>30,170,367</u>	<u>1,432,448</u>	<u>31,602,815</u>	<u>2,911,858</u>
Total expenditures	<u>409,783,023</u>	<u>566,361,346</u>	<u>470,889,470</u>	<u>59,160,219</u>	<u>530,049,689</u>	<u>36,311,657</u>
Excess (deficiency) of revenues over (under) expenditures	7,722,781	(148,041,120)	(93,194,234)	(59,160,219)	(152,354,453)	(4,313,333)
Other financing sources (uses):						
Transfers in	827,880	34,799,832	34,192,236	-	34,192,236	(607,596)
Transfers out	(11,535,363)	(20,968,152)	(21,010,700)	-	(21,010,700)	(42,548)
Total other financing sources (uses)	<u>(10,707,483)</u>	<u>13,831,680</u>	<u>13,181,536</u>	<u>-</u>	<u>13,181,536</u>	<u>(650,144)</u>
Special item:						
Special items (note 18)	-	(34,122,029)	(34,122,029)	-	(34,122,029)	-
Total special item	<u>-</u>	<u>(34,122,029)</u>	<u>(34,122,029)</u>	<u>-</u>	<u>(34,122,029)</u>	<u>-</u>
Net change in fund balance	(2,984,702)	(168,331,469)	(114,134,727)	(59,160,219)	(173,294,946)	(4,963,477)
Fund balance at beginning of year	<u>340,678,780</u>	<u>340,678,780</u>	<u>340,678,780</u>	<u>-</u>	<u>340,678,780</u>	<u>-</u>
Fund balance at end of year	<u>\$ 337,694,078</u>	<u>172,347,311</u>	<u>226,544,053</u>	<u>(59,160,219)</u>	<u>167,383,834</u>	<u>(4,963,477)</u>

See accompanying notes to basic financial statements.

CITY OF SANTA MONICA, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Special Revenue Source Fund
For the fiscal year ended June 30, 2020

	Original budget	Final budget	Actual, GAAP basis	Encumbrance	Actual, budgetary basis	Variance with final budget
Revenues:						
Charges for services	\$ 741,310	1,044,610	1,242,075	-	1,242,075	197,465
Investment income	200,000	200,000	183,295	-	183,295	(16,705)
Other	2,779,894	6,224,866	7,847,996	-	7,847,996	1,623,130
Total revenues	3,721,204	7,469,476	9,273,366	-	9,273,366	1,803,890
Expenditures:						
General government:						
Capital improvement	-	138,382	1,907	2,500	4,407	133,975
Total general government	-	138,382	1,907	2,500	4,407	133,975
Public safety:						
Police	-	6,188	733	-	733	5,455
Fire	-	5,000	1,106	1,268	2,374	2,626
Other	4,187	4,187	-	-	-	4,187
Capital improvement	-	440,737	-	-	-	440,737
Total public safety	4,187	456,112	1,839	1,268	3,107	453,005
General services:						
Capital improvement	2,368,825	5,598,035	1,306,984	1,746,653	3,053,637	2,544,398
Total general services	2,368,825	5,598,035	1,306,984	1,746,653	3,053,637	2,544,398
Cultural and recreational services:						
Community and cultural services	361,685	1,102,989	1,028,591	11,078	1,039,669	63,320
Other	-	-	59,132	-	59,132	(59,132)
Capital improvement	2,537,883	4,412,790	2,257,276	55,250	2,312,526	2,100,264
Total cultural and recreational services	2,899,568	5,515,779	3,344,999	66,328	3,411,327	2,104,452
Library:						
Library	-	100,000	26,768	-	26,768	73,232
Total library	-	100,000	26,768	-	26,768	73,232
Housing and community development:						
Planning and community development	321,080	385,996	275,583	4,600	280,183	105,813
Housing and economic development	2,000,000	2,000,000	135,874	-	135,874	1,864,126
Capital improvement	255,000	255,000	-	-	-	255,000
Total housing and community development	2,576,080	2,640,996	411,457	4,600	416,057	2,224,939
Total expenditures	7,848,660	14,449,304	5,093,954	1,821,349	6,915,303	7,534,001
Excess (deficiency) of revenues over (under) expenditures	(4,127,456)	(6,979,828)	4,179,412	(1,821,349)	2,358,063	9,337,891
Other financing sources (uses):						
Transfers in	19,209,349	20,684,853	20,684,853	-	20,684,853	-
Transfers out	-	(2,099,749)	(1,439,109)	-	(1,439,109)	660,640
Total other financing sources (uses)	19,209,349	18,585,104	19,245,744	-	19,245,744	660,640
Net change in fund balance	15,081,893	11,605,276	23,425,156	(1,821,349)	21,603,807	9,998,531
Fund balance at beginning of year	155,818,979	155,818,979	155,818,979	-	155,818,979	-
Fund balance at end of year	\$ 170,900,872	167,424,255	179,244,135	(1,821,349)	177,422,786	9,998,531

See accompanying notes to basic financial statements.

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, 2020

	Original budget	Final budget	Actual, GAAP basis	Encumbrance	Actual, budgetary basis	Variance with final budget
Revenues:						
Investment income	\$ 100,000	100,000	352,840	-	352,840	252,840
Other	400,000	250,000	2,179,769	-	2,179,769	1,929,769
Total revenues	<u>500,000</u>	<u>350,000</u>	<u>2,532,609</u>	<u>-</u>	<u>2,532,609</u>	<u>2,182,609</u>
Expenditures:						
Housing and community development:						
Other	-	-	1,235,246	-	1,235,246	(1,235,246)
Total housing and community development	<u>-</u>	<u>-</u>	<u>1,235,246</u>	<u>-</u>	<u>1,235,246</u>	<u>(1,235,246)</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>1,235,246</u>	<u>-</u>	<u>1,235,246</u>	<u>(1,235,246)</u>
Excess (deficiency) of revenues over (under) expenditures	500,000	350,000	1,297,363	-	1,297,363	947,363
Other financing sources (uses):						
Transfers in	<u>3,048,120</u>	<u>3,048,120</u>	<u>3,048,120</u>	<u>-</u>	<u>3,048,120</u>	<u>-</u>
Total other financing sources (uses)	<u>3,048,120</u>	<u>3,048,120</u>	<u>3,048,120</u>	<u>-</u>	<u>3,048,120</u>	<u>-</u>
Net change in fund balance	3,548,120	3,398,120	4,345,483	-	4,345,483	947,363
Fund balance at beginning of year	<u>59,636,991</u>	<u>59,636,991</u>	<u>59,636,991</u>	<u>-</u>	<u>59,636,991</u>	<u>-</u>
Fund balance at end of year	<u>\$ 63,185,111</u>	<u>63,035,111</u>	<u>63,982,474</u>	<u>-</u>	<u>63,982,474</u>	<u>947,363</u>

See accompanying notes to basic financial statements.

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, 2020, expenditures exceeded appropriations in the General Fund. Unbudgeted COVID-19 pandemic and other emergency-related expenditures, including the activation of the Emergency Operations Center (reflected in the City Manager's Office budget) to lead the response to the COVID-19 pandemic and the civil unrest on May 31. This resulted in approximately \$1 million in unbudgeted costs in the City Manager's Office, a portion of which has been approved for reimbursement by the Federal Emergency Management Administration (FEMA). In addition, Fire Department staff logged higher than budgeted overtime to assist with wildfires as part of multiple mutual aid strike team deployments and mobile stroke unit special deployments, for which the City was fully reimbursed, and to provide COVID-19 pandemic and Emergency Operations Center support (not reimbursed). Library and City Attorney were overbudget due to unexpected COVID-19 pandemic expenditures.

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

	2020	2019	2018	2017	2016	2015
Total Pension Liability						
Service Cost	\$ 27,751,083	27,141,560	27,164,949	24,044,347	23,584,538	24,972,667
Interest on the total pension liability	81,225,010	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	6,325,353	(5,319,485)	(14,768,176)	(7,701,743)	(12,672,814)	-
Benefit payments, including refunds of employee contributions	(49,130,828)	(44,560,263)	(41,097,884)	(36,967,774)	(35,460,612)	(32,834,279)
Net change in total pension liability	66,170,618	45,042,772	107,109,082	50,061,009	25,815,612	56,064,968
Total pension liability - beginning	1,140,378,642	1,095,335,870	988,226,788	938,165,779	912,350,167	856,285,199
Total pension liability - ending (a)	\$ 1,206,549,260	1,140,378,642	1,095,335,870	988,226,788	938,165,779	912,350,167
 Plan fiduciary net position						
Contribution - employer	\$ 32,912,163	29,338,109	56,350,053	28,154,218	28,349,184	27,433,064
Contribution - employee	11,502,697	11,221,260	11,398,672	11,256,065	10,754,206	11,418,160
Net investment income	58,848,094	70,094,677	82,395,628	3,759,440	15,956,734	104,724,175
Benefit payments	(49,130,828)	(44,560,263)	(41,097,884)	(36,967,774)	(35,460,612)	(32,834,279)
Plan to plan resource movement	(1,658)	(2,066)	(61,526)	(767)	(909)	-
Administrative expense	(636,732)	(1,293,232)	(1,065,974)	(436,504)	(806,463)	-
Other Miscellaneous Income (Expense)	2,066	(2,455,869)	-	-	-	-
Net change in plan fiduciary - net position	53,495,802	62,342,616	107,918,969	5,764,678	18,792,140	110,741,120
Plan fiduciary net position - beginning	892,254,651	829,912,035	721,993,066	716,228,388	697,436,244	586,695,124
Plan fiduciary net position - ending (b)	945,750,453	892,254,651	829,912,035	721,993,066	716,228,384	697,436,244
Net pension liability - ending (a)-(b)	<u>\$ 260,798,807</u>	<u>248,123,991</u>	<u>265,423,835</u>	<u>266,233,722</u>	<u>221,937,395</u>	<u>214,913,922</u>
 Plan fiduciary net position as a percentage of the total pension liability	78.38%	78.24%	75.77%	73.06%	76.34%	76.44%
 Covered payroll	\$ 149,640,174	149,416,791	147,371,283	142,942,436	137,199,170	138,199,596
 Net pension liability as a percentage of covered-payroll	174.28%	166.06%	180.11%	186.25%	161.76%	155.51%

¹Fiscal year 2015 was first year of implementation, therefore only six 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 Six Fiscal Years (Unaudited) ¹

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability						
Service Cost	\$ 10,255,581	10,217,345	9,940,041	8,471,379	8,324,522	8,493,146
Interest on the total pension liability	33,763,191	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	(1,686,562)	587,060	(3,121,761)	(1,152,112)	(501,077)	-
Benefit payments, including refunds of employee contributions	(22,830,569)	(21,315,119)	(19,596,092)	(18,767,835)	(17,121,429)	(16,130,411)
Net change in total pension liability	<u>19,501,641</u>	<u>19,772,836</u>	<u>44,788,967</u>	<u>18,453,085</u>	<u>12,088,708</u>	<u>19,495,402</u>
Total pension liability - beginning	<u>480,186,517</u>	<u>460,413,681</u>	<u>415,624,714</u>	<u>397,171,629</u>	<u>385,082,921</u>	<u>365,587,519</u>
Total pension liability - ending (a)	<u>\$ 499,688,158</u>	<u>480,186,517</u>	<u>460,413,681</u>	<u>415,624,714</u>	<u>397,171,629</u>	<u>385,082,921</u>
 Plan fiduciary net position						
Contribution - employer	\$ 15,926,339	13,774,479	26,559,693	12,697,470	13,033,273	12,515,162
Contribution - employee	3,118,363	3,021,783	2,827,317	2,753,594	2,695,506	3,372,358
Net investment income	23,179,043	28,113,907	32,951,701	1,516,091	6,513,781	43,315,499
Benefit payments	(22,830,569)	(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	(252,921)	(517,855)	(428,091)	(177,915)	(328,610)	-
Other Miscellaneous Income (Expense)	823	(983,415)	-	-	-	-
Net change in plan fiduciary - net position	<u>19,141,078</u>	<u>22,092,957</u>	<u>42,376,054</u>	<u>(1,977,828)</u>	<u>4,792,521</u>	<u>43,072,608</u>
Plan fiduciary net position - beginning	<u>354,418,572</u>	<u>332,325,615</u>	<u>289,949,561</u>	<u>291,927,389</u>	<u>287,134,868</u>	<u>244,062,260</u>
Plan fiduciary net position - ending (b)	<u>373,559,650</u>	<u>354,418,572</u>	<u>332,325,615</u>	<u>289,949,561</u>	<u>291,927,389</u>	<u>287,134,868</u>
Net pension liability - ending (a)-(b)	<u>\$ 126,128,508</u>	<u>125,767,945</u>	<u>128,088,066</u>	<u>125,675,153</u>	<u>105,244,240</u>	<u>97,948,053</u>
 Plan fiduciary net position as a percentage of the total pension liability	74.76%	73.81%	72.18%	69.76%	73.50%	74.56%
 Covered payroll	\$ 33,699,050	31,769,364	30,592,273	29,176,438	28,791,622	28,470,873
 Net pension liability as a percentage of covered-payroll	374.28%	395.88%	418.69%	430.74%	365.54%	344.03%

¹Fiscal year 2015 was first year of implementation, therefore only six 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 Six Fiscal Years (Unaudited) ¹

	2020	2019	2018	2017	2016	2015
Total Pension Liability						
Service Cost	\$ 4,994,560	4,738,879	4,623,044	3,778,677	3,766,398	3,975,757
Interest on the total pension liability	17,610,724	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	2,419,289	1,380,602	(943,161)	(2,919,523)	(515,792)	-
Benefit payments, including refunds of employee contributions	(13,218,568)	(12,523,618)	(11,813,956)	(11,409,171)	(10,728,684)	(10,085,994)
Net change in total pension liability	11,806,005	9,197,232	21,259,132	5,180,303	4,206,904	8,625,211
Total pension liability - beginning	247,996,546	238,799,314	217,540,182	212,359,879	208,152,975	199,527,764
Total pension liability - ending (a)	\$ 259,802,551	247,996,546	238,799,314	217,540,182	212,359,879	208,152,975
 Plan fiduciary net position						
Contribution - employer	\$ 7,213,925	6,276,049	10,375,991	5,320,402	5,142,818	4,954,271
Contribution - employee	1,690,559	1,661,415	1,565,941	1,479,400	1,375,301	1,421,733
Net investment income	11,434,835	13,896,417	16,797,654	706,789	3,458,100	23,479,329
Benefit payments	(13,218,568)	(12,523,618)	(11,813,956)	(11,409,171)	(10,728,684)	(10,085,994)
Plan to plan resource movement	-	(405)	-	-	-	-
Administrative expense	(124,209)	(257,882)	(219,672)	(93,112)	(171,948)	-
Other Miscellaneous Income (Expense)	405	(489,721)	-	-	-	-
Net change in plan fiduciary - net position	6,996,947	8,562,255	16,705,958	(3,995,692)	(924,413)	19,769,339
Plan fiduciary net position - beginning	174,053,908	165,491,653	148,785,695	152,781,387	153,705,800	133,936,461
Plan fiduciary net position - ending (b)	181,050,855	174,053,908	165,491,653	148,785,695	152,781,387	153,705,800
Net pension liability - ending (a)-(b)	\$ 78,751,696	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	69.69%	70.18%	69.30%	68.39%	71.94%	73.84%
 Covered payroll	\$ 19,024,698	17,748,610	16,861,345	15,701,959	15,565,558	15,733,733
 Net pension liability as a percentage of covered-payroll	413.94%	416.61%	434.77%	437.87%	382.76%	346.05%

¹ Fiscal year 2015 was first year of implementation, therefore only six 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 Six Fiscal Years (Unaudited)

	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 36,620,603	32,707,844	29,021,468	29,097,156	27,377,582	25,320,840
Contributions in relation to actuarially determined contributions	(39,786,395)	(32,912,563)	(29,331,033)	(56,352,251)	(28,152,578)	(28,349,184)
Contribution excess	<u>\$ (3,165,792)</u>	<u>(204,719)</u>	<u>(309,565)</u>	<u>(27,255,095)</u>	<u>(774,996)</u>	<u>(3,028,344)</u>
Covered payroll	\$ 149,640,174	151,403,970	149,416,791	147,371,283	142,942,436	137,199,170
Contributions as a percentage of covered-payroll	26.59%	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 Six Fiscal Years (Unaudited)

	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 17,488,731	15,428,327	13,453,498	13,559,983	12,327,896	11,589,142
Contributions in relation to actuarially determined contributions	<u>(19,904,358)</u>	<u>(15,924,164)</u>	<u>(13,773,882)</u>	<u>(26,557,166)</u>	<u>(12,697,470)</u>	<u>(13,033,273)</u>
Contribution excess	<u><u>\$ (2,415,627)</u></u>	<u><u>(495,837)</u></u>	<u><u>(320,384)</u></u>	<u><u>(12,997,183)</u></u>	<u><u>(369,574)</u></u>	<u><u>(1,444,131)</u></u>
Covered payroll	\$ 30,053,566	33,034,533	31,769,364	30,592,273	29,176,438	28,791,622
Contributions as a percentage of covered-payroll	66.23%	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 Six Fiscal Years (Unaudited)

	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 7,971,960	6,959,294	5,884,665	5,624,625	5,185,401	4,615,293
Contributions in relation to actuarially determined contributions	<u>(10,703,395)</u>	<u>(7,211,427)</u>	<u>(6,276,048)</u>	<u>(10,372,347)</u>	<u>(5,320,402)</u>	<u>(5,142,818)</u>
Contribution excess	<u>\$ (2,731,435)</u>	<u>(252,133)</u>	<u>(391,383)</u>	<u>(4,747,722)</u>	<u>(135,001)</u>	<u>(527,525)</u>
Covered payroll	\$ 19,024,698	18,577,401	17,748,610	16,861,345	15,701,959	15,565,558
Contributions as a percentage of covered payroll	56.26%	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 Three Fiscal Years (Unaudited) ¹

Fiscal Yearend Measurement Date	FYE 2020 6/30/2019	FYE 2019 6/30/2018	FYE 2018 6/30/2017
Total OPEB Liability			
Service Cost	\$ 1,207,816	1,073,506	1,017,718
Interest on the total OPEB liability	2,125,930	2,064,073	2,063,748
Changes in assumptions	6,467,787	1,443,660	(321,247)
Difference between expected and actual experience	(577,838)	-	(1,164,748)
Benefit payments, including refunds of employee contributions	(1,708,929)	(1,571,807)	(1,721,051)
Net change in total OPEB liability	7,514,766	3,009,432	(125,580)
Total OPEB liability - beginning	33,391,562	30,382,130	30,507,710
Total OPEB liability - ending (a)	\$ 40,906,328	33,391,562	30,382,130
 Plan fiduciary net position			
Contribution - employer	\$ 3,047,011	3,011,934	2,686,113
Net investment income	712,791	412,595	325,621
Benefit payments	(1,708,929)	(1,571,807)	(1,721,051)
Administrative expense	(1,772)	(3,600)	(2,680)
Other expenses	-	(5,303)	-
Net change in plan fiduciary - net position	2,049,101	1,843,819	1,288,003
Plan fiduciary net position - beginning	5,850,358	4,006,539	2,718,536
Plan fiduciary net position - ending (b)	7,899,459	5,850,358	4,006,539
Net OPEB liability - ending (a)-(b)	\$ 33,006,869	27,541,204	26,375,591
 Plan fiduciary net position as a percentage of the total OPEB liability	19.31%	17.52%	13.19%
 Covered employee payroll	\$ 232,059,089	216,623,938	206,778,649
 Net OPEB liability as a percentage of covered payroll	14.22%	12.71%	12.76%

¹Fiscal year 2018 was first year of implementation, therefore only three 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 Three Fiscal Year (Unaudited)

	<u>FYE 2020</u>	<u>FYE 2019</u>	<u>FYE 2018</u>
Actuarially determined contribution	\$ 2,452,877	2,727,622	2,645,395
Contributions in relation to actuarially determined contributions	-	3,047,011	3,011,934
Contribution deficiency (excess)	<u>\$ 2,452,877</u>	<u>(319,389)</u>	<u>(366,539)</u>
Covered employee payroll	\$ 236,995,540	232,059,089	216,623,938
Contributions as a percentage of covered employee payroll	0.00%	1.31%	1.39%

Notes to Schedule

Valuation Date Used to Determine ADC	6/30/2019
Discount Rate Used to Determine ADC	6.20%
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Asset Valuation Method	Market Value
Inflation	2.50%
Salary increases	3.0% per year, used only to allocate the cost of benefits between service years
Retirement Age	50 to 75
Mortality	CalPERS 2017 Experience Study
Mortality Improvement	MacLeod Watts Scale 2020 applied generationally
Healthcare Cost Trend Rate	6.5% in 2021 to 4.0% in 2076

City of Santa Monica, California
Year Ended June 30, 2020

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.

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 (Capital Projects Fund Type) – 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.

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

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

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, 2020

Special Revenue Funds						
	Beach Recreation	Housing Authority	TORCA	Asset Seizure	Citizens Option for Public Safety	Rent Control
Assets						
Cash and investments	\$ 7,115,079	8,880	6,921,733	1,463,580	529,078	2,301,359
Restricted cash and investments	46,638	3,350,211	-	-	-	-
Receivables (net, where applicable, of allowances for uncollectibles):						
Accounts	104,025	6,594	-	-	39,543	71,358
Notes	-	-	7,465,426	-	-	-
Taxes	-	-	-	-	-	-
Interest	40,776	121	21,069	4,367	1,576	10,582
Other governments	-	580,413	-	-	-	-
Deposits	-	-	-	-	-	-
Prepays	65	18,481	-	-	-	34,342
Restricted cash and investments with fiscal agent	-	-	-	-	-	-
Total assets	<u>\$ 7,306,583</u>	<u>3,964,700</u>	<u>14,408,228</u>	<u>1,467,947</u>	<u>570,197</u>	<u>2,417,641</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances (deficit)						
Liabilities						
Accounts payable	\$ 2,171,370	91,282	14,700	18,010	-	41,965
Accrued liabilities	174,449	29,541	-	-	-	122,219
Contracts payable (retained percentage)	372,957	-	-	-	-	-
Due to other funds	-	574,446	-	-	-	-
Unearned revenue	567,117	244,968	-	-	-	31,482
Deposits payable	47,006	-	-	-	-	-
Advances from other funds	3,842,973	-	-	-	-	370,651
Total liabilities	<u>7,175,872</u>	<u>940,237</u>	<u>14,700</u>	<u>18,010</u>	<u>-</u>	<u>566,317</u>
Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances (deficit)						
Nonspendable	65	18,481	-	-	-	34,342
Restricted	130,646	3,005,982	14,393,528	1,449,937	570,197	1,816,982
Unassigned	-	-	-	-	-	-
Total fund balances	<u>130,711</u>	<u>3,024,463</u>	<u>14,393,528</u>	<u>1,449,937</u>	<u>570,197</u>	<u>1,851,324</u>
Total liabilities and fund balances	<u>\$ 7,306,583</u>	<u>3,964,700</u>	<u>14,408,228</u>	<u>1,467,947</u>	<u>570,197</u>	<u>2,417,641</u>

continued

CITY OF SANTA MONICA, CALIFORNIA

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2020

		Special Revenue Funds				
		Gas Tax	Local Return	Community Development Block Grant	Miscellaneous Grants	SCAQMD Parks and Recreation
Assets						
Cash and investments	\$	60,031	-	-	-	1,077,255
Restricted cash and investments		2,945,279	11,937,372	18,454	-	-
Receivables (net, where applicable, of allowances for uncollectibles):						
Accounts		116,714	21,790	54,937	1,596,450	-
Notes		-	-	8,989,860	6,179,370	-
Taxes		-	-	-	-	-
Interest		10,033	35,975	459	919	3,104
Other governments		130,824	-	55,546	2,401,037	29,291
Deposits		-	-	3,257	-	-
Prepays		-	-	-	-	-
Restricted cash and investments with fiscal agent		-	-	-	-	-
Total assets	\$	<u>3,262,881</u>	<u>11,995,137</u>	<u>9,122,513</u>	<u>10,177,776</u>	<u>1,109,650</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances (deficit)						
Liabilities						
Accounts payable	\$	-	265,017	1,500	1,230,538	-
Accrued liabilities		-	-	-	2,509	-
Contracts payable (retained percentage)		46,275	209,658	-	63,602	-
Due to other funds		-	-	35,287	1,507,123	-
Unearned revenue		-	-	-	41,009	-
Deposits payable		-	-	-	-	-
Advances from other funds		-	-	-	-	-
Total liabilities		<u>46,275</u>	<u>474,675</u>	<u>36,787</u>	<u>2,844,781</u>	<u>-</u>
Deferred inflows of resources		<u>-</u>	<u>-</u>	<u>54,937</u>	<u>1,900,871</u>	<u>-</u>
Fund balances (deficit)						
Nonspendable		-	-	-	-	-
Restricted		3,216,606	11,520,462	9,030,789	7,450,310	1,109,650
Unassigned		-	-	-	(2,018,186)	-
Total fund balances		<u>3,216,606</u>	<u>11,520,462</u>	<u>9,030,789</u>	<u>5,432,124</u>	<u>1,109,650</u>
Total liabilities and fund balances	\$	<u>3,262,881</u>	<u>11,995,137</u>	<u>9,122,513</u>	<u>10,177,776</u>	<u>1,109,650</u>

continued

CITY OF SANTA MONICA, CALIFORNIA

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2020

	Capital Projects Fund	Debt Service Fund	Permanent Funds		Total nonmajor governmental funds
	Clean Beaches and Ocean Parcel Tax	Debt Service	Cemetery Perpetual Care	Mausoleum Perpetual Care	
Assets					
Cash and investments	\$ 9,453,880	-	28,184	5,731	29,048,709
Restricted cash and investments	-	-	-	-	18,297,954
Receivables (net, where applicable, of allowances for uncollectibles):					
Accounts	15,480	-	-	-	2,026,891
Notes	-	-	-	-	22,634,656
Taxes	16,626	-	-	-	16,626
Interest	33,125	-	48,448	5,927	216,734
Other governments	-	-	-	-	3,197,111
Deposits	-	-	-	-	3,257
Prepays	-	-	-	-	52,888
Restricted cash and investments with fiscal agent	-	5,038,085	13,178,024	1,594,850	19,810,959
Total assets	<u>\$ 9,519,111</u>	<u>5,038,085</u>	<u>13,254,656</u>	<u>1,606,508</u>	<u>95,305,785</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances (deficit)					
Liabilities					
Accounts payable	\$ 826	-	-	-	3,846,403
Accrued liabilities	-	-	-	-	328,718
Contracts payable (retained percentage)	222,505	-	-	-	914,997
Due to other funds	-	-	-	-	2,116,856
Unearned revenue	-	-	-	-	884,576
Deposits payable	-	-	-	-	47,006
Advances from other funds	-	-	-	-	4,213,624
Total liabilities	<u>223,331</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,352,180</u>
Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,955,808</u>
Fund balances (deficit)					
Nonspendable	-	-	13,254,656	1,606,508	14,914,052
Restricted	9,295,780	5,038,085	-	-	68,101,931
Unassigned	-	-	-	-	(2,018,186)
Total fund balances	<u>9,295,780</u>	<u>5,038,085</u>	<u>13,254,656</u>	<u>1,606,508</u>	<u>80,997,797</u>
Total liabilities and fund balances	<u>\$ 9,519,111</u>	<u>5,038,085</u>	<u>13,254,656</u>	<u>1,606,508</u>	<u>95,305,785</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, 2020

	Special Revenue Funds					
	Beach Recreation	Housing Authority	TORCA	Asset Seizure	Citizens Option for Public Safety	Rent Control
Revenues:						
Other taxes	\$ -	-	61,008	-	-	-
Licenses and permits	59,293	-	-	-	-	-
Intergovernmental	-	24,711,929	-	119,564	162,388	-
Charges for services	9,659,683	-	-	-	-	5,371,237
Investment income	419,781	1,055	199,891	41,677	16,106	124,935
Rental income	1,864,443	-	-	-	-	-
Other revenue	865,350	-	76,043	-	-	1,233
Total revenues	<u>12,868,550</u>	<u>24,712,984</u>	<u>336,942</u>	<u>161,241</u>	<u>178,494</u>	<u>5,497,405</u>
Expenditures:						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	73,792	174,550	-
General services	5,286,566	-	-	-	-	-
Cultural and recreation services	18,523,654	-	-	-	-	-
Library	-	-	-	-	-	-
Housing and community development	-	22,270,360	133,427	-	-	5,211,745
Debt service expenditures:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	<u>23,810,220</u>	<u>22,270,360</u>	<u>133,427</u>	<u>73,792</u>	<u>174,550</u>	<u>5,211,745</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(10,941,670)</u>	<u>2,442,624</u>	<u>203,515</u>	<u>87,449</u>	<u>3,944</u>	<u>285,660</u>
Other financing sources (uses)						
Transfers in	114,407	536,530	-	-	-	-
Transfers out	(43,105)	-	(54,087)	-	-	-
Total other financing sources (uses)	<u>71,302</u>	<u>536,530</u>	<u>(54,087)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Special items (note 18)	<u>(47,588)</u>	<u>(26,106)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(10,917,956)</u>	<u>2,953,048</u>	<u>149,428</u>	<u>87,449</u>	<u>3,944</u>	<u>285,660</u>
Fund balances (deficit) at the beginning 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>
Fund balances at end of year	<u>\$ 130,711</u>	<u>3,024,463</u>	<u>14,393,528</u>	<u>1,449,937</u>	<u>570,197</u>	<u>1,851,324</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, 2020

	Special Revenue Funds					
	Gas Tax	Local Return	Community Development Block Grant	Miscellaneous Grants	SCAQMD	Parks and Recreation
Revenues:						
Other taxes	\$ -	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	3,734,930	5,220,583	1,785,430	6,031,896	133,432	-
Charges for services	-	-	-	-	-	-
Investment income	93,875	348,677	2,668	1,370	30,458	2,932
Rental income	-	-	-	-	-	-
Other revenue	-	-	-	2,905	-	-
Total revenues	<u>3,828,805</u>	<u>5,569,260</u>	<u>1,788,098</u>	<u>6,036,171</u>	<u>163,890</u>	<u>2,932</u>
Expenditures:						
Current:						
General government	4,890	1	51,190	298,336	7,175	-
Public safety	-	-	-	1,034,794	-	-
General services	1,102,074	4,108,718	1,031	2,296,329	48,818	-
Cultural and recreation services	-	5,468	189,878	330,589	-	93,794
Library	-	-	-	17,241	-	-
Housing and community development	-	-	1,403,603	1,396,328	-	-
Debt service expenditures:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	<u>1,106,964</u>	<u>4,114,187</u>	<u>1,645,702</u>	<u>5,373,617</u>	<u>55,993</u>	<u>93,794</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,721,841</u>	<u>1,455,073</u>	<u>142,396</u>	<u>662,554</u>	<u>107,897</u>	<u>(90,862)</u>
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	(1,758,981)	(673,464)	(167,926)	(214,850)	-	-
Total other financing sources (uses)	<u>(1,758,981)</u>	<u>(673,464)</u>	<u>(167,926)</u>	<u>(214,850)</u>	<u>-</u>	<u>-</u>
Special items (note 18)	-	-	-	-	-	-
Net change in fund balances	962,860	781,609	(25,530)	447,704	107,897	(90,862)
Fund balances (deficit) at the beginning of year	<u>2,253,746</u>	<u>10,738,853</u>	<u>9,056,319</u>	<u>4,984,420</u>	<u>1,001,753</u>	<u>163,839</u>
Fund balances at end of year	<u>\$ 3,216,606</u>	<u>11,520,462</u>	<u>9,030,789</u>	<u>5,432,124</u>	<u>1,109,650</u>	<u>72,977</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, 2020

	Capital Projects Fund	Debt Service Fund	Permanent Funds		Total nonmajor governmental funds
	Clean Beaches and Ocean Parcel Tax	Debt Service	Cemetery Perpetual Care	Mausoleum Perpetual Care	
Revenues:					
Other taxes	\$ 3,263,825	-	-	-	3,324,833
Licenses and permits	-	-	-	-	59,293
Intergovernmental	-	-	-	-	41,900,152
Charges for services	-	-	205,922	47,831	15,284,673
Investment income	309,525	4,170	1,152,890	128,475	2,878,485
Rental income	-	-	-	-	1,864,443
Other revenue	-	-	-	-	945,531
Total revenues	3,573,350	4,170	1,358,812	176,306	66,257,410
Expenditures:					
Current:					
General government	4,748,281	-	-	-	5,109,873
Public safety	-	-	-	-	1,283,136
General services	1,232,407	-	-	-	14,075,943
Cultural and recreation services	-	-	-	-	19,143,383
Library	-	-	-	-	17,241
Housing and community development	-	-	-	-	30,415,463
Debt service expenditures:					
Principal	-	4,755,000	-	-	4,755,000
Interest	-	6,785,313	-	-	6,785,313
Total expenditures	5,980,688	11,540,313	-	-	81,585,352
Excess (deficiency) of revenues over (under) expenditures	(2,407,338)	(11,536,143)	1,358,812	176,306	(15,327,942)
Other financing sources (uses)					
Transfers in	3,407,184	11,525,304	-	-	15,583,425
Transfers out	(1,207,426)	-	(435,766)	(51,971)	(4,607,576)
Total other financing sources (uses)	2,199,758	11,525,304	(435,766)	(51,971)	10,975,849
Special items (note 18)	-	-	-	-	(73,694)
Net change in fund balances	(207,580)	(10,839)	923,046	124,335	(4,425,787)
Fund balances (deficit) at the beginning of year	9,503,360	5,048,924	12,331,610	1,482,173	85,423,584
Fund balances at end of year	\$ 9,295,780	5,038,085	13,254,656	1,606,508	80,997,797

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, 2020

	<u>Budget</u>	<u>Actual, GAAP basis</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Licenses and permits	\$ 136,872	59,293	-	59,293	(77,579)
Intergovernmental	27,202	-	-	-	(27,202)
Charges for services	14,612,499	9,659,683	-	9,659,683	(4,952,816)
Investment income	300,000	419,781	-	419,781	119,781
Rental income	1,999,286	1,864,443	-	1,864,443	(134,843)
Other revenue	916,161	865,350	-	865,350	(50,811)
Total revenues	<u>17,992,020</u>	<u>12,868,550</u>	<u>-</u>	<u>12,868,550</u>	<u>(5,123,470)</u>
Expenditures:					
General services:					
Public works	5,920,396	5,126,566	116,390	5,242,956	677,440
Capital improvement	754,197	160,000	-	160,000	594,197
Total general services	<u>6,674,593</u>	<u>5,286,566</u>	<u>116,390</u>	<u>5,402,956</u>	<u>1,271,637</u>
Cultural and recreational services:					
Community and cultural services	10,431,128	9,564,327	879,004	10,443,331	(12,203)
Capital improvement	15,478,188	8,959,327	6,777,483	15,736,810	(258,622)
Total cultural and recreational services	<u>25,909,316</u>	<u>18,523,654</u>	<u>7,656,487</u>	<u>26,180,141</u>	<u>(270,825)</u>
Total expenditures	<u>32,583,909</u>	<u>23,810,220</u>	<u>7,772,877</u>	<u>31,583,097</u>	<u>1,000,812</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(14,591,889)</u>	<u>(10,941,670)</u>	<u>(7,772,877)</u>	<u>(18,714,547)</u>	<u>(4,122,658)</u>
Other financing sources (uses):					
Transfers in	99,574	114,407	-	114,407	14,833
Transfers out	<u>(43,105)</u>	<u>(43,105)</u>	<u>-</u>	<u>(43,105)</u>	<u>-</u>
Total other financing sources (uses)	<u>56,469</u>	<u>71,302</u>	<u>-</u>	<u>71,302</u>	<u>14,833</u>
Special item:					
Special items (note 18)	<u>(47,588)</u>	<u>(47,588)</u>	<u>-</u>	<u>(47,588)</u>	<u>-</u>
Total special item	<u>(47,588)</u>	<u>(47,588)</u>	<u>-</u>	<u>(47,588)</u>	<u>-</u>
Net change in fund balance	<u>(14,583,008)</u>	<u>(10,917,956)</u>	<u>(7,772,877)</u>	<u>(18,690,833)</u>	<u>(4,107,825)</u>
Fund balance at beginning of year	<u>11,048,667</u>	<u>11,048,667</u>	<u>-</u>	<u>11,048,667</u>	<u>-</u>
Fund balance at end of year	<u>\$ (3,534,341)</u>	<u>130,711</u>	<u>(7,772,877)</u>	<u>(7,642,166)</u>	<u>(4,107,825)</u>

See accompanying notes to basic financial statements.

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, 2020

	<u>Budget</u>	<u>Actual, GAAP basis</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Intergovernmental	\$ 23,997,206	24,711,929	-	24,711,929	714,723
Investment income	-	1,055	-	1,055	1,055
Total revenues	<u>23,997,206</u>	<u>24,712,984</u>	<u>-</u>	<u>24,712,984</u>	<u>715,778</u>
Expenditures:					
Housing and community development:					
Housing and economic development	22,405,861	22,257,989	13,767	22,271,756	134,105
Capital improvement	<u>12,371</u>	<u>12,371</u>	<u>-</u>	<u>12,371</u>	<u>-</u>
Total housing and community development	<u>22,418,232</u>	<u>22,270,360</u>	<u>13,767</u>	<u>22,284,127</u>	<u>134,105</u>
Total expenditures	<u>22,418,232</u>	<u>22,270,360</u>	<u>13,767</u>	<u>22,284,127</u>	<u>134,105</u>
Excess (deficiency) of revenues over (under) expenditures	1,578,974	2,442,624	(13,767)	2,428,857	849,883
Other financing sources (uses):					
Transfers in	<u>817,705</u>	<u>536,530</u>	<u>-</u>	<u>536,530</u>	<u>(281,175)</u>
Total other financing sources (uses)	<u>817,705</u>	<u>536,530</u>	<u>-</u>	<u>536,530</u>	<u>(281,175)</u>
Special item:					
Special items (note 18)	<u>(26,106)</u>	<u>(26,106)</u>	<u>-</u>	<u>(26,106)</u>	<u>-</u>
Total special item	<u>(26,106)</u>	<u>(26,106)</u>	<u>-</u>	<u>(26,106)</u>	<u>-</u>
Net change in fund balance	2,370,573	2,953,048	(13,767)	2,939,281	568,708
Fund balance at beginning of year	<u>71,415</u>	<u>71,415</u>	<u>-</u>	<u>71,415</u>	<u>-</u>
Fund balance at end of year	<u>\$ 2,441,988</u>	<u>3,024,463</u>	<u>(13,767)</u>	<u>3,010,696</u>	<u>568,708</u>

See accompanying notes to basic financial statements.

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, 2020

	<u>Budget</u>	<u>Actual, GAAP basis</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Other taxes	\$ 5,000	61,008	-	61,008	56,008
Investment income	110,000	199,891	-	199,891	89,891
Other revenue	50,000	76,043	-	76,043	26,043
Total revenues	<u>165,000</u>	<u>336,942</u>	<u>-</u>	<u>336,942</u>	<u>171,942</u>
Expenditures:					
Housing and community development:					
Housing and economic development	-	1,293	-	1,293	(1,293)
Capital improvement	<u>3,459,000</u>	<u>132,134</u>	<u>117,425</u>	<u>249,559</u>	<u>3,209,441</u>
Total housing and community development	<u>3,459,000</u>	<u>133,427</u>	<u>117,425</u>	<u>250,852</u>	<u>3,208,148</u>
Total expenditures	<u>3,459,000</u>	<u>133,427</u>	<u>117,425</u>	<u>250,852</u>	<u>3,208,148</u>
Excess (deficiency) of revenues over (under) expenditures	(3,294,000)	203,515	(117,425)	86,090	3,380,090
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	<u>(45,738)</u>	<u>(54,087)</u>	<u>-</u>	<u>(54,087)</u>	<u>(8,349)</u>
Total other financing sources (uses)	<u>(45,738)</u>	<u>(54,087)</u>	<u>-</u>	<u>(54,087)</u>	<u>(8,349)</u>
Net change in fund balance	(3,339,738)	149,428	(117,425)	32,003	3,371,741
Fund balance at beginning of year	<u>14,244,100</u>	<u>14,244,100</u>	<u>-</u>	<u>14,244,100</u>	<u>-</u>
Fund balance at end of year	<u>\$ 10,904,362</u>	<u>14,393,528</u>	<u>(117,425)</u>	<u>14,276,103</u>	<u>3,371,741</u>

See accompanying notes to basic financial statements.

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, 2020

	<u>Budget</u>	<u>Actual, GAAP basis</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Intergovernmental	\$ 200,000	162,388	-	162,388	(37,612)
Investment income	5,000	16,106	-	16,106	11,106
Total revenues	<u>205,000</u>	<u>178,494</u>	<u>-</u>	<u>178,494</u>	<u>(26,506)</u>
Expenditures:					
Public safety:					
Police	144,000	174,550	-	174,550	(30,550)
Total public safety	<u>144,000</u>	<u>174,550</u>	<u>-</u>	<u>174,550</u>	<u>(30,550)</u>
Total expenditures	<u>144,000</u>	<u>174,550</u>	<u>-</u>	<u>174,550</u>	<u>(30,550)</u>
Net change in fund balance	61,000	3,944	-	3,944	(57,056)
Fund balance at beginning of year	<u>566,253</u>	<u>566,253</u>	<u>-</u>	<u>566,253</u>	<u>-</u>
Fund balance at end of year	<u>\$ 627,253</u>	<u>570,197</u>	<u>-</u>	<u>570,197</u>	<u>(57,056)</u>

See accompanying notes to basic financial statements.

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, 2020

	<u>Budget</u>	<u>Actual, GAAP basis</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Intergovernmental	\$ 3,927,389	3,734,930	-	3,734,930	(192,459)
Investment income	18,000	93,875	-	93,875	75,875
Total revenues	<u>3,945,389</u>	<u>3,828,805</u>	<u>-</u>	<u>3,828,805</u>	<u>(116,584)</u>
Expenditures:					
General government:					
Other	4,900	4,890	-	4,890	10
Total general government	<u>4,900</u>	<u>4,890</u>	<u>-</u>	<u>4,890</u>	<u>10</u>
General services:					
Capital improvement	3,905,075	1,102,074	640,442	1,742,516	2,162,559
Total general services	<u>3,905,075</u>	<u>1,102,074</u>	<u>640,442</u>	<u>1,742,516</u>	<u>2,162,559</u>
Total expenditures	<u>3,909,975</u>	<u>1,106,964</u>	<u>640,442</u>	<u>1,747,406</u>	<u>2,162,569</u>
Excess (deficiency) of revenues over (under) expenditures	35,414	2,721,841	(640,442)	2,081,399	2,045,985
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	(2,459,383)	(1,758,981)	-	(1,758,981)	700,402
Total other financing sources (uses)	<u>(2,459,383)</u>	<u>(1,758,981)</u>	<u>-</u>	<u>(1,758,981)</u>	<u>700,402</u>
Net change in fund balance	(2,423,969)	962,860	(640,442)	322,418	2,746,387
Fund balance at beginning of year	<u>2,253,746</u>	<u>2,253,746</u>	<u>-</u>	<u>2,253,746</u>	<u>-</u>
Fund balance at end of year	<u>\$ (170,223)</u>	<u>3,216,606</u>	<u>(640,442)</u>	<u>2,576,164</u>	<u>2,746,387</u>

See accompanying notes to basic financial statements.

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, 2020

	<u>Budget</u>	<u>Actual, GAAP basis</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Intergovernmental	\$ 6,005,921	5,220,583	-	5,220,583	(785,338)
Investment income	150,000	348,677	-	348,677	198,677
Total revenues	<u>6,155,921</u>	<u>5,569,260</u>	<u>-</u>	<u>5,569,260</u>	<u>(586,661)</u>
Expenditures:					
General government:					
Capital improvement	81,200	-	-	-	81,200
Total general government	<u>81,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>81,200</u>
General services:					
Other	593,538	510,590	-	510,590	82,948
Capital improvement	10,926,730	3,603,597	578,102	4,181,699	6,745,031
Total general services	<u>11,520,268</u>	<u>4,114,187</u>	<u>578,102</u>	<u>4,692,289</u>	<u>6,827,979</u>
Capital improvement	265,000	-	-	-	265,000
Total expenditures	<u>11,866,468</u>	<u>4,114,187</u>	<u>578,102</u>	<u>4,692,289</u>	<u>7,174,179</u>
Excess (deficiency) of revenues over (under) expenditures	(5,710,547)	1,455,073	(578,102)	876,971	6,587,518
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	(735,000)	(673,464)	-	(673,464)	61,536
Total other financing sources (uses)	<u>(735,000)</u>	<u>(673,464)</u>	<u>-</u>	<u>(673,464)</u>	<u>61,536</u>
Net change in fund balance	(6,445,547)	781,609	(578,102)	203,507	6,649,054
Fund balance at beginning of year	<u>10,738,853</u>	<u>10,738,853</u>	<u>-</u>	<u>10,738,853</u>	<u>-</u>
Fund balance at end of year	<u>\$ 4,293,306</u>	<u>11,520,462</u>	<u>(578,102)</u>	<u>10,942,360</u>	<u>6,649,054</u>

See accompanying notes to basic financial statements.

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, 2020

	<u>Budget</u>	<u>Actual, GAAP basis</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Intergovernmental	\$ 1,728,731	1,785,430	-	1,785,430	56,699
Investment income	5,000	2,668	-	2,668	(2,332)
Total revenues	<u>1,733,731</u>	<u>1,788,098</u>	<u>-</u>	<u>1,788,098</u>	<u>54,367</u>
Expenditures:					
General government:					
Other	85,918	51,190	15,210	66,400	19,518
Total general government	<u>85,918</u>	<u>51,190</u>	<u>15,210</u>	<u>66,400</u>	<u>19,518</u>
General services:					
Capital improvement	363,566	1,031	-	1,031	362,535
Total general services	<u>363,566</u>	<u>1,031</u>	<u>-</u>	<u>1,031</u>	<u>362,535</u>
Cultural and recreational services:					
Community and cultural services	201,268	189,878	-	189,878	11,390
Total cultural and recreational services	<u>201,268</u>	<u>189,878</u>	<u>-</u>	<u>189,878</u>	<u>11,390</u>
Housing and community development:					
Housing and economic development	612,548	57,213	555,334	612,547	1
Capital improvement	1,346,390	1,346,390	-	1,346,390	-
Total housing and community development	<u>1,958,938</u>	<u>1,403,603</u>	<u>555,334</u>	<u>1,958,937</u>	<u>1</u>
Total expenditures	<u>2,609,690</u>	<u>1,645,702</u>	<u>570,544</u>	<u>2,216,246</u>	<u>393,444</u>
Excess (deficiency) of revenues over (under) expenditures	(875,959)	142,396	(570,544)	(428,148)	447,811
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	(155,000)	(167,926)	-	(167,926)	(12,926)
Total other financing sources (uses)	<u>(155,000)</u>	<u>(167,926)</u>	<u>-</u>	<u>(167,926)</u>	<u>(12,926)</u>
Net change in fund balance	(1,030,959)	(25,530)	(570,544)	(596,074)	434,885
Fund balance at beginning of year	<u>9,056,319</u>	<u>9,056,319</u>	<u>-</u>	<u>9,056,319</u>	<u>-</u>
Fund balance at end of year	<u>\$ 8,025,360</u>	<u>9,030,789</u>	<u>(570,544)</u>	<u>8,460,245</u>	<u>434,885</u>

See accompanying notes to basic financial statements.

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, 2020

	Budget	Actual, GAAP basis	Encumbrance	Actual, budgetary basis	Variance with budget
Revenues:					
Intergovernmental	\$ 6,724,906	6,031,896	-	6,031,896	(693,010)
Investment income	20,000	1,370	-	1,370	(18,630)
Other revenue	-	2,905	-	2,905	2,905
Total revenues	<u>6,744,906</u>	<u>6,036,171</u>	<u>-</u>	<u>6,036,171</u>	<u>(708,735)</u>
Expenditures:					
General government:					
City manager	587,115	298,336	-	298,336	288,779
Total general government	<u>587,115</u>	<u>298,336</u>	<u>-</u>	<u>298,336</u>	<u>288,779</u>
Public safety:					
Police	623,959	298,519	-	298,519	325,440
Fire	840,682	736,275	146,699	882,974	(42,292)
Total public safety	<u>1,464,641</u>	<u>1,034,794</u>	<u>146,699</u>	<u>1,181,493</u>	<u>283,148</u>
General services:					
Public works	556,828	91,703	42,312	134,015	422,813
Capital improvement	11,325,958	2,226,499	541,448	2,767,947	8,558,011
Total general services	<u>11,882,786</u>	<u>2,318,202</u>	<u>583,760</u>	<u>2,901,962</u>	<u>8,980,824</u>
Cultural and recreational services:					
Community and cultural services	596,038	311,665	-	311,665	284,373
Capital improvement	10,000	-	-	-	10,000
Total cultural and recreational services	<u>606,038</u>	<u>311,665</u>	<u>-</u>	<u>311,665</u>	<u>294,373</u>
Libraries:					
Library	101,669	17,241	-	17,241	84,428
Total libraries	<u>101,669</u>	<u>17,241</u>	<u>-</u>	<u>17,241</u>	<u>84,428</u>
Housing and community development:					
Planning and community development	234,294	197,447	3,404	200,851	33,443
Housing and economic development	565,502	1,195,932	2,121	1,198,053	(632,551)
Total housing and community development	<u>799,796</u>	<u>1,393,379</u>	<u>5,525</u>	<u>1,398,904</u>	<u>(599,108)</u>
Total expenditures	<u>15,442,045</u>	<u>5,373,617</u>	<u>735,984</u>	<u>6,109,601</u>	<u>9,332,444</u>
Excess (deficiency) of revenues over (under) expenditures	(8,697,139)	662,554	(735,984)	(73,430)	8,623,709
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	(150,713)	(214,850)	-	(214,850)	(64,137)
Total other financing sources (uses)	<u>(150,713)</u>	<u>(214,850)</u>	<u>-</u>	<u>(214,850)</u>	<u>(64,137)</u>
Net change in fund balance	(8,847,852)	447,704	(735,984)	(288,280)	8,559,572
Fund balance at beginning of year	<u>4,984,420</u>	<u>4,984,420</u>	<u>-</u>	<u>4,984,420</u>	<u>-</u>
Fund balance at end of year	<u>\$ (3,863,432)</u>	<u>5,432,124</u>	<u>(735,984)</u>	<u>4,696,140</u>	<u>8,559,572</u>

See accompanying notes to basic financial statements.

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, 2020

	<u>Budget</u>	<u>Actual, GAAP basis</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Intergovernmental	\$ 133,748	133,432	-	133,432	(316)
Investment income	5,000	30,458	-	30,458	25,458
Total revenues	<u>138,748</u>	<u>163,890</u>	<u>-</u>	<u>163,890</u>	<u>25,142</u>
Expenditures:					
General government:					
Other	-	7,175	-	7,175	(7,175)
Capital improvement	<u>369,035</u>	<u>-</u>	<u>369,035</u>	<u>369,035</u>	<u>-</u>
Total general government	<u>369,035</u>	<u>7,175</u>	<u>369,035</u>	<u>376,210</u>	<u>(7,175)</u>
General services:					
Capital improvement	<u>144,066</u>	<u>48,818</u>	<u>41,830</u>	<u>90,648</u>	<u>53,418</u>
Total general services	<u>144,066</u>	<u>48,818</u>	<u>41,830</u>	<u>90,648</u>	<u>53,418</u>
Total expenditures	<u>513,101</u>	<u>55,993</u>	<u>410,865</u>	<u>466,858</u>	<u>46,243</u>
Net change in fund balance	(374,353)	107,897	(410,865)	(302,968)	71,385
Fund balance at beginning of year	<u>1,001,753</u>	<u>1,001,753</u>	<u>-</u>	<u>1,001,753</u>	<u>-</u>
Fund balance at end of year	<u>\$ 627,400</u>	<u>1,109,650</u>	<u>(410,865)</u>	<u>698,785</u>	<u>71,385</u>

See accompanying notes to basic financial statements.

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, 2020

	<u>Budget</u>	<u>Actual, GAAP basis</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Investment income	\$ 3,000	2,932	-	2,932	(68)
Total revenues	<u>3,000</u>	<u>2,932</u>	<u>-</u>	<u>2,932</u>	<u>(68)</u>
Expenditures:					
General services:					
Capital improvement	99,432	79,070	20,362	99,432	-
Total general services	<u>99,432</u>	<u>79,070</u>	<u>20,362</u>	<u>99,432</u>	<u>-</u>
Cultural and recreational services:					
Capital improvement	274,488	14,724	26,934	41,658	232,830
Total cultural and recreational services	<u>274,488</u>	<u>14,724</u>	<u>26,934</u>	<u>41,658</u>	<u>232,830</u>
Total expenditures	<u>373,920</u>	<u>93,794</u>	<u>47,296</u>	<u>141,090</u>	<u>232,830</u>
Net change in fund balance	(370,920)	(90,862)	(47,296)	(138,158)	232,762
Fund balance at beginning of year	<u>163,839</u>	<u>163,839</u>	<u>-</u>	<u>163,839</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ (207,081)</u></u>	<u><u>72,977</u></u>	<u><u>(47,296)</u></u>	<u><u>25,681</u></u>	<u><u>232,762</u></u>

See accompanying notes to basic financial statements.

CITY OF SANTA MONICA, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Clean Beaches and Ocean Parcel Tax Capital Projects Fund
For the fiscal year ended June 30, 2020

	<u>Budget</u>	<u>Actual, GAAP basis</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Other taxes	\$ 3,235,670	3,263,825	-	3,263,825	28,155
Intergovernmental	-	-	-	-	-
Investment income	130,000	309,525	-	309,525	179,525
Total revenues	<u>3,365,670</u>	<u>3,573,350</u>	<u>-</u>	<u>3,573,350</u>	<u>207,680</u>
Expenditures:					
General services:					
Public works	1,000,990	352,819	304,904	657,723	343,267
GS Other	12,949	12,948	-	12,948	1
Capital improvement	34,986,236	5,614,921	28,845,483	34,460,404	525,832
Total general services	<u>36,000,175</u>	<u>5,980,688</u>	<u>29,150,387</u>	<u>35,131,075</u>	<u>869,100</u>
Total expenditures	<u>36,000,175</u>	<u>5,980,688</u>	<u>29,150,387</u>	<u>35,131,075</u>	<u>869,100</u>
Excess (deficiency) of revenues over (under) expenditures	(32,634,505)	(2,407,338)	(29,150,387)	(31,557,725)	1,076,780
Other financing sources (uses):					
Transfers in	25,680,000	3,407,184	-	3,407,184	(22,272,816)
Transfers out	(1,290,540)	(1,207,426)	-	(1,207,426)	83,114
Total other financing sources (uses)	<u>24,389,460</u>	<u>2,199,758</u>	<u>-</u>	<u>2,199,758</u>	<u>(22,189,702)</u>
Net change in fund balance	(8,245,045)	(207,580)	(29,150,387)	(29,357,967)	(21,112,922)
Fund balance at beginning of year	<u>9,503,360</u>	<u>9,503,360</u>	<u>-</u>	<u>9,503,360</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,258,315</u>	<u>9,295,780</u>	<u>(29,150,387)</u>	<u>(19,854,607)</u>	<u>(21,112,922)</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, 2020

	Business-Type Activities - Enterprise Funds						Total nonmajor enterprise funds
	Community Broadband	Airport	Pier	Stormwater Management	Cemetery	Parking Authority	
Assets							
Current assets:							
Cash and investments	\$ 623,575	22,552,427	7,075,845	56,939	1,221,835	2,158,232	33,688,853
Restricted cash and investments	-	1,278,418	284,702	6,782,859	-	-	8,345,979
Receivables (net, where applicable, of allowances for uncollectibles):							
Accounts	324,387	499,888	2,322,380	17,515	336,599	-	3,500,769
Interest	4,055	67,367	23,286	22,534	3,404	6,491	127,137
Due from other governments, restricted	-	-	-	5,551	-	-	5,551
Prepays	8,463	40	-	-	-	-	8,503
Total current assets	960,480	24,398,140	9,706,213	6,885,398	1,561,838	2,164,723	45,676,792
Noncurrent assets:							
Notes receivable Successor Agency noncurrent	-	-	-	-	-	259,400	259,400
Accrued interest non current	-	-	-	-	-	10,739,495	10,739,495
Capital assets:							
Land	-	8	-	-	4	1,362,700	1,362,712
Construction in progress	-	255,039	420,816	2,934,720	-	-	3,610,575
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	515,426	35,750	374,033	7,237	1,552,612
Infrastructure	-	-	17,382,609	10,739,803	-	-	28,122,412
Less: accumulated depreciation	(36,399)	(10,340,827)	(16,707,513)	(5,411,425)	(2,278,454)	(537,405)	(35,312,023)
Net capital assets	15,687	3,855,879	12,988,763	8,446,147	593,831	1,921,365	27,821,672
Total noncurrent assets	15,687	3,855,879	12,988,763	8,446,147	593,831	12,920,260	38,820,567
Total assets	976,167	28,254,019	22,694,976	15,331,545	2,155,669	15,084,983	84,497,359
DEFERRED OUTFLOWS OF RESOURCES							
Deferred outflows from pensions	205,025	457,608	602,275	-	182,991	-	1,447,899
Deferred outflows from OPEB	6,737	17,289	59,613	-	34,696	-	118,335
TOTAL DEFERRED OUTFLOWS OF RESOURCES	211,762	474,897	661,888	-	217,687	-	1,566,234
Liabilities							
Current liabilities:							
Accounts payable	70,704	1,065,903	332,995	280,378	80,415	-	1,830,395
Accrued liabilities	34,435	52,195	63,710	-	26,635	-	176,975
Contracts payable (retained percentage)	12,051	73,994	98,582	38,021	-	-	222,648
Compensated absences due within one year (note 2)	24,706	71,952	115,224	-	34,112	-	245,994
Unearned revenue (note 8)	-	-	21,793	-	-	-	21,793
Liabilities payable from restricted assets - deposits	-	1,330,313	284,702	-	-	-	1,615,015
Total current liabilities	141,896	2,594,357	917,006	318,399	141,162	-	4,112,820
Long-term liabilities:							
Compensated absences due in more than one year (note 2)	23,007	10,970	46,262	-	3,382	-	83,621
Advances from other funds	-	5,524,251	-	-	-	-	5,524,251
Net OPEB liability due in more than one year (note 16)	31,943	81,972	282,646	-	164,505	-	561,066
Net pension liability due in more than one year (note 16)	907,269	2,024,986	2,665,160	-	809,764	-	6,407,179
Total long-term liabilities	962,219	7,642,179	2,994,068	-	977,651	-	12,576,117
Total liabilities	1,104,115	10,236,536	3,911,074	318,399	1,118,813	-	16,688,937
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows from pensions	53,924	120,355	158,404	-	48,128	-	380,811
Deferred inflows from OPEB	1,795	4,607	15,885	-	9,245	-	31,532
TOTAL DEFERRED INFLOWS OF RESOURCES	55,719	124,962	174,289	-	57,373	-	412,343
Net position							
Net investment in capital assets	15,687	3,855,879	12,988,763	8,446,147	593,831	1,921,365	27,821,672
Restricted for housing	-	-	-	-	-	2,199,779	2,199,779
Unrestricted	12,408	14,511,539	6,282,738	6,566,999	603,339	10,963,839	38,940,862
Total net position	\$ 28,095	18,367,418	19,271,501	15,013,146	1,197,170	15,084,983	68,962,313

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, 2020

	Business-Type Activities - Enterprise Funds						Total nonmajor enterprise funds
	Community Broadband	Airport	Pier	Stormwater Management	Cemetery	Parking Authority	
Operating revenues							
Charges for services	\$ 3,301,563	15,274,324	8,311,585	1,370,311	1,789,748	-	30,047,531
Total operating revenues	3,301,563	15,274,324	8,311,585	1,370,311	1,789,748	-	30,047,531
Operating expenses							
Personnel services	987,165	1,830,649	2,909,314	-	1,048,598	700	6,776,426
Administrative indirect	121,003	923,091	612,697	-	266,915	-	1,923,706
Contractual services	1,222,322	825,552	1,345,476	-	356,413	-	3,749,763
Repairs and maintenance	276,109	943,799	446,245	-	18,129	-	1,684,282
Materials and supplies	328,385	5,234,040	592,582	787,149	340,645	10,974	7,293,775
Utilities	5,827	801,280	174,064	-	126,087	-	1,107,258
Casualty property and liability costs	5,076	328,077	380,893	-	62,215	-	776,261
Depreciation and amortization	10,459	361,161	1,323,264	324,607	44,313	16,263	2,080,067
Other	109,580	1,213,365	663,530	89,388	9,798	-	2,085,661
Total operating expenses	3,065,926	12,461,014	8,448,065	1,201,144	2,273,113	27,937	27,477,199
Operating income (loss)	235,637	2,813,310	(136,480)	169,167	(483,365)	(27,937)	2,570,332
Nonoperating revenues (expenses)							
Investment income (loss)	40,554	645,390	230,034	208,174	32,132	68,163	1,224,447
Interest expense	-	(16,422)	-	(5,462)	-	-	(21,884)
Other nonoperating revenues	-	1,130,688	237,031	1,908,017	103,042	-	3,378,778
Total nonoperating revenues (expenses) net	40,554	1,759,656	467,065	2,110,729	135,174	68,163	4,581,341
Income before transfers and special item	276,191	4,572,966	330,585	2,279,896	(348,191)	40,226	7,151,673
Transfers in (note 11)	-	-	463,171	958,359	487,737	-	1,909,267
Transfers out (note 11)	(522,000)	(532,724)	(146,953)	(1,801,593)	-	(14,900,000)	(17,903,270)
Special items (note 18)	-	(96,314)	(26,106)	-	-	-	(122,420)
Change in net position	(245,809)	3,943,928	620,697	1,436,662	139,546	(14,859,774)	(8,964,750)
Net position at beginning of year	273,904	14,423,490	18,650,804	13,576,484	1,057,624	29,944,757	77,927,063
Net position at end of year	\$ 28,095	18,367,418	19,271,501	15,013,146	1,197,170	15,084,983	68,962,313

CITY OF SANTA MONICA, CALIFORNIA

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the fiscal year ended June 30, 2020

	Business-Type Activities - Enterprise Funds						Total nonmajor enterprise funds
	Community Broadband	Airport	Pier	Stormwater Management	Cemetery	Parking Authority	
Cash flows from operating activities:							
Cash received from customers	\$ 3,219,526	14,854,425	6,084,370	1,369,754	1,874,393	—	27,402,468
Cash payments for materials and services	(2,070,092)	(10,384,778)	(3,980,213)	(558,212)	(1,163,624)	(11,496)	(18,168,415)
Cash payments to employees for services	(846,041)	(1,728,222)	(2,660,451)	—	(775,460)	(700)	(6,010,874)
Other revenue received	—	1,130,688	237,031	1,908,017	103,042	—	3,378,778
Net cash provided by (used in) operating activities	303,393	3,872,113	(319,263)	2,719,559	38,351	(12,196)	6,601,957
Cash flows from noncapital financing activities:							
Repayment of advances from other funds	—	(224,721)	—	(2,077)	—	—	(226,798)
Payment received from promissory note	—	—	—	—	—	7,352,725	7,352,725
Other	—	(96,314)	(26,106)	—	—	—	(122,420)
Transfers in	—	—	463,171	958,359	487,737	—	1,909,267
Transfers out	(522,000)	(532,724)	(146,953)	(1,801,593)	—	(14,900,000)	(17,903,270)
Net cash provided by (used in) noncapital financing activities	(522,000)	(853,759)	290,112	(845,311)	487,737	(7,547,275)	(8,990,496)
Cash flows from capital and related financing activities:							
Acquisition and construction of capital assets	—	(23,102)	(478,984)	—	—	—	(502,086)
Reduction in long-term obligations	—	—	—	(315,130)	—	—	(315,130)
Interest paid on long-term obligations	—	(16,422)	—	(8,193)	—	—	(24,615)
Net cash used in capital and related financing activities	—	(39,524)	(478,984)	(323,323)	—	—	(841,831)
Cash flows from investing activities:							
Investment income	37,348	645,978	230,341	207,683	30,286	7,610,434	8,762,070
Net cash provided by investing activities	37,348	645,978	230,341	207,683	30,286	7,610,434	8,762,070
Net increase (decrease) in cash and cash equivalents	(181,259)	3,624,808	(277,794)	1,758,608	556,374	50,963	5,531,700
Cash and cash equivalents at beginning of year	804,834	20,206,037	7,638,341	5,081,190	665,461	2,107,269	36,503,132
Cash and cash equivalents at end of year	\$ 623,575	23,830,845	7,360,547	6,839,798	1,221,835	2,158,232	42,034,832
Cash and investments	\$ 623,575	22,552,427	7,075,845	56,939	1,221,835	2,158,232	33,688,853
Restricted cash and investments	—	1,278,418	284,702	6,782,859	—	—	8,345,979
Total cash and cash equivalents	\$ 623,575	23,830,845	7,360,547	6,839,798	1,221,835	2,158,232	42,034,832

(Continued)

CITY OF SANTA MONICA, CALIFORNIA

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the fiscal year ended June 30, 2020

	Business-Type Activities - Enterprise Funds						
	Community Broadband	Airport	Pier	Stormwater Management	Cemetery	Parking Authority	Total nonmajor enterprise funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:							
Operating income (loss)	\$ 235,637	2,813,310	(136,480)	169,167	(483,365)	(27,937)	2,570,332
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Add depreciation	10,459	361,161	1,323,264	324,607	44,313	16,263	2,080,067
Other revenue received	—	1,130,688	237,031	1,908,017	103,042	—	3,378,778
Changes in assets and liabilities and deferred outflows and inflows of resources:							
(Increase) decrease in accounts receivable	(82,037)	(471,794)	(2,227,215)	(557)	84,645	—	(2,696,958)
Decrease in prepaids	17,859	9	1	1	12	—	17,882
Increase (decrease) in accounts payable	6,560	2,235	207,203	280,303	16,566	(522)	512,345
Increase (decrease) in accrued liabilities	9,198	(1,101)	(9,271)	—	6,345	—	5,171
Increase (decrease) in contracts payable	(26,209)	(117,818)	28,070	38,021	—	—	(77,936)
Increase in deposits payable from restricted assets	—	51,895	—	—	—	—	51,895
Increase (decrease) in compensated absences payable	5,540	(28,215)	(14,722)	—	5,226	—	(32,171)
Net OPEB liability and related changes in deferred outflows and inflows of resources	(2,409)	(16,491)	126,178	—	85,135	—	192,413
Net pension liability and related changes in deferred outflows and inflows of resources	128,795	148,234	146,678	—	176,432	—	600,139
Total adjustments	67,756	1,058,803	(182,783)	2,550,392	521,716	15,741	4,031,625
Net cash provided by (used in) operating activities	\$ 303,393	3,872,113	(319,263)	2,719,559	38,351	(12,196)	6,601,957
Schedule of non-cash capital and related financing activities:							
Capital assets acquired through accounts payable	—	—	2,470	—	—	—	2,470

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, 2020

	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	\$ 21,766,459	3,795,514	7,240,617	6,227,477	1,818,075	62,168,403	103,016,545
Receivables:							
Accounts	86,046	-	-	666	18,767	275	105,754
Due from other funds	-	-	20,300,000	-	-	-	20,300,000
Interest	66,430	10,290	17,758	17,943	-	180,324	292,745
Inventory	43,935	-	-	-	-	-	43,935
Total current assets	<u>21,962,870</u>	<u>3,805,804</u>	<u>27,558,375</u>	<u>6,246,086</u>	<u>1,836,842</u>	<u>62,349,002</u>	<u>123,758,979</u>
Noncurrent assets:							
Capital assets:							
Construction in progress	665,161	-	-	-	-	-	665,161
Machinery and equipment	43,923,820	1,517,857	2,849	7,386	919	10,065	45,462,896
Less: accumulated depreciation	<u>(22,011,656)</u>	<u>(1,378,755)</u>	<u>(2,849)</u>	<u>(7,386)</u>	<u>(919)</u>	<u>(10,065)</u>	<u>(23,411,630)</u>
Net capital assets	22,577,325	139,102	-	-	-	-	22,716,427
Total assets	<u>44,540,195</u>	<u>3,944,906</u>	<u>27,558,375</u>	<u>6,246,086</u>	<u>1,836,842</u>	<u>62,349,002</u>	<u>146,475,406</u>
DEFERRED OUTFLOWS OF RESOURCES							
Deferred outflows from pensions	865,907	-	-	-	526,922	-	1,392,829
Deferred outflows from OPEB	48,646	-	-	-	18,626	-	67,272
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>914,553</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>545,548</u>	<u>-</u>	<u>1,460,101</u>
Liabilities							
Current liabilities:							
Accounts payable	1,387,850	119,500	308,016	9,334	10,002	566,408	2,401,110
Accrued liabilities	89,520	-	-	-	72,794	-	162,314
Compensated absences due within one year (note 2)	134,872	-	-	-	82,965	-	217,837
Claims payable due within one year (note 15)	-	-	28,526,923	2,514,041	-	10,675,633	41,716,597
Total current liabilities	<u>1,612,242</u>	<u>119,500</u>	<u>28,834,939</u>	<u>2,523,375</u>	<u>165,761</u>	<u>11,242,041</u>	<u>44,497,858</u>
Long-term liabilities:							
Compensated absences due in more than one year (note 2)	46,965	-	-	-	56,671	-	103,636
Claims payable due in more than one year (note 15)	-	-	11,586,099	2,656,637	-	44,918,920	59,161,656
Net OPEB liability due in more than one year (note 16)	230,650	-	-	-	88,314	-	318,964
Net pension liability due in more than one year (note 16)	3,831,777	-	-	-	2,331,711	-	6,163,488
Total long-term liabilities	<u>4,109,392</u>	<u>-</u>	<u>11,586,099</u>	<u>2,656,637</u>	<u>2,476,696</u>	<u>44,918,920</u>	<u>65,747,744</u>
Total liabilities	<u>5,721,634</u>	<u>119,500</u>	<u>40,421,038</u>	<u>5,180,012</u>	<u>2,642,457</u>	<u>56,160,961</u>	<u>110,245,602</u>
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows from pensions	227,742	-	-	-	138,585	-	366,327
Deferred inflows from OPEB	12,962	-	-	-	4,963	-	17,925
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>240,704</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>143,548</u>	<u>-</u>	<u>384,252</u>
Net position							
Investment in capital assets	22,577,325	139,102	-	-	-	-	22,716,427
Unrestricted	16,915,085	3,686,304	(12,862,663)	1,066,074	(403,615)	6,188,041	14,589,226
Total net position	<u>\$ 39,492,410</u>	<u>3,825,406</u>	<u>(12,862,663)</u>	<u>1,066,074</u>	<u>(403,615)</u>	<u>6,188,041</u>	<u>37,305,653</u>

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, 2020

	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	\$ 14,052,827	2,516,540	35,004,091	5,200,000	3,075,000	19,486,921	79,335,379
Total operating revenues	<u>14,052,827</u>	<u>2,516,540</u>	<u>35,004,091</u>	<u>5,200,000</u>	<u>3,075,000</u>	<u>19,486,921</u>	<u>79,335,379</u>
Operating expenses							
Personnel services	3,956,466	-	-	-	1,950,004	-	5,906,470
Administrative indirect	937,158	-	-	-	339,428	-	1,276,586
Contractual services	55,344	-	153,625	307,693	90,855	718,245	1,325,762
Repairs and maintenance	1,640,084	-	29,563	29,563	929	59,615	1,759,754
Materials and supplies	1,860,487	2,697,939	219	-	45,112	380	4,604,137
Utilities	69,565	-	-	-	1,479	-	71,044
Casualty property and liability costs	145,035	-	-	-	19,379	-	164,414
Claims expense net of claims reserve adjustment	-	-	41,336,947	600,008	-	14,663,182	56,600,137
Insurance and bonds	-	-	1,299,068	1,286,757	3,294,485	860,364	6,740,674
Miscellaneous fees and costs	-	-	555,874	378,145	44,533	525,670	1,504,222
Depreciation and amortization	4,357,204	99,429	-	-	-	-	4,456,633
Other	315,785	-	-	-	124,180	1,347	441,312
Total operating expenses	<u>13,337,128</u>	<u>2,797,368</u>	<u>43,375,296</u>	<u>2,602,166</u>	<u>5,910,384</u>	<u>16,828,803</u>	<u>84,851,145</u>
Operating income (loss)	<u>715,699</u>	<u>(280,828)</u>	<u>(8,371,205)</u>	<u>2,597,834</u>	<u>(2,835,384)</u>	<u>2,658,118</u>	<u>(5,515,766)</u>
Nonoperating revenues							
Investment income	646,492	104,239	172,763	133,166	-	1,696,684	2,753,344
Gain on disposal of capital assets	667,015	-	-	-	-	-	667,015
Other nonoperating revenues	8,222	15,201	197	-	400	9,390	33,410
Total nonoperating revenues	<u>1,321,729</u>	<u>119,440</u>	<u>172,960</u>	<u>133,166</u>	<u>400</u>	<u>1,706,074</u>	<u>3,453,769</u>
Income (loss) before transfers	<u>2,037,428</u>	<u>(161,388)</u>	<u>(8,198,245)</u>	<u>2,731,000</u>	<u>(2,834,984)</u>	<u>4,364,192</u>	<u>(2,061,997)</u>
Transfers in (note 11)	-	-	-	-	2,498,869	-	2,498,869
Transfers out (note 11)	(47,255)	-	(552,786)	(399,819)	-	(1,699,231)	(2,699,091)
Special items (note 18)	<u>(142,517)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,648)</u>	<u>-</u>	<u>(162,165)</u>
Change in net position	<u>1,847,656</u>	<u>(161,388)</u>	<u>(8,751,031)</u>	<u>2,331,181</u>	<u>(355,763)</u>	<u>2,664,961</u>	<u>(2,424,384)</u>
Net position at beginning of year	<u>37,644,754</u>	<u>3,986,794</u>	<u>(4,111,632)</u>	<u>(1,265,107)</u>	<u>(47,852)</u>	<u>3,523,080</u>	<u>39,730,037</u>
Net position at end of year (note 10)	<u>\$ 39,492,410</u>	<u>3,825,406</u>	<u>(12,862,663)</u>	<u>1,066,074</u>	<u>(403,615)</u>	<u>6,188,041</u>	<u>37,305,653</u>

CITY OF SANTA MONICA, CALIFORNIA

Combining Statement of Cash Flows

Internal Service Funds

For the fiscal year ended June 30, 2020

	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	\$ 14,111,969	2,516,540	14,704,091	5,199,334	3,076,735	19,486,921	59,095,590
Cash payments for materials and services	(4,410,949)	(3,624,806)	(2,026,296)	(2,405,129)	(3,949,744)	(1,833,645)	(18,250,569)
Cash payments to employees for services	(3,476,203)	(30,800)	(26)	(10)	(1,879,664)	(15)	(5,386,718)
Cash payments for claims and related expenses	—	—	(13,404,897)	(2,525,077)	—	(10,202,999)	(26,132,973)
Other revenue received	8,222	15,201	197	—	400	9,390	33,410
Net cash provided by (used in) operating activities	6,233,039	(1,123,865)	(726,931)	269,118	(2,752,273)	7,459,652	9,358,740
Cash flows from noncapital financing activities:							
Other	(142,517)	—	—	—	(19,648)	—	(162,165)
Transfers in	—	—	—	—	2,498,869	—	2,498,869
Transfers out	(47,255)	—	(552,786)	(399,819)	—	(1,699,231)	(2,699,091)
Net cash provided by (used in) noncapital financing activities	(189,772)	—	(552,786)	(399,819)	2,479,221	(1,699,231)	(362,387)
Cash flows from capital and related financing activities:							
Acquisition and construction of capital assets	(5,998,837)	—	—	—	—	—	(5,998,837)
Proceeds from sale of capital assets	822,161	—	—	—	—	—	822,161
Net cash used in capital and related financing activities	(5,176,676)	—	—	—	—	—	(5,176,676)
Cash flows from investing activities – investment income	659,751	113,464	191,340	135,564	—	1,709,450	2,809,569
Net increase (decrease) in cash and cash equivalents	1,526,342	(1,010,401)	(1,088,377)	4,863	(273,052)	7,469,871	6,629,246
Cash and cash equivalents at beginning of year	20,240,117	4,805,915	8,328,994	6,222,614	2,091,127	54,698,532	96,387,299
Cash and cash equivalents at end of year	\$ 21,766,459	3,795,514	7,240,617	6,227,477	1,818,075	62,168,403	103,016,545
Reconciliation of operating income (loss) to net cash provided by (used in) operating income (loss):							
Operating income (loss)	\$ 715,699	(280,828)	(8,371,205)	2,597,834	(2,835,384)	2,658,118	(5,515,766)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Add depreciation	4,357,204	99,429	—	—	—	—	4,456,633
Other revenue received	8,222	15,201	197	—	400	9,390	33,410
Changes in assets and liabilities and deferred outflows and inflows of resources:							
(Increase) decrease in accounts receivable	59,142	—	—	(666)	1,735	93,745	153,956
(Increase) in due from other funds	—	—	(20,300,000)	—	—	—	(20,300,000)
Decrease in prepaids	194	—	—	—	10,118	—	10,312
Decrease in inventory	3,979	—	—	—	—	—	3,979
Increase (decrease) in accounts payable	608,336	(926,867)	12,053	(402,971)	518	331,976	(376,955)
Increase (decrease) in accrued liabilities	24,082	(30,800)	(26)	(10)	7,035	(15)	266
Increase in compensated absences payable	31,334	—	—	—	1,262	—	32,596
Increase (decrease) in claims payable	—	—	27,932,050	(1,925,069)	—	4,366,438	30,373,419
Net OPEB liability and related changes in deferred outflows and inflows of resources	(40,318)	—	—	—	(47,893)	—	(88,211)
Net pension liability and related changes in deferred outflows and inflows of resources	465,165	—	—	—	109,936	—	575,101
Total adjustments	5,517,340	(843,037)	7,644,274	(2,328,716)	83,111	4,801,534	14,874,506
Net cash provided by (used in) operating activities	\$ 6,233,039	(1,123,865)	(726,931)	269,118	(2,752,273)	7,459,652	9,358,740
Schedule of non-cash capital and related financing activities:							
Capital assets acquired through accounts payable	\$ 325,106	—	—	—	—	—	325,106
Gain on disposal of capital assets	667,015	—	—	—	—	—	667,015

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, 2020

	General Trust	Street Light	Total Agency Funds
Assets			
Restricted cash and investments	\$ 3,402,836	4,741	3,407,577
Accounts receivable	34,680	—	34,680
Total assets	<u>3,437,516</u>	<u>4,741</u>	<u>3,442,257</u>
Liabilities			
Accounts payable and accrued liabilities	<u>3,437,516</u>	<u>4,741</u>	<u>3,442,257</u>
Total liabilities	<u>\$ 3,437,516</u>	<u>4,741</u>	<u>3,442,257</u>

CITY OF SANTA MONICA, CALIFORNIA

Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds

For the fiscal year ended June 30, 2020

	<u>June 30, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2020</u>
Fiduciary Funds				
Agency Funds:				
General Trust				
Assets:				
Restricted cash and investments	\$ 4,528,484	79,437,306	80,562,954	3,402,836
Accounts receivable	<u>74,473</u>	<u>221,409</u>	<u>261,202</u>	<u>34,680</u>
Total assets	<u>\$ 4,602,957</u>	<u>79,658,715</u>	<u>80,824,156</u>	<u>3,437,516</u>
Liabilities:				
Accounts payable and accrued liabilities	\$ 4,602,957	160,772,799	161,938,240	3,437,516
Total liabilities	<u>\$ 4,602,957</u>	<u>160,772,799</u>	<u>161,938,240</u>	<u>3,437,516</u>
 Street Light				
Assets:				
Restricted cash and investments	\$ 4,741	1,102	1,102	4,741
Total assets	<u>\$ 4,741</u>	<u>1,102</u>	<u>1,102</u>	<u>4,741</u>
Liabilities:				
Accounts payable and accrued liabilities	\$ 4,741	2,202	2,202	4,741
Total liabilities	<u>\$ 4,741</u>	<u>2,202</u>	<u>2,202</u>	<u>4,741</u>
 Total Fiduciary Funds				
Total Agency Funds				
Assets:				
Restricted cash and investments	\$ 4,533,225	79,438,408	80,564,056	3,407,577
Accounts receivable	<u>74,473</u>	<u>221,409</u>	<u>261,202</u>	<u>34,680</u>
Total assets	<u>\$ 4,607,698</u>	<u>79,659,817</u>	<u>80,825,258</u>	<u>3,442,257</u>
Liabilities:				
Accounts payable and accrued liabilities	\$ 4,607,698	160,775,001	161,940,442	3,442,257
Total liabilities	<u>\$ 4,607,698</u>	<u>160,775,001</u>	<u>161,940,442</u>	<u>3,442,257</u>

City of Santa Monica, California
Year Ended June 30, 2020

STATISTICAL SECTION

CITY OF SANTA MONICA, CALIFORNIA

For the fiscal year ended June 30, 2020

STATISTICAL SECTION (unaudited)

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CITY OF SANTA MONICA, CALIFORNIA

For the fiscal year ended June 30, 2020

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)

	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15 (1)	2013-14	2012-13	2011-12	2010-11
Governmental activities										
Net investment in capital assets	\$ 756,311,492	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
Restricted	228,300,303	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
Unrestricted	(56,670,932)	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
Total governmental activities net position	<u>927,940,863</u>	<u>971,718,905</u>	<u>984,598,912</u>	<u>975,239,500</u>	<u>944,523,342</u>	<u>908,061,476</u>	<u>1,211,717,977</u>	<u>1,201,505,013</u>	<u>1,259,831,538</u>	<u>1,013,370,855</u>
Business-type activities										
Net investment in capital assets	454,015,095	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
Restricted	17,045,768	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
Unrestricted	118,563,055	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
Total business-type activities net position	<u>589,623,918</u>	<u>630,380,888</u>	<u>597,372,456</u>	<u>591,991,292</u>	<u>583,919,691</u>	<u>512,848,296</u>	<u>600,110,889</u>	<u>590,889,283</u>	<u>568,640,908</u>	<u>558,586,426</u>
Primary government										
Net investment in capital assets	1,210,326,587	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
Restricted	245,346,071	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
Unrestricted	61,892,123	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
Total primary government net position	<u>\$ 1,517,564,781</u>	<u>1,602,099,793</u>	<u>1,581,971,368</u>	<u>1,567,230,792</u>	<u>1,528,443,033</u>	<u>1,420,909,772</u>	<u>1,811,828,866</u>	<u>1,792,394,296</u>	<u>1,828,472,446</u>	<u>1,571,957,281</u>

(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

	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11
Expenses										
Governmental activities:										
General government	\$ 83,627,840	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
Public safety	171,485,637	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
General services	95,598,940	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
Cultural and recreation services	75,276,083	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
Library	15,023,233	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
Housing and community development	67,260,671	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
Interest on long-term debt	5,146,663	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
Total governmental activities	513,419,067	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
Business-type activities:										
Water	21,651,904	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
Resource recovery and recycling	29,322,186	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
Community broadband	3,065,926	2,519,298	1,926,149	1,907,535	—	—	—	—	—	—
Pier	8,448,065	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
Wastewater	17,751,175	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
Civic auditorium (1)	—	—	—	—	—	—	—	4,691,051	3,239,999	3,638,257
Airport	12,477,436	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
Storm water management	1,206,606	380,752	359,488	347,197	2,447,698	2,172,116	651,361	406,721	411,985	422,048
Cemetery	2,273,113	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
Big Blue Bus	100,300,186	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
Special aviation	—	—	—	—	—	—	—	—	—	—
Parking authority	27,937	422,090	216,253	16,178	17,742	403,822	369,367	295,651	315,736	474,629
Total business-type activities	196,524,534	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
Total primary governmental activities expenses	\$ 709,943,601	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
Program revenues										
Governmental activities:										
Charges for services:										
General government	\$ 20,087,674	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
Public safety	17,918,929	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
General services	39,978,065	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
Cultural and recreation services	19,145,932	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
Library	260,503	437,269	390,306	388,273	487,809	601,618	614,715	486,204	465,891	488,279
Housing and community development	28,859,612	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
Operating grants and contributions	41,367,622	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
Capital grants and contributions	1,506,048	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
Total governmental activities program revenues	169,124,385	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

(continues next page)

TABLE 2

CITY OF SANTA MONICA, CALIFORNIA

Changes in Net Position
Last Ten Fiscal Years

	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11
<i>(continues from previous page)</i>										
Business-type activities:										
Charges for services:										
Water	27,872,084	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
Resource recovery and recycling	27,630,068	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
Community broadband	3,301,563	2,489,716	2,200,733	1,924,777	—	—	—	—	—	—
Pier	8,547,985	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
Wastewater	18,366,169	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
Civic auditorium (1)	—	—	—	—	—	—	—	1,468,300	1,667,172	2,603,146
Airport	16,148,655	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
Storm water management	1,370,311	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
Cemetery	1,789,748	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
Big Blue Bus	14,194,438	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
Parking authority	—	—	—	—	—	—	—	—	161,504	152,200
Operating grants and contributions	59,740,351	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
Capital grants and contributions	10,047,937	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
Business-type activities program revenues	189,009,309	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
Total primary government program revenues	358,133,694	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
Net (expense):										
Governmental activities	(344,294,682)	(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)
Business-type activities	(7,515,225)	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
Total primary government net expense	(351,809,907)	(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)
General revenues and other changes in net position										
Governmental activities:										
Taxes:										
Business	33,894,714	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
Property	67,791,186	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
Transient occupancy (2)	48,624,638	60,762,881	60,631,025	55,532,325	51,021,050	—	—	—	—	—
Sales and use	64,665,646	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
Utility users (2)	28,026,008	28,306,582	29,288,341	29,437,753	30,772,815	—	—	—	—	—
Real property transfer (2)	6,856,663	9,808,072	8,169,163	10,951,756	7,850,960	—	—	—	—	—
Parking facility (2)	11,072,445	12,699,044	11,557,811	11,231,324	10,718,156	—	—	—	—	—
Other	3,441,908	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
Settlement income	—	—	—	—	—	—	—	9,608,247	3,750,000	—
Other revenues	9,263,443	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
Investment earnings	14,397,259	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
Special Item	(34,215,371)	—	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	46,698,101	(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
Total governmental activities	300,516,640	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

(continues next page)

TABLE 2**CITY OF SANTA MONICA, CALIFORNIA**

Changes in Net Position
Last Ten Fiscal Years

	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11
<i>(continues from previous page)</i>										
Business-type activities:										
Other revenues	7,068,596	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
Investment earnings	7,810,542	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
Special Item	(1,422,782)	—	6,408,992	1,103,146	10,617,561	—	—	—	—	—
Extraordinary gain (loss)	—	—	—	—	4,837,753	—	—	—	—	—
Transfers	(46,698,101)	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)
Total business-type activities	<u>(33,241,745)</u>	<u>25,771,826</u>	<u>11,180,976</u>	<u>1,586,982</u>	<u>15,698,865</u>	<u>5,296,946</u>	<u>5,168,687</u>	<u>23,415,263</u>	<u>12,576,932</u>	<u>6,589,802</u>
Total primary government	<u>267,274,895</u>	<u>326,123,069</u>	<u>341,711,866</u>	<u>272,813,795</u>	<u>260,305,827</u>	<u>255,141,989</u>	<u>235,798,124</u>	<u>206,532,928</u>	<u>614,752,800</u>	<u>275,883,499</u>
Changes in net position										
Governmental activities	(43,778,042)	(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
Business-type activities	<u>(40,756,970)</u>	<u>34,492,430</u>	<u>7,933,298</u>	<u>8,071,601</u>	<u>23,108,198</u>	<u>(130,676)</u>	<u>9,221,606</u>	<u>22,248,375</u>	<u>10,054,482</u>	<u>13,692,448</u>
Total primary government	<u>\$ (84,535,012)</u>	<u>21,612,423</u>	<u>29,304,022</u>	<u>38,787,759</u>	<u>59,570,064</u>	<u>30,033,198</u>	<u>19,434,570</u>	<u>(36,078,150)</u>	<u>256,515,165</u>	<u>36,595,055</u>

(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)

	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11
General Fund										
Reserved	\$ —	—	—	—	—	—	—	—	—	—
Unreserved	—	—	—	—	—	—	—	—	—	—
* Nonspendable	13,326,312	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	21,447,581	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	1,671,078	1,943,558	2,478,476	4,760,409	31,365	520,574	519,937	519,506	640,000	710,000
* Assigned	143,176,947	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	46,922,135	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	226,544,053	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
All other governmental funds										
Reserved	—	—	—	—	—	—	—	—	—	—
Unreserved, reported in:										
Special revenue funds	—	—	—	—	—	—	—	—	—	—
Capital project funds	—	—	—	—	—	—	—	—	—	—
* Nonspendable	14,914,052	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	210,347,503	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	100,981,037	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	(2,018,186)	(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	\$ 324,224,406	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

* 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)

	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11
Revenues										
Property taxes	\$ 67,791,186	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
Incremental property taxes (1)	—	—	—	—	—	—	—	—	19,794,851	73,735,955
Sales & use taxes	64,665,646	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
Transient occupancy taxes (3)	48,624,638	60,762,881	60,631,025	55,532,325	51,021,050	—	—	—	—	—
Utility user taxes (3)	28,026,008	28,306,582	29,288,341	29,437,753	30,772,815	—	—	—	—	—
Business license taxes (3)	33,894,714	31,947,056	31,050,087	30,118,555	29,893,341	—	—	—	—	—
Other taxes	21,371,016	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
License and permits	38,618,898	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
Intergovernmental	43,236,083	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
Charges for services	61,396,593	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
Fines and forfeitures	10,357,155	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
Investment earnings	12,759,040	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
Rental income	9,104,387	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
Settlement income	—	—	14,085,000	6,103,175	2,433,175	2,433,175	2,433,175	52,287,404	33,277,271	—
Other	15,913,257	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
Total revenue	455,758,621	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
Expenditures										
Current										
General government	137,222,743	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
Public safety	173,587,760	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
General services	78,127,241	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
Cultural and recreation services	82,917,053	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
Library	13,034,198	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
Housing and community development	62,374,714	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
Other	—	—	—	—	—	—	—	—	—	—
Debt service										
Principal	4,755,000	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
Interest	6,785,313	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
Bond issuance costs	—	4,025	938,932	—	535,048	—	—	—	441,993	440,308
Total expenditures	558,804,022	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

(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)

	<u>2019-20</u>	<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>
<i>(continues from previous page)</i>										
Excess (deficiency) of revenues over (under) expenditures	(103,045,401)	(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)
Other financing sources (uses)										
Transfers in	73,508,634	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
Transfers out	(27,057,385)	(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)
Line of credit proceeds	—	—	—	—	—	—	—	—	—	26,528,395
Long-term debt issued	—	—	—	—	—	—	—	—	32,178,250	—
Refunding bonds issued	—	—	—	—	26,360,000	—	—	—	19,950,000	41,050,000
Bonds issued	—	—	102,785,000	—	—	—	—	—	—	—
Premium on bonds issued	—	—	12,247,767	—	2,020,710	—	—	—	4,339,840	409,674
Payments to refunded bond escrow agent	—	—	—	—	(27,826,666)	—	—	—	(22,289,654)	(1,900,000)
Proceeds from loans payable	—	—	—	—	—	—	—	—	—	102,500,000
Total other financing sources (uses)	<u>46,451,249</u>	<u>(37,204,820)</u>	<u>116,236,447</u>	<u>5,243,313</u>	<u>7,523,879</u>	<u>2,488,320</u>	<u>1,562,496</u>	<u>(10,103,805)</u>	<u>27,721,202</u>	<u>169,830,877</u>
Special item	(34,195,723)	—	—	(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>\$ (90,789,875)</u></u>	<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>
Debt service as a percentage of noncapital expenditures (2)	2.49%	2.41%	2.91%	2.33%	3.16%	2.65%	2.76%	2.07%	5.23%	5.34%

(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	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11
Sales and use taxes	\$ 64,666	73,709	68,480	54,505	54,803	51,090	49,210	47,881	45,832	31,690
Utility user taxes	28,026	28,307	29,288	29,438	30,773	32,066	32,817	31,450	31,296	31,625
Transient occupancy taxes	48,625	60,763	60,631	55,532	51,021	47,629	44,396	40,997	36,143	32,747
Property taxes (2)	67,791	62,615	56,955	56,424	50,452	55,044	50,114	44,392	40,226	36,048
Business license taxes	33,895	31,947	31,575	30,712	30,799	30,354	29,783	27,518	26,325	25,480
Parking facility tax	11,072	12,699	11,558	11,231	10,718	11,072	10,598	9,954	9,394	8,786
Documentary Transfer Tax	6,857	9,808	8,169	10,952	7,851	7,903	6,273	6,027	5,192	3,954
Vehicle license fees	74	44	49	42	38	38	39	48	46	492
Condominium taxes	43	25	9	38	73	45	14	18	37	21
Total	<u>\$ 261,049</u>	<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>

(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)
2019-20	\$ 23,887,232	\$ 16,243,029	\$ 84,504	\$ -	\$ 40,214,765	\$ 1,699,358	\$ 38,515,407	\$ 1,005,939	\$ 39,521,346	1.00%
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%

(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
2019-20	\$ 0.01	\$ 1.00	\$ 0.17	—	\$ 1.18
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

* 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	2019-20			2010-11		
	Taxable assessed value	Rank	Percentage of total City taxable assessed value	Taxable assessed value	Rank	Percentage of total City taxable assessed value
Douglas Emmett Inc	\$ 741,573,703	1	1.88 %	\$ 305,642,056	3	1.28 %
California Colorado Center LLC	543,217,750	2	1.37	469,310,104	1	1.97
Water Garden Company	527,212,466	3	1.33	455,793,756	2	1.91
Office Block Investment LLC	382,451,040	4	0.97	—		—
SC Enterprises SMBP LLC	365,118,595	5	0.92	265,000,000	4	1.11
Macerich Company LLC	355,180,630	6	0.90	194,658,779	6	0.82
New Santa Monica Beach Hotel LLC	227,001,271	7	0.57	136,423,289	8	0.57
SM Campus LLC	222,333,480	8	0.56	—		—
Kite Pharma Inc	203,821,623	9	0.52	—		—
Prudential Insurance	203,754,926	10	0.52	—		—
CREP 2700 Holdings LLC	—		—	226,269,666	5	0.95
Ocean Avenue LLC	—		—	146,613,466	7	0.61
Rand Corporation	—		—	131,690,037	9	0.55
Naras Properties Inc	—		—	126,430,293	10	0.53
Total principal property taxpayers assessed value	<u>\$ 3,771,665,484</u>		<u>9.54 %</u>	<u>\$ 2,457,831,446</u>		<u>10.30 %</u>
Total City net taxable assessed value	<u>\$ 39,521,345,611</u>		<u>100.00 %</u>	<u>\$ 23,882,175,673</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
2019-20	\$ 34,710,721	\$ 33,896,039	97.7 %	\$ 540,988	\$ 34,437,027	99.2 %	\$ 452,675	1.3 %
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

(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									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Apparel stores	\$ 322,629	344,337	362,841	395,249	390,071	394,070	401,761	391,145	372,497	301,972
General merchandise	49,204	56,860	78,610	89,282	93,741	100,267	106,569	113,745	112,391	66,732
Food stores	97,024	91,803	87,888	88,196	87,729	86,615	82,367	79,495	76,420	73,944
Eating & drinking places	726,783	716,826	693,473	687,794	638,818	598,468	561,613	540,315	503,243	453,736
Building materials	124,030	114,802	112,587	110,186	113,405	114,156	102,818	88,761	88,391	86,558
Auto dealers & auto suppliers	874,780	854,723	766,512	770,658	757,333	739,833	697,249	653,869	632,489	598,461
Service stations	97,198	101,275	90,164	81,810	96,004	112,717	120,566	127,052	126,247	106,520
Other retail stores	627,046	665,606	695,449	657,236	692,105	677,744	657,413	664,771	659,166	582,457
Retail stores total	2,918,694	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
All other outlets	1,060,890	904,103	829,773	804,321	787,252	754,803	707,580	646,311	615,753	558,553
Total all outlets	\$ 3,979,584	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

(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			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	Total primary government		
2019-20	\$ 3,506,472	\$ —	\$ 162,504,543	\$ —	\$ —	\$ 4,764,846	\$ 5,550,789	\$ 176,326,650	0.45%	1,909
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

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>2019-20</u>	<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>
General bonded debt outstanding										
General obligation bonds	\$ 3,506,472	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
Less: Amounts Available in Debt Service Fund (4)	1,095,000	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
Total	<u>\$ 2,411,472</u>	<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>
Assessed value (in thousands) (1)	\$ 39,521,346	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
Percentage of assessed Property value	0.01%	0.01%	0.01%	0.02%	0.02%	0.03%	0.04%	0.04%	0.05%	0.50%
Population (2)	92,357	93,593	92,416	93,834	93,640	93,283	92,185	91,040	90,223	90,174
Per capita	\$ 26	39	53	66	79	93	108	124	140	1,315

(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, 2020

	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated share of Overlapping Debt
Overlapping debt:			
Los Angeles County General Fund Obligations	\$ 2,317,550,679	2.450%	\$ 56,779,992
Los Angeles County Superintendent of Schools Certificates of Participation	5,182,434	2.450%	126,970
Metropolitan Water District	37,300,000	1.278%	476,694
Santa Monica Community College District	596,884,412	66.490%	396,868,446
Los Angeles Unified School District	10,624,010,000	0.0001%	10,624
Santa Monica-Malibu Unified School District	566,375,232	66.546%	376,900,062
Santa Monica-Malibu Unified School District School Facilities Improvement District 1	110,000,000	100.000%	110,000,000
Los Angeles County Regional Park and Open Space Assessment District	-	2.468%	-
Santa Monica Community College District Certificates of Participation	12,421,229	66.490%	8,258,875
Los Angeles Unified School District Certificates of Participation	164,430,000	0.0001%	164
Los Angeles Community College District	4,234,460,000	0.0110%	465,791
Santa Monica-Malibu Unified School District Certificates of Participation	4,559,389	66.546%	3,034,091
Overlapping Tax Increment Debt (Successor Agency):	76,045,000	100.000%	76,045,000
Subtotal, overlapping debt			<u>1,028,966,709</u>
City direct governmental debt			
City of Santa Monica General Obligation Bonds Main Library Improvements (2012)			3,506,472
City of Santa Monica Public Safety Lease Revenue Bonds (2011)			1,103,998
City of Santa Monica Civic Parking Structure Lease Revenue Bonds (2015)			23,639,402
City of Santa Monica Parking Structure 6 Lease Revenue Bonds (2011)			23,773,449
City of Santa Monica Fire Station 1 Lease Revenue Bonds (2018)			76,516,551
State Dept of Housing and Community Development			<u>37,471,143</u>
Subtotal, direct debt (2)			<u>166,011,015</u>
Total direct and overlapping governmental debt (3)			<u><u>\$ 1,194,977,724</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

	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11
Total net debt applicable to limit	\$ 146,646,915	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
Debt limit	4,122,070,400	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
Legal debt margin	3,975,423,485	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
Total net debt applicable to the limit as a percentage of debt limit	3.56%	4.19%	4.34%	1.84%	2.09%	2.44%	2.78%	3.20%	3.54%	5.98%

Net assessed value	39,521,346,000
Add: exempt property	1,699,358,000
Total gross assessed value	<u>\$ 41,220,704,000</u>

Debt limit - 10% of total assessed value ⁽¹⁾ 4,122,070,400

Amount of debt applicable to debt limit:

Total bonded debt	151,685,000
Less:	
Assets in debt service funds available for payment of bonds	<u>5,038,085</u>

Total amount of debt applicable to debt limit 146,646,915

Legal debt margin \$ 3,975,423,485

(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	
2019-20	\$ 20,590,697	\$ 8,997,824	\$ 11,592,873	\$ 2,210,000	\$ 181,350	\$ 2,391,350	4.85
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

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)	
2020	92,357	\$ *	\$ *	11.6	%
2019	** 92,480	849,493	63,913	4.2	
2018	92,416	** 806,547	** 60,649	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	

Note: Data shown is the Metropolitan Statistical Area of Los Angeles-Long Beach-Santa Ana, CA.
Data by City is not available.

* No data is available for 2020 as of publication date of CAFR

** Pre COVID-19 Pandemic data revised per source

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	2019-20			2010-11		
	Number of employees	Rank	Percentage of total City employment	Number of employees	Rank	Percentage of total City employment
UCLA Medical Center, Santa Monica	2,879	1	3.18 %	1,780	4	2.44 %
City of Santa Monica	2,298	2	2.54	2,528	1	3.46
Santa Monica-Malibu Unified School District	1,962	3	2.17	1,500	5	2.05
Santa Monica College	1,800	4	1.99	2,086	2	2.86
SNAP Inc	1,460	5	1.61	—	—	—
Providence Saint John's Health Center	1,400	6	1.55	1,796	3	2.46
Activision Publishing (Includes Beachhead Studios, Treyarch Corp)	1,231	7	1.36	692	8	0.95
RAND Corporation	891	8	0.98	894	6	1.22
Hulu	882	9	0.97	—	—	—
Lionsgate Entertainment Corp	819	10	0.90	—	—	—
Universal Music Group	—	—	—	850	7	1.16
ET Whitehall, Inc. (Casa del Mar, Shutters on the Beach)	—	—	—	534	9	0.73
MTV Networks	—	—	—	506	10	0.69
Total jobs provided by principal employers	<u>15,622</u>			<u>13,166</u>		
Average total jobs in Santa Monica	90,567			73,019		
Principal employers as percent of total jobs	17.25%			18.03%		

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	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11
General government	273.5	276.7	277.6	269.7	281.5	265.7	232.9	230.7	238.6	221.7
Public safety										
Police										
Sworn	229.0	227.0	224.0	224.0	221.0	221.0	216.0	216.0	209.0	216.0
Non-sworn	203.4	203.4	201.4	202.4	202.4	197.4	217.4	220.4	225.4	221.4
Fire										
Sworn	120.0	120.0	120.0	120.0	114.0	114.0	108.0	108.0	108.0	105.0
Non-sworn	16.0	16.0	17.0	16.0	15.8	15.8	21.0	21.0	21.0	22.0
General services	270.5	282.0	281.0	281.6	257.3	257.3	256.1	184.3	184.3	261.9
Cultural and recreation services	150.3	152.7	152.7	152.7	153.0	153.7	151.9	231.1	231.1	151.9
Library	112.0	113.5	113.5	112.5	111.0	111.0	114.8	106.1	106.1	107.1
Housing and community development	174.3	164.8	163.2	161.5	159.5	149.8	138.8	144.4	144.4	146.4
Beach recreation	53.3	52.6	52.6	50.5	50.3	48.9	49.9	46.6	46.6	46.6
Water	47.0	47.0	46.0	46.0	46.0	46.0	46.0	46.0	46.0	47.0
Resource Recovery & Recycling	88.3	91.3	92.3	90.7	89.7	87.7	86.7	75.2	84.2	84.2
Pier	21.9	21.9	21.9	20.3	19.3	17.8	17.8	17.2	15.8	16.2
Wastewater	21.0	21.0	22.0	22.2	22.2	22.2	22.2	22.2	22.2	22.2
Civic Auditorium	—	—	—	—	—	—	—	11.0	30.3	34.4
Airport	15.9	20.9	27.9	37.9	12.9	12.4	12.5	12.2	4.0	12.2
Cemetery	7.0	7.0	8.0	8.1	7.1	7.1	7.1	12.1	12.1	12.1
Big Blue Bus	450.0	463.0	464.0	462.9	464.5	436.0	435.5	419.0	419.0	413.7
Vehicle management	29.3	29.3	29.3	29.0	29.0	28.0	28.0	28.0	28.0	28.0
Self insurance - workers' compensation	13.0	13.0	13.0	13.0	13.0	12.0	12.0	14.0	14.0	12.0
Community Broadband	3.0	3.0	4.0	4.0	—	—	—	—	—	—
Total all funds	<u>2,298.7</u>	<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>

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	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11
General government:										
Electronic requests for government information	10,679,005	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
Hours of live public meeting coverage	187	230	210	220	275	319	284	330	300	300
Public safety:										
Number of emergency response incidents	15,802	17,355	17,199	16,384	15,963	14,629	13,637	13,540	12,842	12,000
Number of inspections	6,150	8,201	8,795	10,592	10,202	8,119	9,031	8,706	9,549	8,549
Calls to Police Department for service	111,310	128,992	134,192	129,524	130,016	133,516	128,323	120,320	105,642	104,097
Police reports issued	12,468	16,043	16,298	14,467	14,358	13,984	13,983	13,708	13,086	13,377
Number of crimes recorded	8,301	10,369	10,008	8,988	8,774	8,500	8,744	8,986	8,579	8,581
General services:										
Number of square feet of sidewalks repaired	161,924	219,871 ^(1b)	126,959 ^(1a)	99,907 ⁽¹⁾	14,001	10,359	6,025	3,279	40,000	40,000
Number of graffiti removals performed	33,359	40,156	45,729	43,535	38,311	37,940	37,948	34,289	20,000	20,000
Feet of sewer mains cleaned	2,372,320	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
Cultural and recreation services:										
Number of cars parked in beach lots	1,655,820	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
Senior services meals served	141,568	118,875	104,472	64,406	52,917	48,253	43,020	64,711	56,232	52,440
Number of low income persons receiving primary health care	4,336	4,460	4,711	4,458	4,137	3,089	3,519	3,568	4,164	4,453
Number of youth regularly attending homework assistance programs	617	687	597	641	745	624	583	469	466	458
Library:										
Library visitors	740,009 ⁽⁸⁾	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
Materials used	1,563,205	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
Public access computer sessions	95,630 ⁽⁸⁾	159,705	175,485	173,702	164,318	182,655	215,907	271,680	300,000	300,000
Housing and community development:										
Building and Safety plan checks completed	4,587	4,389	4,412	4,749 ⁽³⁾	2,823	3,080	2,366	1,998	1,500	1,500
Building inspections performed	21,860	23,342	24,009	24,080	23,858	20,690	20,732	21,576	16,000	16,000
Rounds of transportation plan check & entitlement application review completed	793	530 ⁽⁵⁾	323 ⁽⁴⁾	640	632	748	839	465	500	500
Resident parking passes sold	47,161	57,993	53,118	51,325	48,962	56,356	51,674	76,000	73,000	70,000
Number of traffic signs installed, replaced, repaired, or removed	739 ⁽⁹⁾	2,951	3,024	2,858	1,659	2,079	2,417	2,859	5,600	5,600
Number of parking meters installed, replaced, repaired, or removed	22,780	21,650	18,605	14,843	13,844	5,875	5,874	6,100	23,000	23,000
Water:										
Number of direct customer accounts	18,342	18,342	18,061	17,976	17,842	17,798	17,760	17,705	17,902	17,823
Water sold to direct customers in whole acre feet	10,988	11,265	11,718	11,552	11,242	12,323	13,344	15,147	11,996	11,779
Airport:										
Number of tenant aircraft	195	256	278	310	309	325	274	420	420	420
Noise ordinance violations issued	33	38 ⁽⁶⁾	130	148	162	118	153	160	142	148
Big Blue Bus:										
Revenue Miles	4,643,786	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
Farebox revenue (in millions)	8.97	11.41	11.72	11.80	12.84	13.36	13.68	14.09	11.86	11.74
Total passenger trips (in millions)	10.29	12.54	13.18	13.30	16.50	18.70	18.80	19.31	21.96	21.96
Number of customer relations phone calls	38,445	51,952	30,730	37,187	38,705	56,995	64,525	69,075	73,586	73,447
Total number of charters	0	0	0	0	0	0	3	3	90	349

(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.

(8) Decrease from prior year due to COVID-19 library closures.

(9) Per Mobility decrease from prior year due to City reorganization resulting in less staff to perform tasks.

Sources: Various City departments.

TABLE 20

CITY OF SANTA MONICA, CALIFORNIA

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function / program	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11
Public safety:										
Number of police vehicles	245	237	243	235 ⁽¹⁾	232	220	223	241	239	215
Number of fire vehicles	71	71	67	67	71	68	64	56	52	54
Number of fire stations	5	5	5 ⁽⁶⁾	4	4	4	4	5	5	5
Number of police substations including Public Safety Facility	3	3	3	3	3	3	3	4	4	4
General services:										
Square footage of asphalt paved streets	30,191,740	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
Square footage of concrete paved streets	1,183,981	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
Square footage of sidewalks	8,620,831	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
Square footage of curbs and gutters	1,938,820	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
Cultural and recreation services:										
Number of beach parking lots	16	16	16	16 ⁽³⁾	16	16	17	17	17	17
Number of parks	31	31	31	30	29	29	29	29	27	27
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	5	4	4	4
Housing and community development:										
Downtown structure visitors	4,104,583 ⁽⁸⁾	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
Water:										
Number of feet of new water main installed	10,822 ⁽⁹⁾	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	5	4	4	4
Wastewater:										
City sewage flow in million gallons/day	14	14	13.8	14.2	13.9	13.9	12.2	11.4	11.4	11.3
Sewer main system (in miles)	152	152	151	151	151	151	151	151	151	152
Stormwater:										
Daily gallons treated for recycling by SMURRF	193,250	186,732	180,699	159,740	160,059	170,000	108,000	123,000	122,890	330,000
Storm drain system (in miles)	59	59	59	59	59	59	59	59	59	58
Airport:										
Aircraft operations (departures and arrivals)	67,205	74,511	74,130	83,471	89,217	84,633	85,052	102,109	105,026	106,521
Big Blue Bus:										
Number of buses	189	195	199	200	200	188	201	192	200	214

(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.

(8) Per PCD this count now includes monthly permit parkers.

(9) Per Engineers, Water department doubled linear feet on new projects as part of self sufficiency goal.

Sources: Various City departments.

