

City of Santa Monica California



Annual Comprehensive Financial Report for the Year Ended June 30, 2021



City of
**Santa
Monica**

City of Santa Monica California

Annual Comprehensive Financial Report

Year ended June 30, 2021

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
Jane Lim Accountant II
Lisa Nakamine Accountant II
Thomas Hoang Accountant I
Swen Yang Accountant I

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City of Santa Monica, California
Year Ended June 30, 2021

INTRODUCTORY SECTION



Finance Department

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

January 21, 2022

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

Attached is the Annual Comprehensive Financial Report (ACFR) for the City of Santa Monica (City) for the fiscal year ended June 30, 2021 (FY 2020-21).

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

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

Lance, Soll & Lunghard LLP has issued an unmodified opinion on the City of Santa Monica's basic financial statements for FY 2020-21. 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 92,968 making it the 18th 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 6.5 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 and telephone services are provided by private utility companies, while power is purchased through the Clean Power Alliance, a joint powers authority made up of public agencies across Los Angeles and Ventura counties working together to bring clean, renewable power to Southern California, and delivered by a private utility company.

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 prudent fiscal planning to prepare for the future with two-year operating budgets, 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 devastated economies at all levels around the world. Cities like Santa Monica, with strong tourism, retail and entertainment amenities, were hit the hardest. The federal stimulus funds Santa Monica received totaled less than 15% of the projected revenue loss from the beginning of the pandemic-related closures in March 2020 through June 30, 2022. The FY 2020-21 budget reflected a 20% decrease in General Fund operating expenditures and a 50% decrease in the annual capital program. Despite these reductions, the General Fund budget was supported by the use of one-time funds that were diverted from capital projects, additional discretionary liability paydowns, discretionary affordable housing contributions and economic uncertainty and contingency reserves to meet the immediate and longer-lasting effects of the COVID-19 pandemic. A portion of these funds were assigned as a \$20 million Shutdown Reserve acting as an extra layer of protection to maintain essential services in the event of shutdowns from additional surges.

A strong housing market, exceptionally vigorous consumer activity once shelter in place restrictions were lifted in Spring 2021, and revenues generated from a recently passed measure increasing the Real Property Transfer Tax on properties selling for \$5 million and up helped to lift the local economy and the City's General Fund revenues despite extended closures in the winter months. As a result, the Shutdown Reserve continues to remain intact. Looking to the future and further recovery, City General Fund revenues are projected to increase by over 18% in FY 2021-22 and continue to grow, but not exceed pre-pandemic levels until FY 2024-25. The challenges surrounding the pandemic have required a focused allocation of incremental revenues, whether from federal stimulus aid or revenue recovery, to address three priorities—Clean and Safe Neighborhoods and Open Spaces, Addressing Homelessness, and Inclusive and Equitable Economic Recovery for All. Economic recovery investments will increase the resilience of the local economy and consequently strengthen the City's finances; resources have been allocated to rent relief for the City's small business tenants, assistance for the broader small business community, assistance for the City's most vulnerable community members and to create a faster and simpler process for small businesses seeking building permits.

City programs and services are operating at varying levels as compared to pre-COVID operations, and COVID-19 infections continue. Public health restrictions remain to protect public health and mitigate the spread of COVID-19. Many programs are still operating at reduced levels, with restricted services, hours of operation, or lower capacity due to lower staffing levels. Like the nation as a whole, Santa Monica is experiencing a labor shortage that is also impacting the City's ability to offer some programs.

The economy is expected to rebound in FY 2021-22 and FY 2022-23 as the COVID-19 restrictions are lifted and vaccinations are available to the broad population. The national economy is rebounding from the COVID-19 recession that severely hampered economic activity through much of 2020. Economic growth, as measured by GDP, is expected to be 5.6% in 2021 and 3.8% in 2022 after a contraction of 3.4% in 2020. Economic output is expected to reach pre-pandemic levels by early 2022, helped in part by Federal stimulus spending. Despite the positive trends, there are still concerns over current and further surges of the virus and new variants, inflation, supply chain disruption and the recent labor shortage. California's economic recovery began later than the overall national recovery due to the State's heavy reliance on tourism, but ultimately the State recovery will be faster as demand for new technology results in a faster recovery in the State's strongly represented technical, information systems, scientific, and professional sectors. Recent reports project that the State will have a \$45.7 billion surplus on June 30, 2022.

Santa Monica is heavily dependent on international tourism, which still faces significant COVID-19 related challenges, and group travel related to business or special events, which requires significant lead times to plan. These sectors are beginning to recover in FY 2021-22, with an additional 1 to 2 years before reaching pre-COVID 2019 volume levels. Although revenues for transient occupancy taxes (TOT) are projected to more than double in FY 2021-22 and continue to increase in FY 2022-23, they are still anticipated to be below pre-pandemic levels.

A similar pattern is projected for parking revenues, which are beginning to recover in FY 2021-22 as COVID-19 restrictions ease and visitation increases, resulting in a projected 33.2% increase, followed by an additional 12% increase in FY 2022-23. However, the pandemic accelerated many trends, including online shopping and teleworking, that will likely impact visitor behavior and decrease parking demand in future years. Staff anticipates that demand for parking will continue to flatten or decline as consumers adopt alternative transportation methods, including Uber and Lyft, Metro Light Rail, bicycles and scooters.

Sales Taxes are also expected to rebound in FY 2021-22, while business license taxes, which are based on 2020 calendar year gross receipts, will see a decrease over FY 2020-21 revenues before recovering in future years. FY 2021-22 utility users taxes (UUT) are also projected to see increases.

Looking ahead, as revenues recover, the City will resume prefunding its other post-employment benefits liability in FY 2021-22 and the accelerated paydown of the unfunded pension liability in FY 2022-23. The General Fund five year forecast also includes payments, over three years, of the deferred allocation of Transaction and Use Tax revenues to affordable housing beginning in FY 2023-24, and a rebuilding of the City's capital improvement program allocation to a level that allows for preventive maintenance but also lower cost pay as you go capital investments. Also included in the forecast is the gradual rebuilding of the City's contingency reserve balance to 15% from the current 12.5%, reaching its goal by FY 2026-27. Finally, the forecast also includes a set aside of funds in the General Fund reserves to be used to mitigate the impact of liabilities on the City's services.

CITYWIDE BUDGET

Beginning in mid-March 2020, the public health emergency changed how, and whether, the City could operate programs and facilities and in May 2020, Council approved a City restructuring plan and associated modifications to the FY 2020-21 Budget that took into consideration the operational and economic impacts of the COVID-19 pandemic. Santa Monica's economy, with its high dependence on sales and hotel occupancy taxes, suffered deep revenue losses resulting from COVID-19-related closures and restrictions. The pandemic also limited the operations of most other businesses and continues to affect other key City revenue sources such as parking, utility users taxes, and business license taxes. Staff initially projected revenue losses of approximately \$224 million over the three years spanning fiscal years 2019-20 through FY 2021-22, when compared to pre-COVID revenue projections for these years. The projections of General Fund revenue declines have been updated to approximately \$188 million.

The FY 2020-21 Adopted Budget was approximately \$192.3 million less than the FY 2019-20 Revised Budget and had 298.8 fewer full-time equivalent permanent positions and 122.3 fewer full-time equivalent as-needed positions. The majority of the reduction was in the General Fund budget. The FY 2020-21 General Fund budget reflected a 20% decrease in operating expenditures and a 50% decrease in capital funding from the prior year. The difference from the prior year's budget was \$111.8 million, with 234.1 fewer full-time equivalent permanent positions and 103.3 fewer full-time equivalent as-needed positions. Despite these reductions, an additional \$117 million in one-time funds, including capital project funds that were deferred, reduced or cancelled, economic uncertainty, contingency and other reserve funds, were either appropriated or set aside to balance the FY 2019-20 Revised and FY 2020-21 Adopted General Fund budgets. Council also authorized staff to retain \$6.3 million in FY 2020-21 Measure GSH transaction and use tax revenue in the General Fund that would have otherwise been transferred to the Housing Trust Fund for affordable housing uses per a November 2016 voter-approved advisory measure, and a two-year suspension of additional (beyond the annual required contribution) discretionary paydowns of unfunded pension liabilities. These measures enabled the City to maintain essential and emergency operations during the pandemic while preserving the City's financial resilience to the greatest extent possible.

On January 26, 2021, Council held its review of the FY 2020-21 Budget. Updated revenue projections showed that, to balance its budget in FY 2020-21, the City would require the use of a \$20 million Shutdown Reserve, set aside as part of the \$117 million in one-time funds, to make up for the additional revenue declines suffered as a result of the protracted second surge shutdown. In May 2021, the City received \$14.3 million of a total \$28.6 million allocation of American Rescue Plan Act (ARPA) Coronavirus State and Local Fiscal Recovery Funds (CSLFRF). These funds represented only 15% of the City's then-estimated \$200 million revenue loss resulting from the pandemic through FY 2021-22, not counting the continued reduction in revenues as the City's economy gradually recovers and contends with the effects of new variants. However, ARPA funds allowed the City to fund, on a one-time basis, critical service needs in the areas of emergency response, clean and safe spaces and services, and economic recovery, to restore some services, and to maintain support for affordable housing.

As of June 30, 2021, actual revenues exceeded projections by approximately \$20 million, reflecting the strong housing market; exceptionally vigorous consumer activity once shelter-in-place restrictions were lifted that resulted in higher than anticipated sales, hotel tax and parking receipts; and the positive impact of the recently passed Measure SM Real Property Transfer Tax increase. As a result, the City will not be required to use the \$20 million Shutdown Reserve to balance the budget, as had been anticipated. General Fund expenditure savings included ARPA federal stimulus funds that were unspent due to their receipt at the end of the fiscal year and are reappropriated to be spent in FY 2021-22.

The FY 2021-23 Biennial Budget was adopted by Council on June 22, 2021. The budget restored certain priority services going forward, mainly furthering the three Council-adopted community priorities of addressing homelessness, providing clean and safe neighborhood and open spaces, and making progress

on an inclusive and equitable economic recovery. The Citywide Adopted FY 2021-22 Budget is \$707.8 million, \$351.7 million within the General Fund. The FY 2021-22 Adopted Budget includes an increase of 23.6 full-time equivalent permanent positions (9.6 in the General Fund) and 39.7 full-time equivalent as-needed positions (34.1 in the General Fund) as compared to the FY 2020-21 Adopted Budget. In the next three years, staff will continue to evaluate revenue recovery and community needs and determine the best approach to balance the operating budget, restore services and ensure that capital improvement needs are met. In FY 2021-22, staff will reallocate \$1 million in capital project savings to further enhance clean and safe service delivery.

An extraordinary amount of uncertainty surrounding both the duration of the pandemic and its ramifications on economic recovery remains. This high level of uncertainty, both about the future of the COVID-19 pandemic and the economy, means the City must continue to exercise extreme caution in the management of its finances for the foreseeable future.

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 kept an economic uncertainty reserve of \$9.7 million in addition to its General Fund contingency reserve totaling 15% of annual expenditure budget. Strong reserves allowed the use of contingency and economic uncertainty funds during the severe economic downturn that resulted from the pandemic, while the City retained a stable reserve level of 12.5% of ongoing expenditures in the event of a new emergency.

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 recommended by the City's internal auditor.

The City ended the fiscal year with a positive operating balance and a General Fund fund balance of \$180,847,822 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. In recent years, the City has had to program 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 by which liability is amortized, all of which have the effect of stabilizing the pension fund but resulting in higher contribution rates for employers. In addition to pension costs, the City has forecasted 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. 49% 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 eliminate the employer paid member contribution (EPMC) benefit that was projected to result in a further \$35 million decrease in the City's unfunded pension liability; this resulted in a reduction in benefit levels for "Classic" Miscellaneous employees. Classic employees are those employees who were hired prior to July 1, 2012 for Miscellaneous employees and prior to January 1, 2013 for Public Safety employees. In addition to paying the employee portion of the contribution, Classic members of 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 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 the pay down of the City's unfunded pension liability under CalPERS. 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 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. The next additional discretionary payment is budgeted to be made in FY 2022-23.

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 steps taken by the City outlined above, 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 are reflected in FY 2021-22 contribution rates. In FY 2020-21, a 21.3% net return on the CalPERS investment portfolio triggered a reduction in the discount rate from 7.0% to 6.8%, per CalPERS' Funding Risk Mitigation Policy. The lower discount rate increases the likelihood that CalPERS can reach its investment target over the longer term. The impact of the discount rate change, the high returns, and the elimination of the EPMC for miscellaneous employees will be reflected in the FY 2023-24 contribution rates.

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 up to June 30, 2023. As a result, the discount rate used to determine the unfunded liability in the FY 2020-21 financial statements is blended and lowered to reflect that no payment was made in FY 2020-21. Staff has budgeted a resumption of the OPEB prefunding payment in the FY 2021-22 budget.

To counter the trend of health insurance cost increases, all members from the City's collective bargaining groups contribute to health insurance premiums. Miscellaneous employees increased their contribution towards healthcare premiums by 1 percent in the most recent labor agreement approved in March 2020. The City's current contract with its insurance provider provides fixed rates through calendar year 2022.

Risk Management is implementing and managing a variety of measures to help control workers' compensation costs. Within the Department of Transportation, the Big Blue Bus (BBB), which provides local and regional bus service, has extended a pilot program in which claims administration responsibilities for all BBB claims are administered by a private claims administrator. Through September 30, 2021, the pilot program has resulted in total program liabilities decreasing from \$7.44 million to \$6.37 million.

Since March 2020, the City has entered into settlement agreements totaling \$107.325 million with 104 claimants in suits filed against the City and SM-PAL alleging abuse by Eric Uller and one claimant alleging abuse by another individual performing community service at SM-PAL. Six other plaintiffs have recently sued the City and SM-PAL and counsel for another 13 individuals have indicated their clients' intent to sue the City and SM-PAL based on similar allegations of abuse by Uller.

MAJOR CAPITAL PROJECTS

With the projected impacts of COVID-19 and the assumed absence of meaningful stabilization funds from the federal government, the FY 2020-21 Adopted Capital Improvement Plan (CIP) Budget for the General

Fund reflected a 50% decrease in capital funding. Similarly, a very limited number of new projects were adopted in the FY 2021-22 CIP Budget. These projects continue to represent the City's critical infrastructure needs, projects that cannot be deferred without compromising essential operations or public health and safety, and projects that generate revenue. In addition, efforts were made to continue to advance projects that address the community priorities as established and adopted by Council on March 13, 2021: Addressing Homelessness, Clean and Safe Santa Monica, and Equitable and Inclusive Economic Recovery. As a result of limited resources and low-cost financing, alternative funding sources and capital financing solutions were also employed to provide additional resources for large projects. In FY 2021-22 the City issued \$78 million in Water Revenue Bonds to finance Water System capital improvements undertaken as part of the Sustainable Water Master Plan and also issued \$70 million in Lease Revenue Bonds to finance certain capital improvements at the City Yards undertaken as part of the City Yards Modernization Project. More detail on these projects is included below. Additionally, in the upcoming months City staff expects to apply for up to \$30 million in grants from various agencies including the Economic Development Administration and Department of Water Resources to assist in the funding of capital 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 the Public Works Department's field operations equipment and staff; site uses include resource recycling and recovery, water and wastewater operations, fleet maintenance, shop buildings and fire training space. Only Phases 1 and 2 of the project are funded at this time. Phase 1 of the project includes a new Fleet Building and fueling system, and a new non-potable water main extending through the City Yards from Michigan Avenue to Stewart Street. This phase is complete and was delivered for staff occupancy in May 2021. Phase 2 of the project includes an Operations Center that is already underway with construction to be completed in early 2023. Additionally, in April 2021, construction of a new 10,000 square foot permanent Fire Training Facility was approved and construction will run concurrent with Phase 2. This project, funded with dedicated Fire facility lease revenue bonds issued in 2018, is scheduled for completion in early 2023.

In 2018, Council adopted the Sustainable Water Master Plan, which outlines several infrastructure projects that will enable the City to achieve water self-sufficiency by 2023. In order to achieve these ambitious goals, the City issued \$78 million in Water Revenue Bonds to finance Water System capital improvements undertaken as part of the Sustainable Water Master Plan, procured a \$75.9 million loan from the Water State Revolving Fund loan, and plans to apply for \$15 million in grants from Department of Water Resources to fund replacement groundwater production wells and two new groundwater injection wells. Water projects underway include:

- The Olympic Well Field Restoration project will maximize local groundwater resources by constructing a new well head advanced water treatment facility (the "Olympic AWTF"), two new groundwater production wells (SM-8 and SM-9), and a new Olympic Pipeline to restore the Olympic Well Field to full production capacity (Olympic is one of three well fields serving the Arcadia Water Treatment Plant). The Olympic AWTF component of this project is funded through funds received from a negotiated settlement agreement. As described in the Official Statement, these groundwater wells and pipelines will be partially funded by proceeds of Series 2021 Bonds, and the treatment portion to restore the well field is funded through settlement funds on hand. The Series 2021 Bonds will fund a small portion of the Olympic Well Field Equipping

(\$1.6 million) and the Olympic Pipeline (\$3.9 million) and the project is scheduled to be completed in summer of 2023.

- The Arcadia Water Treatment Plant (WTP) Expansion project will expand the hydraulic treatment capacity of the existing Arcadia WTP to treat additional groundwater available in the local groundwater basin while maintaining sustainable yield levels. Various ancillary facilities (e.g. new pumps, cartridge filters, mechanical piping upgrades, chemical feed systems, air stripping tower, and brine tank and pump station) will be added or expanded to increase the Arcadia WTP treatment capacity from 10 million gallons per day (“mgd”) to 13 mgd and allow the City to operate all four reverse osmosis (“RO”) skids at the same time instead of three on duty and one standby (current arrangement). In addition to the capacity expansion, the existing RO system will be upgraded with a new high recovery technology, Flow Reversal Reverse Osmosis, to increase its production efficiency from 80% to 90% or greater. The Production Efficiency Enhancement Project would produce additional drinking water (approximately 1,200 acre-feet per year or “AFY”) without the need to extract additional groundwater. The increase in production of local groundwater supplies will help the City achieve its water self-sufficiency goal and reduce purchase of imported water from The Metropolitan Water District of Southern California. The Production Efficiency Enhancement Project is partially funded by grant funds through the California Department of Water Resources’ Water Desalination Grant Program. The Arcadia WTP Expansion funded by the Series 2021 Bonds totals \$48 million and is scheduled to be completed in summer of 2023.
- The Groundwater Resiliency Enhancement at the Charnock Well Field, the City’s largest groundwater well field consisting of five wells, seeks to maintain resiliency and production of the City’s groundwater supply by replacing two aging wells (Charnock 13 and 18) as they are near the end of their asset life and have lost significant pumping capacity over time. Charnock 13 and 18 have been in service since the 1980s and account for approximately 35% of the total groundwater supply for the City. Replacement of these two aging wells will help maintain local groundwater pumping. The well replacement cost of \$8.7 million for Charnock 13 and 18 will be funded through the Series 2021 Bonds and the project is scheduled to be completed by the end of 2023.
- AMI Upgrade project is a City-wide retrofit and deployment of AMI smart water meters to replace aging meters, minimize water waste/loss, and increase water use efficiency to support the City’s overall water supply sustainability goals. The AMI smart water meters would provide real time water consumption readings, increase billing efficiency, and improve accuracy in water meter reads. The entire \$15 million for the AMI Project will be funded through Series 2021 Bonds and is expected to be completed by the end of 2023.
- The Sustainable Water Infrastructure Project (SWIP) improves drought resiliency, increases water supply, and reduces stormwater discharges into the Santa Monica Bay. The project consists of three elements. Element 1 is a modular reverse osmosis (RO) unit at the Santa Monica Urban Runoff Recycling Facility (SMURRF) and new solar panels that will help offset the energy required for the new RO. Element 2 is a below grade stormwater and sewer treatment facility with 1 million gallons per day (MGD) capacity. Element 3 is a new stormwater harvesting tank with 1.5 million gallon (MG) capacity. The project is 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 80% complete. The advanced treated recycled water from SWIP will also be used to replenish local groundwater supplies through direct injection via the SWIP Injection Well (SM-10i) and help maintain groundwater pumping in the Olympic Well Field. These projects are scheduled to be completed in late 2022.

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 ACFR for the fiscal year ended June 30, 2020. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of State and local government ACFR. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized ACFR 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-seven years. We believe our current ACFR also conforms to the Certificate of Achievement program requirements.

A copy of this ACFR 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 January 21, 2022

City Council

Sue Himmelrich, Mayor

Kristin McCowan, Mayor Pro Tempore

Phil Brock

Gleam Davis

Oscar De La Torre

Lana Negrete

Christine Parra

Administration and Department Heads

City Manager

Assistant 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

Chief of Police

Interim Fire Chief

Director of Community Development

Interim City Librarian

Director of Transit Services

Director of Community Services

Director of Public Works

David White

Susan Cline

Anuj Gupta

Joseph Lawrence

Denise Anderson-Warren

Gigi Decavalles-Hughes

Lori Gentles

Joseph Cevetello

Ramon Batista

Wolfgang Knabe

David Martin

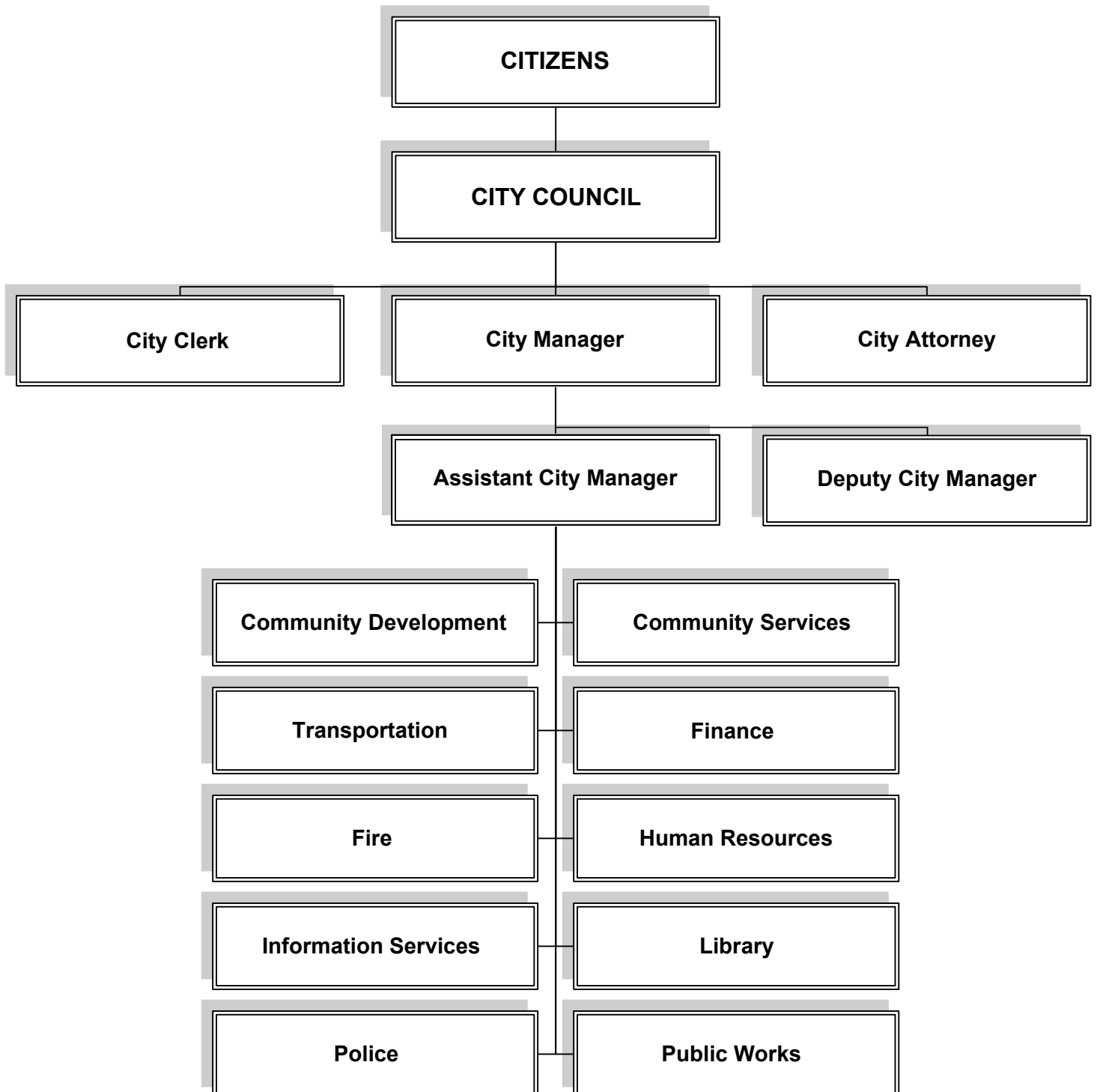
Erica Cuyugan

Edward F. King

Andy Agle

Rick Valte

**ORGANIZATION OF THE
CITY OF SANTA MONICA**
Ug'cZJanuary 21ž&\$22





Government Finance Officers Association

Certificate of
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for Excellence
in Financial
Reporting

Presented to

**City of Santa Monica
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO

City of Santa Monica, California
Year Ended June 30, 2021

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Santa Monica, California, (the "City") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management 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; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the date of the financial statements.



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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Other Reporting Responsibilities

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages xvii–xxxv and the budgetary, pension, and other post-employment benefits schedules on pages 105–117, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules on pages 120–145, as listed in the table of contents (supplementary information) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2022 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, Solt & Lughard, LLP

Brea, California
January 21, 2022

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued For the fiscal year ended June 30, 2021 (Unaudited)

As management of the City of Santa Monica, California (City), we offer readers of the City's Annual Comprehensive Financial Report (ACFR) this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2021. 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 ACFR 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 \$1,386.1 million as of June 30, 2021. Of this amount, \$1,206.9 million represents net investment in capital assets, \$251.8 million represents net position restricted for specific purposes, and (\$72.6) million represents unrestricted net position. Governmental activities and business-type activities reported unrestricted net positions of (\$143.8) and \$71.2 million as restated which is a reduction of \$85.5 and \$51.6 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, legal settlement costs and increased employee benefit and pollution remediation liabilities. Also note that the City funded the City Yards Modernization Project with \$42.6 million in operating cash. Lease revenue bonds to fund the project were subsequently issued in August 2021. Had these bonds been issued before year end, the Governmental Activities unrestricted net position would have increased by \$42.6 million. \$859.4 million represents net position for governmental activities and \$526.7 million represents net position for business-type activities.
- For the fiscal year ended June 30, 2021, the City's total net position decreased by \$134.0 million, to \$1,386.1 million at June 30, 2021 from \$1,520.1 million at June 30, 2020, as restated. This decrease was due to declines in governmental activities net position of \$66.9 million and business-type activities net position of \$67.1 million during FY 2020-21.
- At the end of the current fiscal year, the City's governmental funds reported total ending fund balances of \$510.9 million, compared to \$549.1 million at the end of the prior fiscal year as restated, which is a decrease of \$38.2 million or 7.0%.
- The General Fund reported an ending fund balance of \$180.9 million as of June 30, 2021, compared to \$224.9 million as of June 30, 2020 as restated, which represents a decrease of \$44.0 million or 19.6%. The main reasons for the overall decrease in fund balance was continued capital project spending on the City Yards Modernization and the City Services Building and declines in revenue, primarily Transient Occupancy Taxes, parking revenues, and investment income. Additionally, the General Fund contributed an extra \$9.8 million to the General Liability Self-Insurance Fund to pay for a legal settlement and incurred additional expenditures related to the COVID-19 pandemic. Note that the City issued bonds to fund the construction of the City Yards after year end netting \$70.0 million. Had these bonds been issued prior to June 30, 2021, the General Fund fund balance would have been \$70.0 million higher.
- The City's net capital assets increased by \$34.5 million, or 2.5%, to \$1,389.0 million as of June 30, 2021 from \$1,354.5 million as of June 30, 2020.

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued For the fiscal year ended June 30, 2021 (Unaudited)

- The City's long-term debt (excluding unamortized issuance premiums) increased by \$14.1 million or 8.7% to \$176.0 million as of June 30, 2021 from \$161.9 million as of June 30, 2020. The increase is due to continued draws on a loan for water infrastructure offset by annual debt service payments made during FY 2020-21.
- The City's net pension liability increased from \$465.7 million at June 30, 2020 to \$481.2 million at June 30, 2021; an increase of \$15.5 million or 3.3%. The increase in the liability was primarily due to the lower than projected CalPERS investment portfolio returns (4.7%) in FY 2019-20.

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, community services 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.

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued
For the fiscal year ended June 30, 2021
(Unaudited)

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

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at 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-

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued
For the fiscal year ended June 30, 2021
(Unaudited)

type activities and are included within *business-type activities* in the government-wide financial statements. All other risk management functions, information technology and communication services primarily benefit governmental funds and are included within *governmental activities* in the government-wide financial statements. Individual fund data for the internal service funds is provided in the supplementary information section of this report.

The proprietary funds financial statements can be found at pages 9 through 11 of this report.

Fiduciary funds. Fiduciary funds consist of a private-purpose trust fund and a custodial fund. A private-purpose trust fund was created in 2012 and is used to pay enforceable obligations of the former Redevelopment Agency (Former Agency). The City's sole custodial fund is the General Trust Fund, used to account for resources held by the City 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 19 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1.4 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 87.1%, 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, \$251.8 million or 18.2%, represents resources that are subject to external restrictions on how they may be used. 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, however the City reported negative unrestricted assets in governmental activities. The City reported negative unrestricted assets primarily due to the economic effect of the COVID-19 pandemic, legal settlements costs, and increased employee benefit and pollution remediation liabilities. The City managed its financial challenges by reorganizing the City's departments and reducing its workforce, focusing on essential services, scaling back or eliminating capital projects, and increasing employees' cost sharing of benefits. Additionally, the City utilized operating cash to fund the City Yards Modernization Project. Subsequent to year end, the City issued lease revenue bonds to fund the project and if the bonds had been issued before year end, it would have increased governmental activities unrestricted net position by \$42.6 million, the amount of operating cash used to date. Recovering revenues, State and Federal government subsidies and lowered expenses should help rebuild the City's unrestricted net position balance.

CITY OF SANTA MONICA, CALIFORNIA
Management's Discussion and Analysis, Continued
For the fiscal year ended June 30, 2021
(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	
	6/30/21	6/30/20 (as restated)	6/30/21	6/30/20 (as restated)	6/30/21	6/30/20 (as restated)
Current and other assets	\$ 678.2	725.7	282.6	298.7	960.8	1,024.4
Capital assets	916.1	890.3	472.9	464.2	1,389.0	1,354.5
Total assets	1,594.3	1,616.0	755.5	762.9	2,349.8	2,378.9
Deferred outflows of resources	80.4	89.7	16.6	20.1	97.0	109.8
Current and other liabilities	67.6	71.4	55.4	50.6	123.0	122.0
Long-term liabilities	737.1	688.0	186.7	141.7	923.8	829.7
Total liabilities	804.7	759.4	242.1	192.3	1,046.8	951.7
Deferred inflows of resources	10.6	20.0	3.4	5.3	14.0	25.3
Net position:						
Net investment in capital assets	764.4	756.3	442.5	454.0	1,206.9	1,210.3
Restricted	238.8	228.2	13.0	17.0	251.8	245.2
Unrestricted	(143.8)	(58.2)	71.2	122.8	(72.6)	64.6
Total net position	\$ 859.4	926.3	526.7	593.8	1,386.1	1,520.1

Total current and other assets decreased \$63.6 million or 6.2% from the prior fiscal year. Governmental activities decreased by \$47.5 million and business-type activities decreased by \$16.1 million.

Total deferred outflows of resources decreased \$12.8 million or 11.7% from the prior fiscal year. Governmental activities decreased by \$9.3 million and business-type activities decreased by \$3.5 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 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 \$1.0 million or 0.8% from the prior fiscal year. Governmental activities decreased by \$3.8 million and business-type activities increased by \$4.8 million primarily from changes in unearned revenue.

Total long-term liabilities increased \$94.1 million or 11.3% from the prior fiscal year. The increase in this category is primarily due to the \$34.4 million increase in claims payable due to several legal settlements, a \$20.9 million increase to pollution remediation liability, an increase in loans and bonds payable of \$15.8 million due to draws on the State Water Resources Control Board loan, and a \$22.8 million increase in employee benefits liabilities due to the lower than projected CalPERS investment portfolio returns in FY 2019-20.

CITY OF SANTA MONICA, CALIFORNIA
Management's Discussion and Analysis, Continued
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(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	
	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20
Revenues						
Program revenues:						
Charges for services	\$ 106.4	126.3	105.6	119.2	212.0	245.5
Operating grants and contributions	58.5	41.4	63.9	59.8	122.4	101.2
Capital grants and contributions	0.6	1.5	4.6	10.1	5.2	11.6
General revenues:						
Sales and use taxes	64.3	64.7	—	—	64.3	64.7
Business license taxes	33.7	33.9	—	—	33.7	33.9
Property taxes	75.3	67.8	—	—	75.3	67.8
Transient occupancy taxes	20.7	48.6	—	—	20.7	48.6
Utility users taxes	27.8	28.0	—	—	27.8	28.0
Real property transfer taxes	9.3	6.9	—	—	9.3	6.9
Parking facility taxes	7.4	11.1	—	—	7.4	11.1
Other taxes	3.5	3.4	—	—	3.5	3.4
Investment income	3.3	14.4	0.3	7.8	3.6	22.2
Other revenue	7.2	9.3	3.2	7.1	10.4	16.4
Total revenues	<u>418.0</u>	<u>457.3</u>	<u>177.6</u>	<u>204.0</u>	<u>595.6</u>	<u>661.3</u>
Expenses						
General government	100.0	83.7	—	—	100.0	83.7
Public safety	168.6	171.5	—	—	168.6	171.5
General services	98.8	95.6	—	—	98.8	95.6
Community services	80.8	75.3	—	—	80.8	75.3
Library	9.4	15.0	—	—	9.4	15.0
Community development	39.6	67.3	—	—	39.6	67.3
Interest on long-term debt	5.1	5.2	—	—	5.1	5.2
Water	—	—	50.2	21.6	50.2	21.6
Resource recovery and recycling	—	—	28.7	29.3	28.7	29.3
Community broadband	—	—	3.2	3.1	3.2	3.1
Pier	—	—	7.6	8.5	7.6	8.5
Wastewater	—	—	19.8	17.8	19.8	17.8
Airport	—	—	9.8	12.5	9.8	12.5
Stormwater management	—	—	0.4	1.2	0.4	1.2
Cemetery	—	—	2.6	2.3	2.6	2.3
Big Blue Bus	—	—	93.5	100.3	93.5	100.3
Parking Authority	—	—	1.7	0.1	1.7	0.1
Total expenses	<u>502.3</u>	<u>513.6</u>	<u>217.5</u>	<u>196.7</u>	<u>719.8</u>	<u>710.3</u>
Excess (deficiency) of revenues over expenses before special items and transfers	(84.3)	(56.3)	(39.9)	7.3	(124.2)	(49.0)
Special items	(9.8)	(34.2)	—	(1.4)	(9.8)	(35.6)
Transfers	27.2	46.7	(27.2)	(46.7)	—	—
Change in net position	<u>(66.9)</u>	<u>(43.8)</u>	<u>(67.1)</u>	<u>(40.8)</u>	<u>(134.0)</u>	<u>(84.6)</u>
Beginning net position, as restated	926.3	971.7	593.8	630.4	1,520.1	1,602.1
Ending net position	<u>\$ 859.4</u>	<u>927.9</u>	<u>526.7</u>	<u>589.6</u>	<u>1,386.1</u>	<u>1,517.5</u>

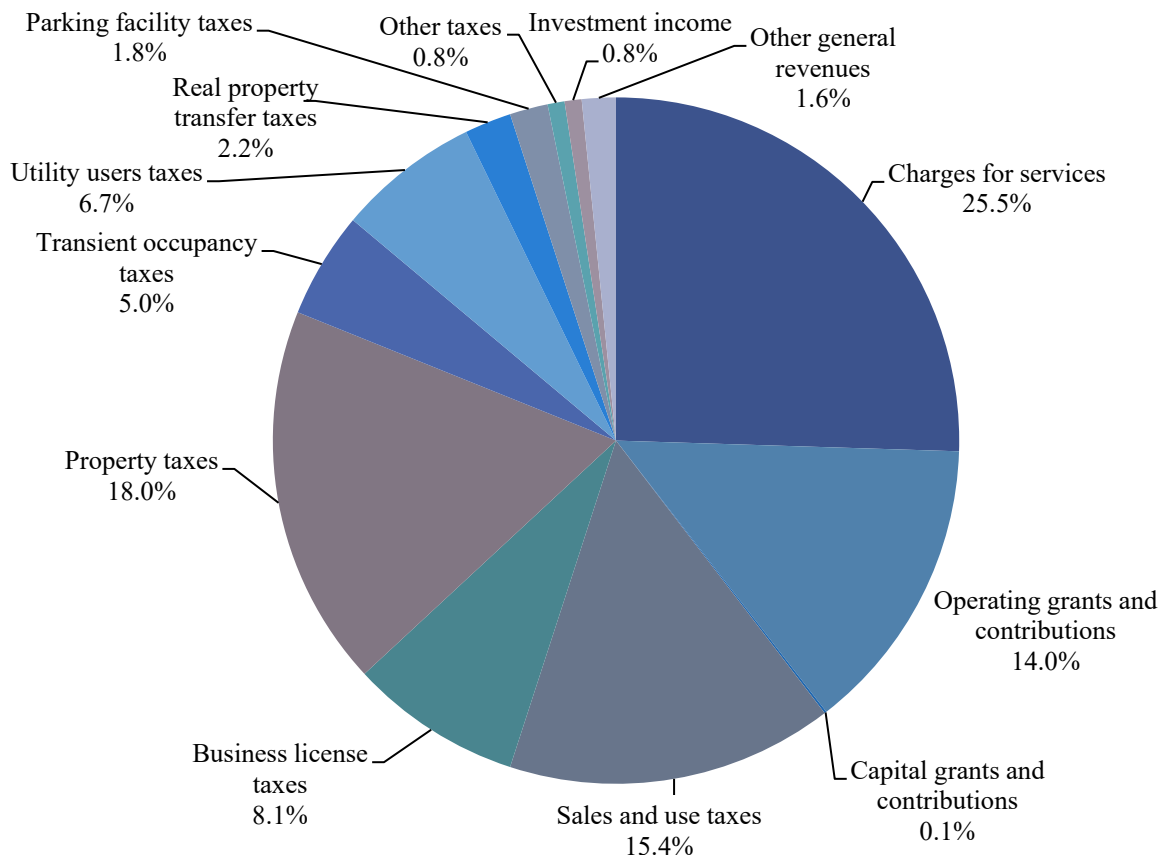
CITY OF SANTA MONICA, CALIFORNIA

Management’s Discussion and Analysis, Continued
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Governmental Activities. The City’s governmental activities net position decreased by \$66.9 million, or 7.2%. 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 25.5% of total governmental activities revenue. The category totaled \$106.4 million in FY 2020-21, compared to \$126.3 million in FY 2019-20, which is a decrease of \$19.9 million or 15.8% due to continued depressed parking and parking citations revenue as a result of the COVID-19 pandemic. The second largest category is property taxes, which represent 18.0% of total governmental activities revenue. Property taxes increased \$7.5 million or 11.1% from the prior fiscal year. The increase was primarily due to a continued strong rise in City’s property tax assessed valuation. The third largest category is sales and use taxes, which decreased \$0.4 million or 0.6% from the prior fiscal year as the economy began showing signs of recovery in the second half of the fiscal year. Additionally, increased revenues from on-line sales helped offset some of the losses from “brick and mortar” sources during the COVID-19 pandemic. Also of note, Transient Occupancy Taxes decreased \$27.9 million from \$48.6 million to \$20.7 million or 57.4% due to lower hotel occupancy caused by the COVID-19 pandemic shutdowns and the subsequent slow recovery of tourism. However, as with sales taxes, this sector began showing signs of recovery in the second half of the fiscal year. Finally, Governmental Activities reported \$1.1 million in Coronavirus Aid, Relief, and Economic Security (CARES) Act Coronavirus Relief Funds (CRF) revenue passed through the State of California, a credit of \$1.7 million against the City’s State Unemployment Insurance payment, the Department of Housing and Urban Development awarded the Housing Authority \$0.4 million to be spent on administrative expenses associated with the Housing Choice Voucher program, and \$14.3 million in American Rescue Plan Act revenue.

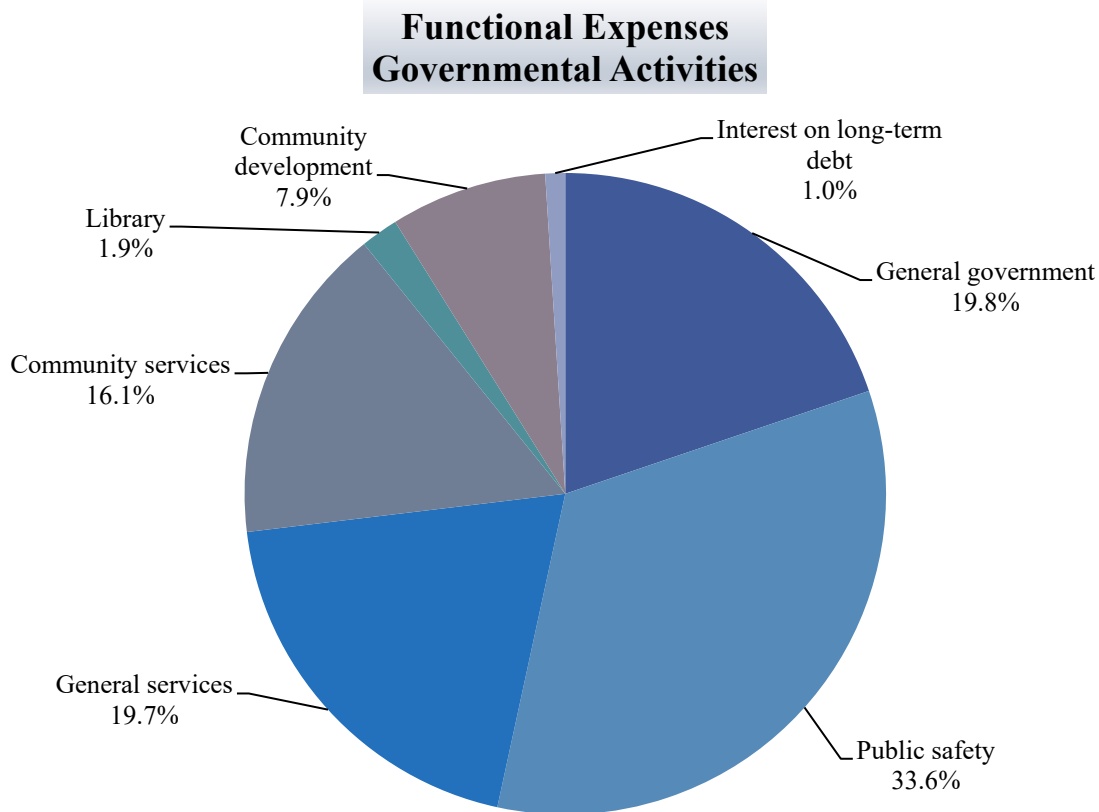
Sources of Revenue Governmental Activities



CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued
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(Unaudited)

Functional Expenses: Governmental Activities. As displayed in the chart below, general government, public safety, general services, community services, and community development accounted for 97.1% of total governmental activities expenses.



During FY 2020-21, the City reorganized three existing departments to create two new departments which are:

- The **Community Development Department**, consisting of the Building & Safety, Code Enforcement, Economic Development, Planning, and Mobility Divisions; and
- The **Community Services Department**, consisting of the Community Recreation, Cultural Affairs and Housing and Human Services Divisions.

Reconfiguring departments in this manner enhances focus on economic recovery across the organization, while also preventing duplication of administrative functions. This consolidation eliminated several senior positions, including one Department Head. The plan also reduced the size of the City Manager's Office and focuses its resources on prioritizing, aligning, supporting, and advancing the work of Departments across the City. The Office of Civic Wellbeing and Office of Performance Management were eliminated. The Office of Communications was reduced in scope and size to support a streamlined City Manager's Office.

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued For the fiscal year ended June 30, 2021 (Unaudited)

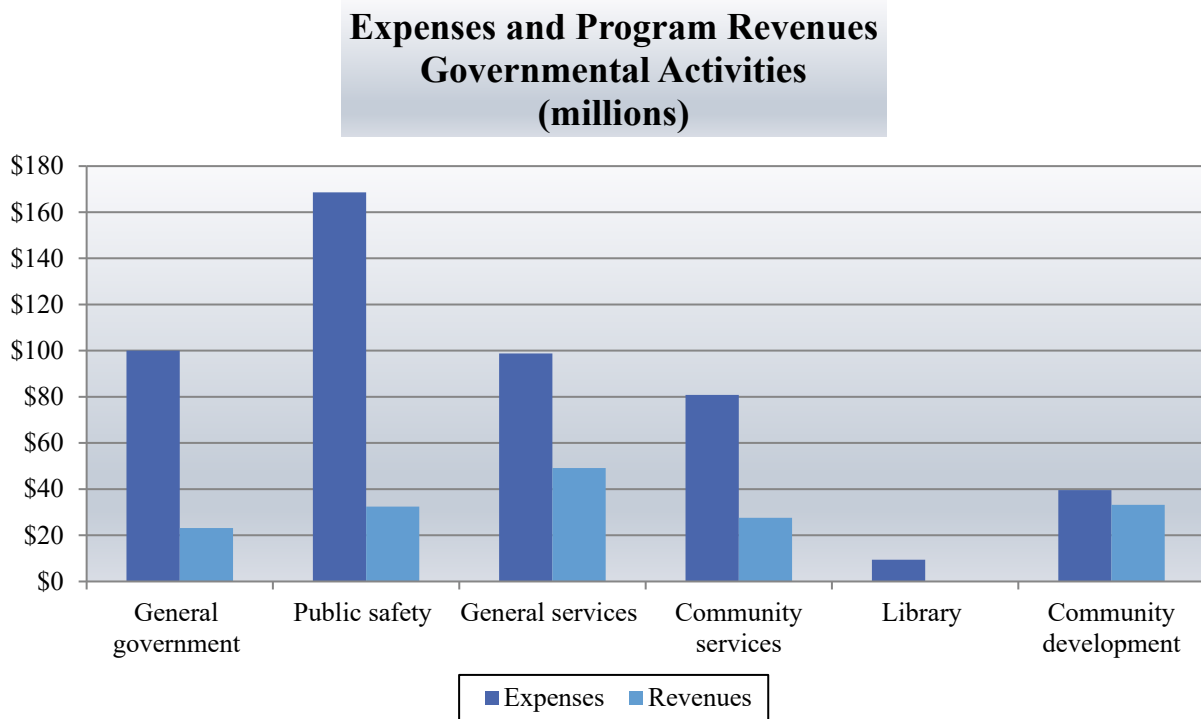
As such, governmental activities functional expenses have also changed with Community Development and Community Services replacing Housing and Community Development and Cultural and Recreation respectively.

Total governmental activities expenses decreased \$11.3 million or 2.2% from the prior fiscal year. The three categories with the largest variance from the prior year were general government, community services, and community development. General government expenses increased \$16.3 million or 19.6%. Community services increased \$5.5 million or 7.3%. Community development decreased \$27.7 million or 41.2%. The increase in General Government expenses was primarily due to a \$54.9 million legal settlement offset by a decrease in personnel expenses due to reductions in force that took place at the end of FY 2019-20. The decrease in community development was related to the City's reorganization which moved the activities of the Housing Division from community development to community services. The increase in community services was related to the inclusion of the Housing Division offset by reductions in personnel costs and professional services.

CITY OF SANTA MONICA, CALIFORNIA

Management’s Discussion and Analysis, Continued
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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 2020-21 is community development, which had expenses of \$39.6 million and program revenues of \$33.2 million, which is a ratio of 84%. This high percentage indicates that most of the expenses in this category are financed by revenues generated by activities within the community development category including promissory note repayments.

The function with the lowest percentage of program revenues to direct expenses in FY 2020-21 is the Library, which had expenses of \$9.4 million and program revenues of \$0.1 million, a ratio of 1.0%. This low percentage indicates that most of the expenses in this category are financed by the general revenues of the City.

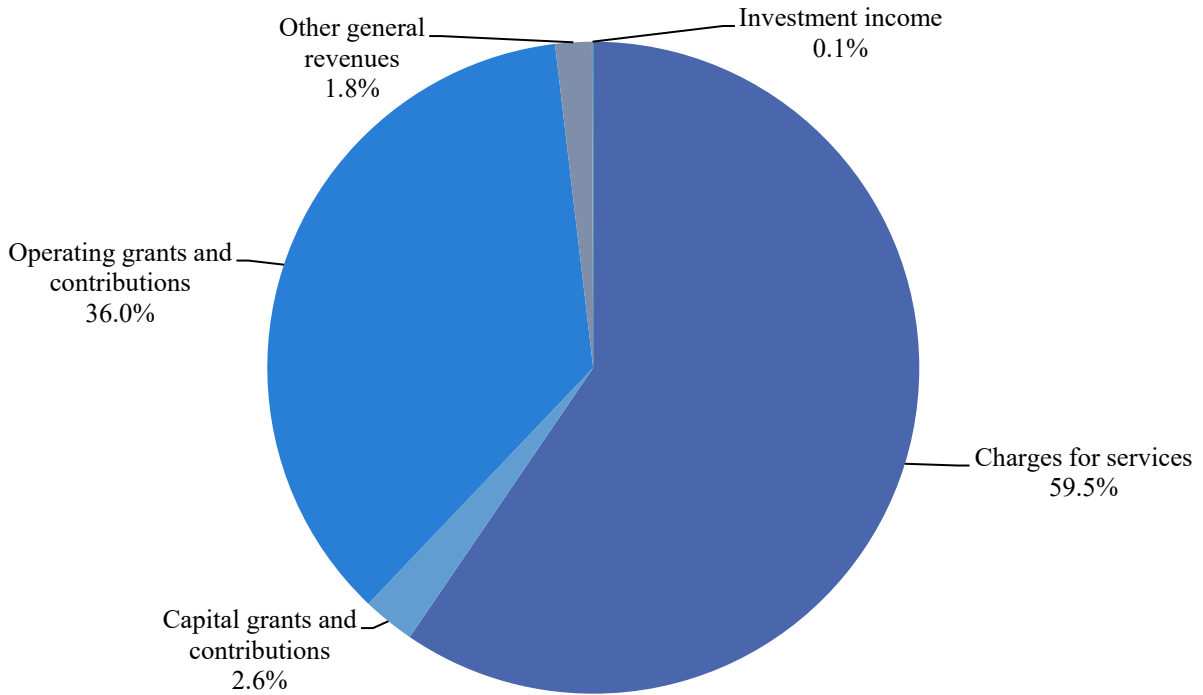
CITY OF SANTA MONICA, CALIFORNIA

Management’s Discussion and Analysis, Continued
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(Unaudited)

Business-type Activities. The City’s business-type activities net position decreased \$67.1 million or 11.3% 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 98.1% of the total business-type activities revenues of \$174.1 million.

**Sources of Revenue
Business-type Activities**

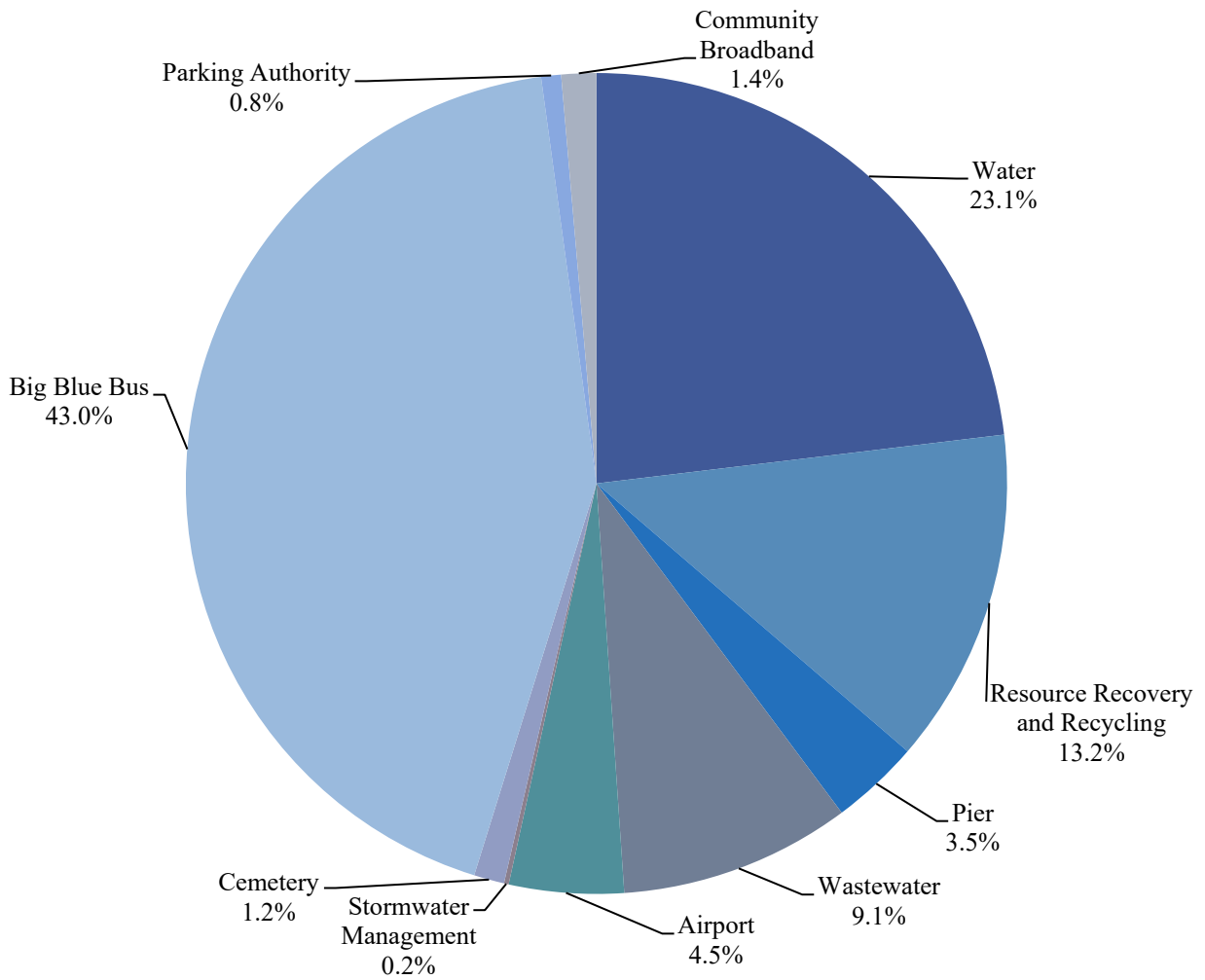


CITY OF SANTA MONICA, CALIFORNIA

Management’s Discussion and Analysis, Continued
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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, Water, Resource Recovery and Recycling, and Wastewater activities accounted for 88.4% 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.

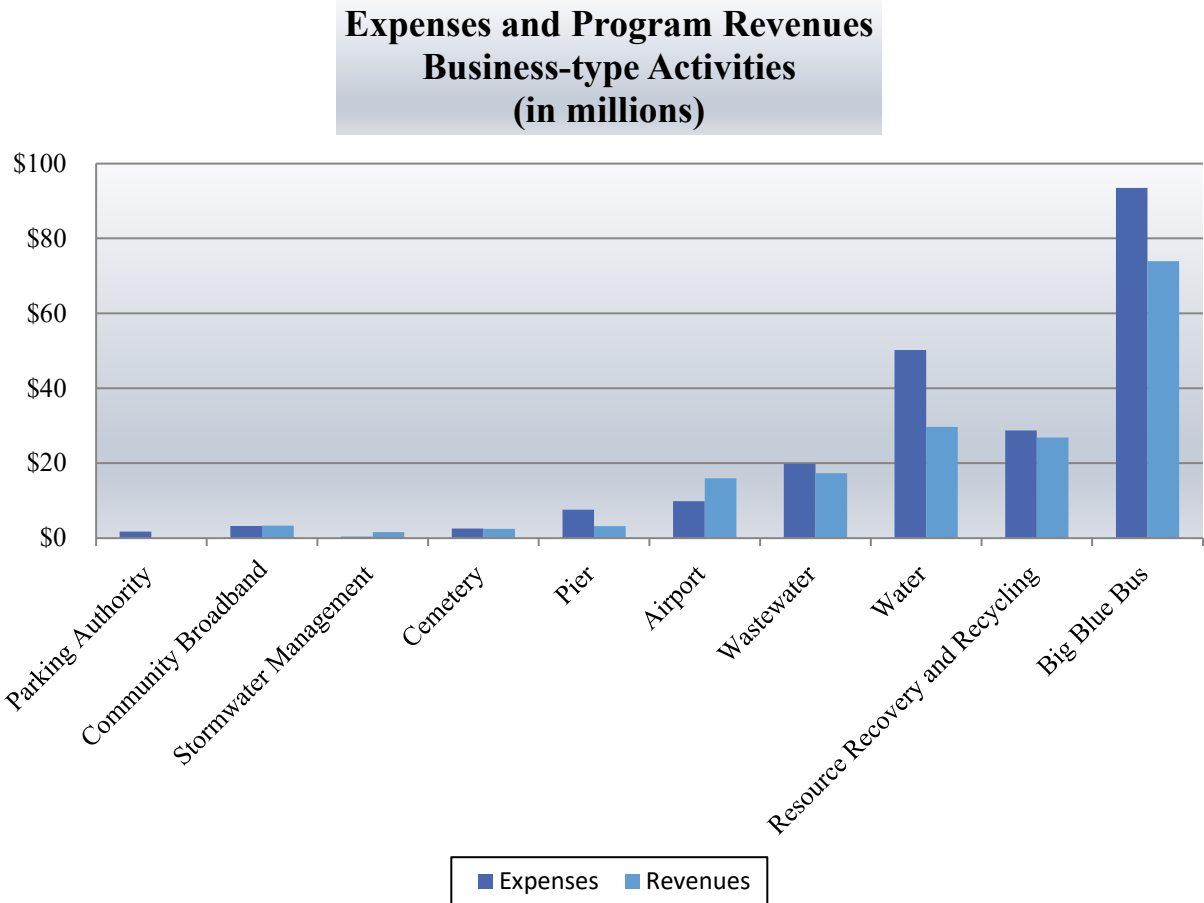
Business-type Activities Expenses



CITY OF SANTA MONICA, CALIFORNIA

Management’s Discussion and Analysis, Continued
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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 \$38.2 million, or 7.0% 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 \$44.0 million or 19.6% from the prior fiscal year.

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued
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Key factors in changes in revenues and expenditures from the prior year are as follows:

1. Total General Fund revenues decreased \$52.3 million or 13.9% from the prior fiscal year. The largest revenue source in the General Fund is property taxes, which increased \$7.5 million or 11.1%. The second largest revenue source in the General Fund is sales and use taxes, which decreased \$0.4 million or 0.6%. The third largest revenue source is transient occupancy taxes, which decreased \$27.9 million or 57.4%. Combined, these three categories represented 49.3% of total General Fund revenues for FY 2020-21. Sales and use taxes have remained comparable to the prior year despite the COVID-19 pandemic and related government shutdowns in both Santa Monica and on the national and international level reflecting a resilient consumer base. 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 travel restrictions and shutdowns that resulted in a severe decline in the hospitality sector. Licenses and permits decreased by \$12.5 million or 32.4% from COVID-19 related declines in parking revenue and investment income decreased by \$8.9 million or 95.4% due in part to \$3.1 million in unrealized losses on the City's investments because of increasing interest rates versus a \$1.6 million unrealized gain in the prior year offset by \$5.7 million in interest income from a one-time Successor Agency payment on a promissory note partially offset investment income losses.
2. Total General Fund expenditures decreased \$107.4 million or 22.8% from the prior fiscal year. This decrease was due primarily to a decrease in general government expenditures of \$71.3 million or 54.0% and a decrease in public safety expenditures of \$21.0 million or 12.2%. These two expenditure line items represent the largest expenditure categories of the General Fund which account for 58.4% of all General Fund expenditures for FY 2020-21. General Government decreased due to several large capital projects winding down in FY 2020-21 including the City Services Building and the City Yards Modernization plus lower personnel costs from the prior year's reduction in force. Additionally, other decreases in expenditures were related to the City temporarily suspending its discretionary accelerated paydown of its unfunded pension liability and OPEB contributions. Public Safety decreased primarily due to the completion of Fire Station 1.
3. The General Fund made an additional \$9.8 million payment to the General Liability Self-Insurance Fund to pay for a settlement. This was reported as a special item.

Special Revenue Source Fund

Total fund balance in the Special Revenue Source Fund increased \$12.3 million or 6.8% from the prior fiscal year primarily due to transfers in related to promissory note repayments and other affordable housing funds. Total revenues decreased \$4.6 million or 49.9%. The decrease in revenues was primarily due to a \$4.2 million decrease in developer fees.

Low and Moderate Income Housing Asset Fund

Total fund balance in the Low and Moderate Income Housing Asset Fund increased \$3.0 million or 4.7% from the prior fiscal year. The principal reason for the increase in fund balance was transfers in of \$3.7 million which 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. As of June 30, 2021, all the loans have been repaid so no more transfers will occur.

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued For the fiscal year ended June 30, 2021 (Unaudited)

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

The total net position of all the City's enterprise funds decreased \$68.4 million, or 12.2% from the prior fiscal year.

Water Fund

The total net position of the Water Fund decreased \$23.0 million, or 27.8% from the prior fiscal year. Revenues reflect a \$1.8 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 in net position was a revision to the pollution remediation liability of \$25.0 million based on a refinement of the remediation process and related operating costs for the Olympic Wellfield based on updated engineering estimates from the City's consultants and a longer period of remediation expected for the Charnock Well Field. Both projects are funded by settlement proceeds and the City believes it has sufficient settlement funds to pay current and future remediation costs.

Wastewater Fund

The total net position of the Wastewater Fund decreased \$17.2 million, or 8.1% from the prior fiscal year. The primary reason for the decrease was the transfer of \$15.5 million to the Clean Beaches Fund to pay for the Wastewater Fund's portion of the City's Clean Water Projects. Contractual services increased by \$1.9 million primarily due to increases in the City of Los Angeles' sewer disposal fees and a \$2.0 million true up payment made in FY 2020-21 based on a reconciliation of FY 2019-20 amalgamated system operating and maintenance costs. Finally, charges for services decreased \$1.0 million due to decreases in customer usage.

Resource Recovery and Recycling Fund

The total net position of the Resource Recovery and Recycling Fund decreased \$1.8 million or 26.5% before a prior period adjustment of \$4.2 million.

The decrease was primarily related to a decrease in processing commodity due to the pandemic resulting in a decrease in charges for services of \$0.8 million and a decrease in investment income of \$0.8 million due to accounting for unrealized losses.

Big Blue Bus Fund

The total net position of the Big Blue Bus Fund decreased \$18.4 million, or 9.9% from the prior fiscal year. The primary reason was the reduction in charges for services of \$9.0 million due to the suspension of fares from March 2020 to February 2021, a \$19.1 reduction in shared sales tax proceeds recognized, offset by \$24.4 million in American Rescue Plan Act funds and a reduction of capital contributions of \$5.4 million due to reduced mileage which in turn didn't necessitate the same level of vehicle maintenance.

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued
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General Fund Budgetary Variances

Revenue Original Budget to Final Amended Budget. The final revenue budget of \$305.7 million for the General Fund was \$14.7 million (4.6%) less than the original budget of \$320.4 million. Revenue budget changes are approved by the City Council. The primary components of the variance were reduced budgets for licenses and permits reflecting less parking revenues (\$10 million), transient occupancy taxes (\$6.5 million), charges for services (\$4.1 million), fines and forfeitures (\$3.2 million), and parking facility taxes (\$2.0 million). Partially offsetting are budget increases for sales and use taxes (\$2.8 million), property taxes (\$2.2 million), other local taxes (\$5.3 million), and investment income (\$1.1 million).

Revenue Final Amended Budget to Actuals. Actual General Fund revenues of \$325.4 million were \$19.7 million (6.4%) more than the final budget of \$305.7 as economic activity began to recover faster and stronger than anticipated. The primary components of the variance were sales and use taxes with actual revenues exceeding the final budgeted amount by \$6.9 million or 12% and greater than anticipated revenues from property taxes (\$2.5 million), other local taxes \$4.8 million, and licenses and permits, primarily from parking revenues (\$3.8 million).

Expenditure Original Budget to Final Amended Budget. The final General Fund expenditure budget is greater than the original budget by \$74.8 million, or 21.3%. 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 reported as Assigned Fund Balance 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 Training Facility, City Yards Improvements and the City Services Building at \$6.4 million, \$24.8 million and \$2.2 million, respectively.

Expenditure Final Amended Budget to Actuals. Actual expenditures (budgetary basis) for the General Fund totaled \$399.1 million, while the final budget totaled \$426.4 million, a variance of \$27.3 million or 6.4%. Almost all the variance is due to capital improvement expenditures, which had actual expenditures of \$61.9 million, compared to the final budget of \$81.0 million, a variance of \$19.1 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 2021-22 to continue work on projects that have not yet been completed. Actual operating expenditures totaled \$337.3 million, compared to the final budget of \$354.2 million, which is a variance of \$16.9 million or 4.8%. This small variance due in part to initiatives taking longer to complete, in which case funds were reappropriated to the following year to allow completion, and to the City's continued active management of expenditures in the face of pandemic-related revenue losses (suspending or eliminating non-essential services while maintaining essential services and operations) and the savings achieved as a result of those changes.

CITY OF SANTA MONICA, CALIFORNIA

Management’s Discussion and Analysis, Continued
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CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City’s capital assets (net of accumulated depreciation) as of June 30, 2021 amounted to \$1,389.0 million, an increase of \$34.5 million from the prior fiscal year. The increase was primarily due to the continued construction of large projects such as various clean water projects, 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

**Capital Assets
(in millions)**

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>6/30/21</u>	<u>6/30/20</u>	<u>6/30/21</u>	<u>6/30/20</u>	<u>6/30/21</u>	<u>6/30/20</u>
Land	\$ 200.3	200.3	53.4	53.4	253.7	253.7
Land held under easement	72.4	72.2	—	—	72.4	72.2
Construction in progress	81.1	161.9	54.7	27.9	135.8	189.8
Buildings	454.2	340.4	150.1	148.3	604.3	488.7
Improvements other than buildings	218.4	197.4	29.8	28.9	248.2	226.3
Machinery and equipment	60.2	59.3	225.0	227.4	285.2	286.7
Infrastructure	376.6	376.6	254.4	249.7	631.0	626.3
Utility systems	1.8	1.8	—	—	1.8	1.8
Intangibles	0.7	0.7	116.8	113.8	117.5	114.5
Less accumulated depreciation	<u>(549.6)</u>	<u>(520.3)</u>	<u>(411.3)</u>	<u>(385.2)</u>	<u>(960.9)</u>	<u>(905.5)</u>
Capital assets, net	<u>\$ 916.1</u>	<u>890.3</u>	<u>472.9</u>	<u>464.2</u>	<u>1,389.0</u>	<u>1,354.5</u>

Some of the City’s major capital asset events in FY 2020-21 were:

Governmental Activities:

1. Major projects included \$20.7 million for Water Infrastructure Projects, \$5.5 million for the construction of the new City Services Building and \$10.2 million for the design and construction for City Yards Modernization.
2. The amount in construction in progress decreased as there are several major projects that were finished and recorded as a completed asset such as Fire Station 1, City Hall South and the City Services Building. The remaining major projects include the Governmental Activities contribution to fund Water Infrastructure Projects and the City Yards Modernization, with ending balances as of June 30, 2021 of \$26.1 million and \$39.4 million, respectively.

CITY OF SANTA MONICA, CALIFORNIA

Management’s Discussion and Analysis, Continued
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Business-Type Activities:

- Major projects included \$16.1 million for Water Infrastructure Projects, \$8.4 million for Phase 1 of the City Yards Modernization Project and \$3.0 million for the replacement of water mains. Also included are a \$3.0 million payment for wastewater improvements including a payment to the City of Los Angeles for capital improvements to the Amalgamated Sewer System.

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

As of June 30, 2021, the City had \$20.6 million in construction commitments. For additional information on commitments see note 14.

Long-term Debt. At the end of the current fiscal year, the City’s total long-term debt outstanding (excluding issuance premiums) was \$176.0 million, an increase from the prior year of \$14.1 million or 8.7%. This increase was due to issuance of debt of \$19.7 million, payments of \$26.9 million in revenue bonds and \$1.1 million in general obligation bonds offset by draws on the State Water Resources Control Board loans of \$22.5 million.

CITY OF SANTA MONICA						
Outstanding Debt						
(in millions)						
	Governmental activities		Business-type activities		Total	
	6/30/21	6/30/20	6/30/21	6/30/20	6/30/21	6/30/20
General obligation bonds (backed by the City)	\$ 2.1	3.2	—	—	2.1	3.2
Revenue bonds (backed by specific tax, fee and lease revenues)	143.5	148.5	2.3	4.6	145.8	153.1
Notes and loans	-	-	28.1	5.6	28.1	5.6
Total	\$ 145.6	151.7	30.4	10.2	176.0	161.9

On May 5, 2021, the Santa Monica Public Financing Authority issued \$19,700,000 of Santa Monica Public Financing Authority Lease Revenue Refunding Bonds (Parking Structure 6 Project) Series 2021A&B bearing interest from 0.30% to 4.00% with a final maturity of July 1, 2031. The bonds were issued to refund the Santa Monica Public Financing Authority Lease Revenue Bonds (Parking Structure 6 Project) Series 2011A.

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 2020-21.

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

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued
For the fiscal year ended June 30, 2021
(Unaudited)

ECONOMIC FACTORS AND BIENNIAL BUDGET

The City's adopted General Fund budget for FY 2021-22 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 required significant adjustments in the budget compared to pre-pandemic 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 2021-22, many factors were taken into consideration:

- Community priorities:
 - Addressing Homelessness
 - Clean and Safe Santa Monica
 - Equitable and Inclusive Economic Recovery
- Overall fiscal challenges precipitated by the COVID-19 pandemic.
- Streamlining operations to provide core services on which the community relies.
- Additional revenues from Measure SM, a revenue measure that protects essential services by increasing the one-time real estate transfer tax on sales of property of \$5 million or more.
- Establishment of the SaMo Small Business Recovery Grant Program to support the City's smallest local businesses.
- The newly established We Are Santa Monica Fund which supports efforts ranging from the new Virginia Avenue Park food pantry to racial equity initiatives across the community.

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, 2021

BASIC FINANCIAL STATEMENTS

CITY OF SANTA MONICA, CALIFORNIA

Statement of Net Position

June 30, 2021

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (note 5)	\$ 372,466,951	186,037,689	558,504,640
Receivables (net of allowances for uncollectibles):			
Accounts	9,327,997	23,614,840	32,942,837
Interest	776,183	432,401	1,208,584
Taxes	17,522,356	-	17,522,356
Notes (note 6)	201,864,672	-	201,864,672
Other governments	14,012,892	10,709,924	24,722,816
Internal balances	8,086,348	(8,086,348)	-
Inventory	-	3,423,560	3,423,560
Deposits	3,257	-	3,257
Prepays	56,592	12,313	68,905
Restricted cash and investments (note 5)	20,394,629	66,413,736	86,808,365
Restricted cash and investments with fiscal agent (note 5)	33,702,686	2	33,702,688
Capital assets (note 7):			
Capital assets not being depreciated:			
Land	200,323,024	53,380,750	253,703,774
Land held under easement	72,384,923	-	72,384,923
Construction in progress	81,135,414	54,740,909	135,876,323
Capital assets being depreciated:			
Buildings	454,186,102	150,067,491	604,253,593
Improvements other than buildings	218,377,457	29,857,989	248,235,446
Utility systems	1,742,913	-	1,742,913
Machinery and equipment	60,233,213	225,061,611	285,294,824
Infrastructure	376,593,979	254,369,876	630,963,855
Intangibles	695,710	116,765,123	117,460,833
Less accumulated depreciation	(549,593,896)	(411,305,050)	(960,898,946)
Total capital assets, net	916,078,839	472,938,699	1,389,017,538
TOTAL ASSETS	1,594,293,402	755,496,816	2,349,790,218
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refundings	5,018	38,132	43,150
Deferred outflows from pensions (note 16)	71,681,093	15,154,232	86,835,325
Deferred outflows from OPEB (note 16)	8,677,248	1,458,632	10,135,880
TOTAL DEFERRED OUTFLOWS OF RESOURCES	80,363,359	16,650,996	97,014,355
LIABILITIES			
Accounts payable	31,152,627	11,615,322	42,767,949
Accrued liabilities	6,391,614	2,830,369	9,221,983
Accrued interest payable	1,950,097	429,795	2,379,892
Contracts payable (retained percentage)	3,515,160	1,846,566	5,361,726
Unearned revenue (note 8)	23,874,243	20,846,514	44,720,757
Deposits payable from restricted assets	765,559	17,811,927	18,577,486
Long-term liabilities:			
Compensated absences due within one year (note 2)	6,985,614	2,325,850	9,311,464
Compensated absences due in more than one year (note 2)	7,665,136	1,303,179	8,968,315
Claims payable due within one year (note 15)	73,783,753	2,478,793	76,262,546
Claims payable due in more than one year (note 15)	51,122,759	1,890,701	59,013,460
Loans and bonds payable due within one year (note 9)	2,895,000	2,340,000	5,235,000
Loans and bonds payable due in more than one year (note 9)	158,726,447	28,129,655	186,856,102
Pollution remediation obligation due within one year (note 4)	342,183	20,352,242	20,694,425
Pollution remediation obligation due in more than one year (note 4)	1,658,468	34,343,458	36,001,926
Net OPEB liability due in more than one year (note 16)	34,443,401	5,789,879	40,233,280
Net pension liability due in more than one year (note 16)	393,418,759	87,746,207	481,164,966
TOTAL LIABILITIES	804,690,820	242,080,457	1,046,771,277
DEFERRED INFLOWS OF RESOURCES			
Deferred gain on refunding	634,900	-	634,900
Deferred inflows from pensions (note 16)	8,664,628	3,136,013	11,800,641
Deferred inflows from OPEB (note 16)	1,310,449	220,286	1,530,735
TOTAL DEFERRED INFLOWS OF RESOURCES	10,609,977	3,356,299	13,966,276
NET POSITION			
Net investment in capital assets	764,429,080	442,507,176	1,206,936,256
Restricted for (note 12):			
Community development	153,082,992	-	153,082,992
Community services	6,997,014	-	6,997,014
Transportation	34,661,264	-	34,661,264
Clean beaches and ocean parcel tax	7,877,341	-	7,877,341
Debt service	5,622,302	2,298,946	7,921,248
Miscellaneous	12,949,246	-	12,949,246
Perpetual care - nonexpendable	17,468,033	-	17,468,033
Prop 1B	-	10,731,093	10,731,093
Unrestricted	(143,731,308)	71,173,841	(72,557,467)
TOTAL NET POSITION	\$ 859,355,964	526,711,056	1,386,067,020

CITY OF SANTA MONICA, CALIFORNIA
Statement of Activities
For the fiscal year ended June 30, 2021

Functions/Programs	Program Revenues				Net (Expense) Revenue and Change in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 100,049,699	19,883,077	3,178,947	48,640	(76,939,035)	-	(76,939,035)
Public safety	168,577,199	17,035,556	15,333,287	26,540	(136,181,816)	-	(136,181,816)
General services	98,780,082	37,249,257	11,294,804	565,340	(49,670,681)	-	(49,670,681)
Community services	80,831,581	5,019,411	22,579,744	-	(53,232,426)	-	(53,232,426)
Library	9,390,658	23,764	71,839	-	(9,295,055)	-	(9,295,055)
Community development	39,576,169	27,194,589	6,018,634	-	(6,362,946)	-	(6,362,946)
Interest on long-term debt	5,091,436	-	-	-	(5,091,436)	-	(5,091,436)
Total governmental activities	502,296,824	106,405,654	58,477,255	640,520	(336,773,395)	-	(336,773,395)
Business-Type Activities:							
Water	50,202,882	29,638,341	-	-	-	(20,564,541)	(20,564,541)
Resource recovery and recycling	28,722,152	26,842,779	-	-	-	(1,879,373)	(1,879,373)
Community broadband	3,215,379	3,299,401	-	-	-	84,022	84,022
Pier	7,596,392	3,164,586	-	-	-	(4,431,806)	(4,431,806)
Wastewater	19,841,075	17,330,719	-	-	-	(2,510,356)	(2,510,356)
Airport	9,820,280	15,946,198	-	-	-	6,125,918	6,125,918
Stormwater management	363,288	1,609,230	-	-	-	1,245,942	1,245,942
Cemetery	2,546,151	2,443,201	-	-	-	(102,950)	(102,950)
Big Blue Bus	93,473,973	5,366,846	63,900,481	4,623,832	-	(19,582,814)	(19,582,814)
Parking authority	1,724,894	-	-	-	-	(1,724,894)	(1,724,894)
Total business-type activities	217,506,466	105,641,301	63,900,481	4,623,832	-	(43,340,852)	(43,340,852)
Total Primary Government	\$ 719,803,290	212,046,955	122,377,736	5,264,352	(336,773,395)	(43,340,852)	(380,114,247)
General revenues:							
Taxes:							
Property					75,324,679	-	75,324,679
Sales and use					64,301,901	-	64,301,901
Transient occupancy					20,691,803	-	20,691,803
Utility users					27,840,035	-	27,840,035
Business license					33,644,559	-	33,644,559
Parking facility					7,374,354	-	7,374,354
Real property transfer					9,334,371	-	9,334,371
Other					3,512,898	-	3,512,898
Other revenue					7,201,899	3,165,760	10,367,659
Investment income					3,268,921	280,080	3,549,001
Special item					(9,825,000)	-	(9,825,000)
Transfers					27,184,761	(27,184,761)	-
Total general revenues, special item, and transfers					269,855,181	(23,738,921)	246,116,260
Change in net position					(66,918,214)	(67,079,773)	(133,997,987)
Net position at beginning of year, as restated (note 20)					926,274,178	593,790,829	1,520,065,007
Net position at end of year					\$ 859,355,964	526,711,056	1,386,067,020

See accompanying notes to basic financial statements.

CITY OF SANTA MONICA, CALIFORNIA

Major Governmental Fund Financial Statements

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

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

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, 2021

	<u>Special Revenue Funds</u>				
	<u>General Fund</u>	<u>Special Revenue Source Fund</u>	<u>Low and Moderate Income Housing Asset Fund</u>	<u>Nonmajor governmental funds</u>	
ASSETS					
Cash and investments (note 5)	\$ 161,072,514	81,986,381	14,015,370	28,506,744	285,581,009
Restricted cash and investments (note 5)	427,913	-	-	19,966,716	20,394,629
Receivables (net, where applicable, of allowances for uncollectibles):					
Accounts	5,969,488	39,947	-	3,311,198	9,320,633
Notes (note 6)	-	126,483,794	52,957,227	22,423,651	201,864,672
Taxes	17,456,483	-	-	65,873	17,522,356
Interest	489,901	30,629	19,722	121,963	662,215
Other governments	78,212	-	-	13,934,680	14,012,892
Due from other funds (note 11)	9,707,670	-	-	-	9,707,670
Deposits	-	-	-	3,257	3,257
Prepays	12,076	-	-	44,516	56,592
Restricted cash and investments with fiscal agent (note 5)	10,690,572	-	-	23,012,114	33,702,686
Advances to other funds (note 11)	9,702,159	1,450,000	-	-	11,152,159
Total assets	<u>\$ 215,606,988</u>	<u>209,990,751</u>	<u>66,992,319</u>	<u>111,390,712</u>	<u>603,980,770</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 21,686,851	744,620	25	8,033,533	30,465,029
Accrued liabilities	6,037,464	-	-	307,585	6,345,049
Contracts payable (retained percentage)	1,300,114	73,997	-	2,135,438	3,509,549
Due to other funds (note 11)	-	-	-	9,191,939	9,191,939
Unearned revenue (note 8)	5,002,720	17,522,050	-	1,349,473	23,874,243
Deposits payable	568,732	150,000	-	46,827	765,559
Advances from other funds (note 11)	-	-	-	5,612,703	5,612,703
Total liabilities	<u>34,595,881</u>	<u>18,490,667</u>	<u>25</u>	<u>26,677,498</u>	<u>79,764,071</u>
Deferred inflows of resources (note 8)	<u>163,285</u>	<u>-</u>	<u>-</u>	<u>13,189,312</u>	<u>13,352,597</u>
Fund balances (note 13)					
Nonspendable	9,550,950	1,450,000	-	17,512,549	28,513,499
Restricted	11,119,497	75,126,026	66,992,294	75,406,157	228,643,974
Committed	-	114,924,058	-	-	114,924,058
Assigned	114,285,898	-	-	-	114,285,898
Unassigned	45,891,477	-	-	(21,394,804)	24,496,673
Total fund balances	<u>180,847,822</u>	<u>191,500,084</u>	<u>66,992,294</u>	<u>71,523,902</u>	<u>510,864,102</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 215,606,988</u>	<u>209,990,751</u>	<u>66,992,319</u>	<u>111,390,712</u>	<u>603,980,770</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, 2021

Fund balances - total governmental funds	\$ 510,864,102
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.	915,972,172
(2) Pension deferrals from reporting under GASB 68.	62,723,630
(3) OPEB deferrals from reporting under GASB 75.	7,364,214
(4) Deferred gain on refunding of debt is not a current financial resource and, therefore, is not reported in the balance sheet.	(634,900)
(5) Deferred loss on refundings of debt is not a current financial resource and, therefore, is not reported in the balance sheet.	5,018
(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.	(605,780,058)
(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.	13,352,597
(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.	(44,510,811)
Net position of governmental activities	\$ 859,355,964

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, 2021

	<u>Special Revenue Funds</u>				Total governmental funds
	General Fund	Special Revenue Source Fund	Low and Moderate Income Housing Asset Fund	Nonmajor governmental funds	
Revenues:					
Property taxes	\$ 75,324,679	-	-	-	75,324,679
Sales and use taxes	64,301,901	-	-	-	64,301,901
Transient occupancy taxes	20,691,803	-	-	-	20,691,803
Utility user taxes	27,840,035	-	-	-	27,840,035
Business license taxes	33,644,559	-	-	-	33,644,559
Other taxes	16,779,463	-	-	3,442,160	20,221,623
Licenses and permits	26,089,017	-	-	71,617	26,160,634
Intergovernmental	1,868,076	-	-	56,748,511	58,616,587
Charges for services	36,668,251	1,000,828	-	16,647,783	54,316,862
Fines and forfeitures	7,779,862	-	-	-	7,779,862
Investment income	426,868	14,457	39,576	2,692,777	3,173,678
Interest from promissory note	5,399,246	-	-	-	5,399,246
Rental income	5,291,569	-	-	841,816	6,133,385
Other revenue	3,256,754	3,634,790	377,624	1,022,858	8,292,026
Total revenues	<u>325,362,083</u>	<u>4,650,075</u>	<u>417,200</u>	<u>81,467,522</u>	<u>411,896,880</u>
Expenditures:					
Current:					
General government	60,792,690	-	-	938,767	61,731,457
Public safety	151,310,128	81,593	-	2,549,700	153,941,421
General services	73,816,581	2,040,851	-	40,656,811	116,514,243
Community services	49,942,741	3,738,426	-	30,303,728	83,984,895
Library	8,765,079	-	-	41,271	8,806,350
Community development	18,497,539	259,474	1,104,778	13,147,107	33,008,898
Debt service expenditures:					
Principal	-	-	-	3,305,000	3,305,000
Interest	-	-	-	6,054,223	6,054,223
Bond issuance costs	340,135	-	-	-	340,135
Total expenditures	<u>363,464,893</u>	<u>6,120,344</u>	<u>1,104,778</u>	<u>96,996,607</u>	<u>467,686,622</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(38,102,810)</u>	<u>(1,470,269)</u>	<u>(687,578)</u>	<u>(15,529,085)</u>	<u>(55,789,742)</u>
Other financing sources (uses):					
Transfers in	27,568,149	15,789,590	3,697,398	28,553,874	75,609,011
Transfers out	(24,015,038)	(2,063,372)	-	(22,498,684)	(48,577,094)
Bonds issued	19,700,000	-	-	-	19,700,000
Premium on debt issued	3,711,635	-	-	-	3,711,635
Payment to refunded bond escrow agent	(23,066,482)	-	-	-	(23,066,482)
Total other financing sources (uses)	<u>3,898,264</u>	<u>13,726,218</u>	<u>3,697,398</u>	<u>6,055,190</u>	<u>27,377,070</u>
Special item (note 18)	<u>(9,825,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,825,000)</u>
Net change in fund balances	<u>(44,029,546)</u>	<u>12,255,949</u>	<u>3,009,820</u>	<u>(9,473,895)</u>	<u>(38,237,672)</u>
Fund balances at beginning of year, as restated (note 20)	<u>224,877,368</u>	<u>179,244,135</u>	<u>63,982,474</u>	<u>80,997,797</u>	<u>549,101,774</u>
Fund balances at end of year	<u>\$ 180,847,822</u>	<u>191,500,084</u>	<u>66,992,294</u>	<u>71,523,902</u>	<u>510,864,102</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, 2021

Net change in fund balances – total governmental funds \$ (38,237,672)

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

Capital assets:

- 1) The acquisition of capital assets requires the use of current financial resources but has no effect on net position. 55,383,345
- 2) The cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense in the statement of activities. (29,412,848)
- 3) The loss on disposal of capital assets is recorded as an expense in the statement of activities but is not recorded in the fund statements. (202,556)

Measurement focus:

- 4) Change in accrued interest payable. 141,319
- 5) Principal payments on long-term obligations use current financial resources but have no effect on net position. 3,305,000
- 6) Bond premiums are recorded as other financing sources in the fund statements but are amortized in the statement of activities. 841,453
- 7) Deferred gain and loss on refunding is amortized in the statement of activities. (19,949)
- 8) Refunding bonds issued are recorded as other financing sources in the fund statements but are not reported in the statement of activities. (19,700,000)
- 9) Premium on refunding bonds issued are recorded as other financing sources in the fund statements but are not reported in the statement of activities. (3,711,635)
- 10) Payments to refunded bond escrow agent are reported as other financing uses in the fund statements but are not reported in the statement of activities. 23,066,482
- 11) 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. (864,251)
- 12) Interest income related to successor agency advances previously recorded as revenue in the statement of activities were reported as interest income in the fund statements. (5,399,246)
- 13) 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. 15,205
- 14) Grant revenue previously recognized in the statement of activities is recorded as revenue in the fund statements. (1,955,807)
- 15) Grant revenue earned but not yet available being recorded on the statement of activities that are not recorded on the fund statements. 13,189,311
- 16) Pollution remediation expense activity was recorded in the fund statements and reduced the liability in the statement of activities. 332,216
- 17) GASB 75 OPEB reporting timing differences. (3,275,739)
- 18) GASB 68 pension reporting timing differences. (13,948,298)

Internal service funds:

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

The net revenue/(expense) of certain internal service funds is reported with governmental activities. (46,464,544)

Change in net position (statement of activities, governmental activities) \$ (66,918,214)

See accompanying notes to basic financial statements.

CITY OF SANTA MONICA, CALIFORNIA

Proprietary Fund Financial Statements

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

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

Wastewater Fund – To account for revenues and expenses associated with maintaining the sanitary sewer 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, 2021

	Business-Type Activities - Enterprise Funds						Total internal service funds
	Water	Wastewater	Resource Recovery and Recycling	Big Blue Bus	Nonmajor enterprise funds	Total enterprise funds	
ASSETS							
Current assets:							
Cash and investments (note 5)	\$ 65,286,555	28,304,805	14,584,820	14,915,913	34,283,604	157,375,697	115,547,934
Restricted cash and investments (note 5)	355,474	2,298,946	-	38,458,961	9,465,621	50,579,002	-
Receivables (net, where applicable, of allowances for uncollectibles):							
Accounts	7,306,317	4,519,225	6,326,040	403,218	4,916,722	23,471,522	150,652
Interest	144,617	74,827	44,921	59,354	65,645	389,364	157,005
Due from other governments	-	-	-	10,688,814	21,110	10,709,924	-
Inventory	-	-	-	3,416,607	-	3,416,607	6,952
Prepays	628	-	-	11,685	-	12,313	-
Total current assets	<u>73,093,591</u>	<u>35,197,803</u>	<u>20,955,781</u>	<u>67,954,552</u>	<u>48,752,702</u>	<u>245,954,429</u>	<u>115,862,543</u>
Noncurrent assets:							
Restricted cash and investments (note 5)	474,574	2,604,498	12,755,662	-	-	15,834,734	-
Restricted cash with fiscal agent	-	2	-	-	-	2	-
Capital assets (note 7):							
Land	21,006	3,189,132	-	48,807,900	1,362,712	53,380,750	-
Construction in progress	14,120,767	34,667,800	-	-	5,952,342	54,740,909	60,300
Buildings	1,532,511	251,447	314,223	131,621,863	16,347,447	150,067,491	-
Improvements other than buildings	2,008,072	297,592	99,731	15,314,657	12,137,937	29,857,989	-
Machinery and equipment	3,778,029	1,649,296	246,078	174,051,612	1,552,612	181,277,627	45,315,674
Infrastructure	64,167,842	162,079,622	-	-	28,122,412	254,369,876	-
Intangibles	3,575,000	113,190,123	-	-	-	116,765,123	-
Less: accumulated depreciation	<u>(35,334,663)</u>	<u>(119,027,887)</u>	<u>(556,513)</u>	<u>(194,014,926)</u>	<u>(36,950,568)</u>	<u>(385,884,557)</u>	<u>(26,905,816)</u>
Net capital assets	53,868,564	196,297,125	103,519	175,781,106	28,524,894	454,575,208	18,470,158
Total noncurrent assets	54,343,138	198,901,625	12,859,181	175,781,106	28,524,894	470,409,944	18,470,158
TOTAL ASSETS	<u>127,436,729</u>	<u>234,099,428</u>	<u>33,814,962</u>	<u>243,735,658</u>	<u>77,277,596</u>	<u>716,364,373</u>	<u>134,332,701</u>
DEFERRED OUTFLOWS OF RESOURCES							
Deferred loss on refunding	-	38,132	-	-	-	38,132	-
Deferred outflows from pensions	1,406,191	520,425	2,016,954	9,394,652	1,144,314	14,482,536	1,040,943
Deferred outflows from OPEB	129,654	26,038	386,259	673,236	178,363	1,393,550	68,127
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,535,845</u>	<u>584,595</u>	<u>2,403,213</u>	<u>10,067,888</u>	<u>1,322,677</u>	<u>15,914,218</u>	<u>1,109,070</u>
LIABILITIES							
Current liabilities:							
Accounts payable	4,427,186	3,068,035	939,438	1,288,718	1,521,596	11,244,973	1,057,946
Accrued liabilities	172,635	66,919	277,153	2,086,221	155,388	2,758,316	118,618
Contracts payable (retained percentage)	403,004	1,148,908	-	5,257	289,397	1,846,566	5,611
Compensated absences due within one year (note 2)	196,090	72,465	347,027	1,472,694	161,206	2,249,482	115,169
Claims payable due within one year (note 15)	-	-	-	-	-	-	76,262,546
Unearned revenue (note 8)	-	13,140	-	20,814,415	18,959	20,846,514	-
Accrued interest payable	-	429,795	-	-	-	429,795	-
Loans and bonds payable due within one year (note 9)	-	2,340,000	-	-	-	2,340,000	-
Due to other funds (note 11)	-	-	-	-	515,731	515,731	-
Liabilities payable from restricted assets - deposits	214,573	-	15,905,554	47,975	1,643,825	17,811,927	-
Pollution remediation obligation due within one year (note 4)	20,352,242	-	-	-	-	20,352,242	-
Total current liabilities	<u>25,765,730</u>	<u>7,139,262</u>	<u>17,469,172</u>	<u>25,715,280</u>	<u>4,306,102</u>	<u>80,395,546</u>	<u>77,559,890</u>
Long-term liabilities:							
Compensated absences due in more than one year (note 2)	210,414	75,849	165,351	529,345	210,539	1,191,498	227,824
Advances from other funds (note 11)	-	-	-	-	5,539,456	5,539,456	-
Claims payable due in more than one year (note 15)	-	-	-	-	-	-	59,013,460
Loans and bonds payable due in more than one year (note 9)	-	28,129,655	-	-	-	28,129,655	-
Pollution remediation obligation due in more than one year (note 4)	34,343,458	-	-	-	-	34,343,458	-
Net OPEB liability due in more than one year (note 16)	514,647	103,356	1,533,212	2,672,335	707,995	5,531,545	270,421
Net pension liability due in more than one year (note 16)	8,142,142	3,013,373	11,678,591	54,397,016	6,625,823	83,856,945	6,027,278
Total long-term liabilities	<u>43,210,661</u>	<u>31,322,233</u>	<u>13,377,154</u>	<u>57,598,696</u>	<u>13,083,813</u>	<u>158,592,557</u>	<u>65,538,983</u>
TOTAL LIABILITIES	<u>68,976,391</u>	<u>38,461,495</u>	<u>30,846,326</u>	<u>83,313,976</u>	<u>17,389,915</u>	<u>238,988,103</u>	<u>143,098,873</u>
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows from pensions	290,997	107,697	417,388	1,944,126	236,804	2,997,012	215,413
Deferred inflows from OPEB	19,581	3,932	58,334	101,673	26,937	210,457	10,289
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>310,578</u>	<u>111,629</u>	<u>475,722</u>	<u>2,045,799</u>	<u>263,741</u>	<u>3,207,469</u>	<u>225,702</u>
NET POSITION							
Net investment in capital assets	53,868,564	165,865,602	103,519	175,781,106	28,524,894	424,143,685	18,470,158
Restricted for Prop 1B (note 12)	-	-	-	10,731,093	-	10,731,093	-
Restricted for debt service	-	2,298,946	-	-	-	2,298,946	-
Unrestricted	5,817,041	27,946,351	4,792,608	(18,068,428)	32,421,723	52,909,295	(26,352,962)
TOTAL NET POSITION	<u>\$ 59,685,605</u>	<u>196,110,899</u>	<u>4,896,127</u>	<u>168,443,771</u>	<u>60,946,617</u>	<u>490,083,019</u>	<u>(7,882,804)</u>
						38,659,198	
						(2,031,161)	
						<u>\$526,711,056</u>	

Net position, business-type activities - internal service funds

Net adjustment to reflect the allocation of the internal service funds net income

Net position of business-type activities

CITY OF SANTA MONICA, CALIFORNIA
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the fiscal year ended June 30, 2021

	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	\$ 29,638,341	17,330,719	26,842,779	2,908,604	25,235,079	101,955,522	56,949,471
Total operating revenues	<u>29,638,341</u>	<u>17,330,719</u>	<u>26,842,779</u>	<u>2,908,604</u>	<u>25,235,079</u>	<u>101,955,522</u>	<u>56,949,471</u>
Operating expenses							
Personnel services	7,649,552	2,734,795	11,881,232	54,650,197	6,002,873	82,918,649	4,694,722
Administrative indirect	1,628,966	747,911	1,276,612	4,921,405	1,923,706	10,498,600	1,276,586
Contractual services	2,064,876	5,986,177	4,114,154	2,723,568	2,717,574	17,606,349	926,320
Repairs and maintenance	1,311,577	1,163,097	3,042,013	998,158	1,727,505	8,242,350	1,635,384
Materials and supplies	27,389,589	640,037	7,022,005	6,344,135	6,264,492	47,660,258	4,786,837
Utilities	2,014,887	25,916	57,600	384,695	1,100,344	3,583,442	34,606
Water purchases	6,800,115	-	-	-	-	6,800,115	-
Casualty property and liability costs	485,904	335,883	487,582	5,441,429	1,043,288	7,794,086	224,168
Claims expense net of claims reserve adjustment	-	-	-	-	-	-	73,853,547
Insurance and bonds	-	-	-	-	-	-	7,893,397
Miscellaneous fees and costs	21,625	-	-	94,401	-	116,026	1,933,791
Depreciation and amortization	1,474,753	6,535,170	4,897	17,406,930	1,638,547	27,060,297	4,811,327
Other	964,064	1,198,810	836,057	509,055	2,794,169	6,302,155	318,864
Total operating expenses	<u>51,805,908</u>	<u>19,367,796</u>	<u>28,722,152</u>	<u>93,473,973</u>	<u>25,212,498</u>	<u>218,582,327</u>	<u>102,389,549</u>
Operating income (loss)	<u>(22,167,567)</u>	<u>(2,037,077)</u>	<u>(1,879,373)</u>	<u>(90,565,369)</u>	<u>22,581</u>	<u>(116,626,805)</u>	<u>(45,440,078)</u>
Nonoperating revenues (expenses)							
Operating grants	-	-	-	24,360,412	-	24,360,412	-
Shared sales tax proceeds	-	-	-	39,666,655	-	39,666,655	-
Investment income	(129,230)	51,563	68,142	41,148	114,601	146,224	294,284
Interest expense	(907)	(473,279)	-	-	(15,205)	(489,391)	-
Gain on disposal of capital assets	-	-	-	75,824	-	75,824	154,116
Other nonoperating revenues	555,667	215,646	281,567	3,265,961	2,363,766	6,682,607	39,932
Total nonoperating revenues (expenses) net	<u>425,530</u>	<u>(206,070)</u>	<u>349,709</u>	<u>67,410,000</u>	<u>2,463,162</u>	<u>70,442,331</u>	<u>488,332</u>
Income (loss) before capital contributions and transfers	<u>(21,742,037)</u>	<u>(2,243,147)</u>	<u>(1,529,664)</u>	<u>(23,155,369)</u>	<u>2,485,743</u>	<u>(46,184,474)</u>	<u>(44,951,746)</u>
Capital contributions	-	-	-	4,623,832	-	4,623,832	-
Transfers in (note 11)	133,323	1,250,503	1,463	472,076	4,304,503	6,161,868	1,992,254
Transfers out (note 11)	(1,354,420)	(16,197,991)	(232,680)	(366,041)	(14,805,942)	(32,957,074)	(2,228,965)
Change in net position	<u>(22,963,134)</u>	<u>(17,190,635)</u>	<u>(1,760,881)</u>	<u>(18,425,502)</u>	<u>(8,015,696)</u>	<u>(68,355,848)</u>	<u>(45,188,457)</u>
Net position at beginning of year, as restated (note 20)	82,648,739	213,301,534	6,657,008	186,869,273	68,962,313	558,438,867	37,305,653
Net position at end of year	<u>\$ 59,685,605</u>	<u>196,110,899</u>	<u>4,896,127</u>	<u>168,443,771</u>	<u>60,946,617</u>	<u>490,083,019</u>	<u>(7,882,804)</u>
						\$ (68,355,848)	
						1,276,075	
						<u>\$ (67,079,773)</u>	

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, 2021

Business-type activities - Enterprise Funds

	<u>Water</u>	<u>Wastewater</u>	<u>Resource Recovery and Recycling</u>	<u>Big Blue Bus</u>	<u>Nonmajor enterprise funds</u>	<u>Total enterprise funds</u>	<u>Total internal service funds</u>
Cash flows from operating activities:							
Cash received from customers	\$ 26,726,187	15,583,920	26,563,514	3,486,747	23,845,102	96,205,470	77,204,298
Cash payments for materials and services	(23,601,153)	(11,182,253)	(17,127,806)	(22,064,715)	(18,012,290)	(91,988,217)	(20,330,523)
Cash payments to employees for services	(6,571,445)	(2,373,856)	(10,529,988)	(51,806,307)	(5,521,802)	(76,803,398)	(4,709,170)
Cash paid for claims and related services	—	—	—	—	—	—	(39,455,519)
Other revenue received	555,667	215,646	281,567	3,265,961	2,363,766	6,682,607	39,932
Net cash provided by (used in) operating activities	<u>(2,890,744)</u>	<u>2,243,457</u>	<u>(812,713)</u>	<u>(67,118,314)</u>	<u>2,674,776</u>	<u>(65,903,538)</u>	<u>12,749,018</u>
Cash flows from noncapital financing activities:							
Sales tax proceeds	—	—	—	52,473,353	—	52,473,353	—
Other operating grants	—	—	—	24,360,412	—	24,360,412	—
Repayment of advances to other funds	—	—	—	—	(15,559)	(15,559)	—
Advances from other funds	—	—	—	—	530,936	530,936	—
Payment received from promissory note	—	—	—	—	259,400	259,400	—
Transfers in	3,803,323	1,250,503	1,463	472,076	4,304,503	9,831,868	1,992,254
Transfers out	(1,354,420)	(16,197,991)	(232,680)	(366,041)	(14,805,942)	(32,957,074)	(2,228,965)
Net cash provided by (used in) noncapital financing activities	<u>2,448,903</u>	<u>(14,947,488)</u>	<u>(231,217)</u>	<u>76,939,800</u>	<u>(9,726,662)</u>	<u>54,483,336</u>	<u>(236,711)</u>
Cash flows from capital and related financing activities:							
Capital contributions received	—	—	—	123,395	—	123,395	—
Acquisition and construction of capital assets	(12,765,072)	(19,240,866)	—	(2,050,449)	(2,134,104)	(36,190,491)	(649,626)
Proceeds from sale of capital assets	—	—	—	75,824	—	75,824	238,684
Proceeds from long-term obligations	—	22,528,915	—	—	—	22,528,915	—
Payments on long-term obligations	—	(2,275,000)	—	—	—	(2,275,000)	—
Interest paid on long-term obligations	(907)	(115,050)	—	—	(15,205)	(131,162)	—
Net cash provided by (used in) capital and related financing activities	<u>(12,765,979)</u>	<u>897,999</u>	<u>—</u>	<u>(1,851,230)</u>	<u>(2,149,309)</u>	<u>(15,868,519)</u>	<u>(410,942)</u>
Cash flows from investing activities							
Investments income	57,268	125,591	111,212	115,518	10,915,588	11,325,177	430,024
Net cash provided by investing activities	<u>57,268</u>	<u>125,591</u>	<u>111,212</u>	<u>115,518</u>	<u>10,915,588</u>	<u>11,325,177</u>	<u>430,024</u>
Net increase (decrease) in cash and cash equivalents	<u>(13,150,552)</u>	<u>(11,680,441)</u>	<u>(932,718)</u>	<u>8,085,774</u>	<u>1,714,393</u>	<u>(15,963,544)</u>	<u>12,531,389</u>
Cash and cash equivalents at beginning of year	<u>79,267,155</u>	<u>44,888,692</u>	<u>28,273,200</u>	<u>45,289,100</u>	<u>42,034,832</u>	<u>239,752,979</u>	<u>103,016,545</u>
Cash and cash equivalents at end of year	<u>\$ 66,116,603</u>	<u>33,208,251</u>	<u>27,340,482</u>	<u>53,374,874</u>	<u>43,749,225</u>	<u>223,789,435</u>	<u>115,547,934</u>
Cash and investments	\$ 65,286,555	28,304,805	14,584,820	14,915,913	34,283,604	157,375,697	115,547,934
Restricted cash and investments	830,048	4,903,446	12,755,662	38,458,961	9,465,621	66,413,738	—
Total cash and cash equivalents	<u>\$ 66,116,603</u>	<u>33,208,251</u>	<u>27,340,482</u>	<u>53,374,874</u>	<u>43,749,225</u>	<u>223,789,435</u>	<u>115,547,934</u>

(Continued)

See accompanying notes to basic financial statements

CITY OF SANTA MONICA, CALIFORNIA

Statement of Cash Flows

Proprietary Funds

For the fiscal year ended June 30, 2021

	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)	\$ (22,167,567)	(2,037,077)	(1,879,373)	(90,565,369)	22,581	(116,626,805)	(45,440,078)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Add depreciation	1,474,753	6,535,170	4,897	17,406,930	1,638,547	27,060,297	4,811,327
Add allowance for doubtful accounts	262,058	84,775	183,250	403,368	1,332,983	2,266,434	—
Other revenue received	555,667	215,646	281,567	3,265,961	2,363,766	6,682,607	39,932
Change in assets and liabilities and deferred outflows and inflows of resources:							
(Increase) decrease in accounts receivable	(3,149,714)	(1,831,574)	(2,096,136)	218,764	(2,769,884)	(9,628,544)	(44,898)
(Increase) in due from other governments	—	—	—	(194,818)	—	(194,818)	—
Decrease in due from other funds	—	—	—	—	—	—	20,300,000
(Increase) decrease in prepaids	53,646	9,365	2,751	(11,410)	8,503	62,855	—
(Increase) decrease in inventory	—	—	—	(104,497)	—	(104,497)	36,983
(Decrease) in accounts payable	(1,346,535)	(1,785,000)	(294,534)	(392,849)	(516,464)	(4,335,382)	(1,343,164)
Increase (decrease) in accrued liabilities	(17,485)	(26)	21,661	(139,185)	(21,587)	(156,622)	(43,696)
Increase (decrease) in contracts payable	(147,847)	678,073	—	(139,113)	66,749	457,862	5,611
Increase in unearned revenue	—	13,140	—	(7,732)	18,285	23,693	—
Increase (decrease) in deposits payable from restricted assets	(24,498)	—	1,633,621	—	28,639	1,637,762	—
Increase in compensated absences payable	43,375	13,340	68,776	14,123	42,130	181,744	21,520
Increase in claims payable	—	—	—	—	—	—	34,397,753
Increase in pollution remediation obligation	20,521,186	—	—	—	—	20,521,186	—
Net OPEB liability and related changes in deferred outflows and inflows of resources	112,289	6,359	121,800	186,298	82,306	509,052	(57,034)
Net pension liability and related changes in deferred outflows and inflows of resources	939,928	341,266	1,139,007	2,941,215	378,222	5,739,638	64,762
Total adjustments	19,276,823	4,280,534	1,066,660	23,447,055	2,652,195	50,723,267	58,189,096
Net cash provided by (used in) operating activities	\$ (2,890,744)	2,243,457	(812,713)	(67,118,314)	2,674,776	(65,903,538)	12,749,018
Schedule of non-cash capital and related financing activities:							
Capital assets acquired through accounts payable	\$ 1,395,899	2,167,026	—	35,420	207,663	3,806,008	—

See accompanying notes to basic financial statements

CITY OF SANTA MONICA, CALIFORNIA

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.

Custodial Fund is custodial in nature and accounts for assets held by the City as a trustee for individuals or other governmental units. The City's sole custodial fund, the General Trust Fund, accounts for assets held by the City in a custodial capacity, such as fees collected on behalf of and remitted to other governmental agencies.

CITY OF SANTA MONICA, CALIFORNIA

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2021

	Total Private-Purpose Trust Fund	Total Custodial Fund
	<u> </u>	<u> </u>
ASSETS		
Restricted cash (note 5)	\$ 5,893,172	1,895,399
Money market funds with fiscal agent(note 5)	7,105,022	-
Accounts receivable	<u> -</u>	<u> 56,782</u>
Total assets	<u> 12,998,194</u>	<u> 1,952,181</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on refunding	<u> 1,322,213</u>	<u> -</u>
LIABILITIES		
Loans and bonds payable, due within one year (note 17)	6,774,476	-
Loans and bonds payable, due in more than one year (note 17)	126,471,428	-
Accrued interest payable, due in more than one year	<u> 3,301,074</u>	<u> -</u>
Total liabilities	<u> 136,546,978</u>	<u> -</u>
NET POSITION		
Restricted for the dissolution of the Former Redevelopment Agency	\$ (122,226,571)	-
Restricted for other governments, organizations and individuals	<u> -</u>	<u> 1,952,181</u>

See accompanying notes to basic financial statements.

CITY OF SANTA MONICA, CALIFORNIA
Statement of Changes in
Fiduciary Net Position
Fiduciary Funds
For the fiscal year ended June 30, 2021

	<u>Private-purpose Trust Fund</u>	<u>Custodial Fund</u>
Additions:		
Property tax distribution	\$ 14,557,251	-
Investment income	1,055	-
Held for others	-	140,780
Other revenue	7,111	-
Fees collected for other governments	-	2,171,653
Total additions	<u>14,565,417</u>	<u>2,312,433</u>
Deductions:		
Project expenses	407,190	-
Interest expense	6,816,368	-
Payments to other governments	-	1,589,607
Payments to organizations and individuals	-	449,014
Total deductions	<u>7,223,558</u>	<u>2,038,621</u>
Change in net position	7,341,859	273,812
Net position at beginning of year, as restated (note 20)	<u>(129,568,430)</u>	<u>1,678,369</u>
Net position at end of year	<u>\$ (122,226,571)</u>	<u>1,952,181</u>

See accompanying notes to basic financial statements.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2021

(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.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2021

The *Santa Monica Arts Foundation* promotes the arts by raising funds to finance art programs. On June 8, 1990, the City Council merged the City's Arts Commission with the Santa Monica Arts Foundation. While the Arts Foundation meets the requirements of being reported as a component unit of the City, the operating results are immaterial to the City as a whole and therefore it is not included in the City's basic financial statements.

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

B. BASIC FINANCIAL STATEMENTS

Basic financial statements consist of the following:

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

The government-wide financial statements consist of the statement of net position and the statement of activities and report information on all of the non-fiduciary activities of the primary government and its component units. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. All internal balances in the statement of net position have been eliminated, with the exception of those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total government column. In the statement of activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. Exceptions to this general rule are charges between the City's Water Fund and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, general services, community services, library and community development. The business-type activities of the City include water, wastewater, stormwater, resource recovery and recycling, pier,

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2021

airport, cemetery, community broadband, Big Blue Bus, and parking authority.

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

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

For the year ended June 30, 2021, the City implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, "Fiduciary Activities" and Statement No. 98, "The Annual Comprehensive Financial Report".

Statement No. 84 establishes criteria for identifying fiduciary activities for accounting and financial reporting purposes. As a result, the City's fiduciary fund financial statements have been modified to reflect the implementation of this new guidance, including reclassifying activities previously reported in agency funds to custodial or governmental funds, as applicable.

Statement No. 98 establishes the term Annual Comprehensive Financial Report and its acronym ACFR. The new term and its acronym will replace instances of comprehensive annual financial report and its acronym in the City's financial reports.

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.

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

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements For the fiscal year ended June 30, 2021

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

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

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major enterprise funds:

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

The **Wastewater Fund** accounts for the activities of maintaining the sanitary sewer system within the City.

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Notes to Basic Financial Statements
For the fiscal year ended June 30, 2021

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

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

Additionally, the City reports the following fund types:

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

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

Debt Service Funds account for and report financial resources that are restricted to expenditures for principal and interest.

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

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

Fiduciary Funds consist of a Private-purpose Trust Fund and Custodial 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. The **Custodial Fund** accounts for assets held by the City as a trustee for individuals or other government units. The Custodial fund is used to report amounts the City has custody of. This fund accounts for assets held by the City for fees collected on behalf of other governmental agencies or other assets held by the City in a custodial 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.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2021

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

Cash and Investments

In order to maximize the flexibility of its investment program and to aid in cash budgeting, the City pools the cash of all funds, except for monies deposited with fiscal and escrow agents in accordance with related bond indentures and agreements. The cash and investments balance in each fund represents that fund's equity share of the City's cash and investment pool. As the City places no restrictions on the deposit or withdrawal of its equity from the pool by a particular fund, the pool operates like a demand deposit account for the participating funds.

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

The City's investments are carried at fair value, except for guaranteed investment contracts, which are carried at cost because they are not transferable and they have terms that are not affected by changes in market interest rates. The fair value of equity and debt securities is determined based on sales prices or bid-and-asked quotations from Securities and Exchange Commission (SEC) registered securities exchanges or National Association of Securities Dealers Automated Quotations (NASDAQ) dealers. Changes in fair value are allocated to each participating fund on an annual basis.

The City's share of Local Agency Investment Fund (LAIF) is reported to the City on a quarterly basis. LAIF operates in accordance with laws and regulations of the State of California. LAIF is not reported at fair value.

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

Receivables and Payables

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

Advances between funds and notes receivables, as reported in the fund financial statements, are offset by nonspendable fund balance in the applicable governmental funds to indicate that they are not 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

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements For the fiscal year ended June 30, 2021

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, 2021, the allowance for uncollectible accounts for governmental and business-type activities is \$1,189,127 and \$2,266,434 respectively.

Unbilled service receivables are accrued at year-end.

Property Taxes

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

Inventory and Prepaid Items

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

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

Restricted Assets

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

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

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2021

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

Capital Assets

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred, net of interest earned on unspent proceeds of tax-exempt borrowings, during the construction phase of capital assets of business-type and enterprise funds activities is included as part of the capitalized value of the assets constructed.

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

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

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

- The collection is held for reasons other than financial gain.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
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- The collection is protected, kept unencumbered, cared for, and preserved.
- The collection is subject to an organizational policy requiring that the proceeds from sales of collection items be used to acquire other items for collections.

The City's artwork collection meets the above criteria and therefore qualifies for the exemption from the capitalization requirement. The collection includes both permanent and portable artworks, artworks integrated into overall projects, murals, and stand-alone permanently installed paintings and sculptures, art integrated into the design of public works projects (not stand-alone), and a contemporary collection of almost 100 portable artworks, which are on display in public areas of City facilities.

Lease Obligations

The City leases various assets under operating lease agreements.

Compensated Absences

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

Long-Term Liabilities

In the government-wide financial statements, proprietary funds financial statements and private-purpose trust fund statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Initial-issue bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. 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,

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2021

are reported as debt service expenditures. Interest and principal payments are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

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

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

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

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

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

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

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

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

Finally, on the governmental funds balance sheet, when an asset is recorded but the revenue is not available, a deferred inflow of resources is reported for unavailable revenue until such time as the revenue becomes available.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2021

Net Position and Fund Balance

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

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

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent based on the adopted City Council policy in the City's most recently adopted budget. As of June 30, 2021, 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

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2021

policies contained in the fund balance policies, has delegated the authority to assign fund balances to the City Manager or their designee. Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned to specific purposes within the general fund. Unassigned fund balance can also be used in other governmental funds where the fund balance is negative, because a negative amount should not be reported for restricted, committed or assigned in any fund. In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is expended in the order of restricted, committed, assigned, and unassigned.

Self-Insurance Program

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

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

Pensions

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

Other Postemployment Benefits (OPEB)

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

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2021

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, 2020
Measurement Period	June 30, 2019 to June 30, 2020

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 Required Supplementary Information
For the fiscal year ended June 30, 2021

(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, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2021</u>	<u>Due within one year</u>
Governmental activities ⁽¹⁾	13,771,193	7,449,436	6,569,879	14,650,750	6,985,614
Business-type activities	3,441,073	2,407,921	2,219,965	3,629,029	2,325,850
Total	<u>\$ 17,212,266</u>	<u>9,857,357</u>	<u>8,789,844</u>	<u>18,279,779</u>	<u>9,311,464</u>

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

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2021

(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	\$ 285,581,009	—	86,885,942	—	372,466,951
Restricted cash and investments	20,394,629	—	—	—	20,394,629
Receivables (net, where applicable, of allowances for uncollectibles):					
Accounts	9,320,633	—	7,364	—	9,327,997
Notes	201,864,672	—	—	—	201,864,672
Taxes	17,522,356	—	—	—	17,522,356
Interest	662,215	—	113,968	—	776,183
Other governments	14,012,892	—	—	—	14,012,892
Internal balances	—	—	2,031,161	6,055,187	8,086,348
Due from other funds	9,707,670	—	—	(9,707,670)	—
Deposits	3,257	—	—	—	3,257
Prepays	56,592	—	—	—	56,592
Restricted cash and investments with fiscal agent	33,702,686	—	—	—	33,702,686
Advances to other funds	11,152,159	—	—	(11,152,159)	—
Notes Receivable Successor Agency	—	—	—	—	—
Capital assets, net	—	915,972,172	106,667	—	916,078,839
Total assets	<u>603,980,770</u>	<u>915,972,172</u>	<u>89,145,102</u>	<u>(14,804,642)</u>	<u>1,594,293,402</u>
Deferred Outflows of Resources					
Deferred loss on refundings	—	5,018	—	—	5,018
Deferred outflows from pensions	—	71,311,846	369,247	—	71,681,093
Deferred outflows from OPEB	—	8,674,203	3,045	—	8,677,248
Total deferred outflow of resources	<u>—</u>	<u>79,991,067</u>	<u>372,292</u>	<u>—</u>	<u>80,363,359</u>
Liabilities, Deferred Inflows of Resources and Fund Balances/Net Position					
Liabilities:					
Accounts payable	30,465,029	—	687,598	—	31,152,627
Accrued liabilities	6,345,049	—	46,565	—	6,391,614
Accrued interest payable	—	1,950,097	—	—	1,950,097
Contracts payable (retained percentage)	3,509,549	—	5,611	—	3,515,160
Due to other funds	9,191,939	—	—	(9,191,939)	—
Unearned revenue	23,874,243	—	—	—	23,874,243
Deposits payable from restricted assets	765,559	—	—	—	765,559
Advances from other funds	5,612,703	—	—	(5,612,703)	—
Compensated absences due within one year	—	6,946,813	38,801	—	6,985,614
Compensated absences due in more than one year	—	7,548,993	116,143	—	7,665,136
Claims payable due within one year	—	—	73,783,753	—	73,783,753
Claims payable due in more than one year	—	—	57,122,759	—	57,122,759
Loans and bonds payable due within one year	—	2,895,000	—	—	2,895,000
Loans and bonds payable due in more than one year	—	158,726,447	—	—	158,726,447
Pollution remediation obligation due within one year	—	342,183	—	—	342,183
Pollution remediation obligation due in more than one year	—	1,658,468	—	—	1,658,468
Net OPEB liability	—	34,431,314	12,087	—	34,443,401
Net pension liability	—	391,280,743	2,138,016	—	393,418,759
Total liabilities	<u>79,764,071</u>	<u>605,780,058</u>	<u>133,951,333</u>	<u>(14,804,642)</u>	<u>804,690,820</u>
Deferred Inflows of Resources					
Unavailable revenue	13,352,597	—	—	(13,352,597)	—
Deferred gain on refunding	—	634,900	—	—	634,900
Deferred inflows from pensions	—	8,588,216	76,412	—	8,664,628
Deferred inflows from OPEB	—	1,309,989	460	—	1,310,449
Total deferred inflows of resources	<u>13,352,597</u>	<u>10,533,105</u>	<u>76,872</u>	<u>(13,352,597)</u>	<u>10,609,977</u>
Total fund balances/net position	<u>\$ 510,864,102</u>	<u>379,650,076</u>	<u>(44,510,811)</u>	<u>13,352,597</u>	<u>859,355,964</u>

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2021

- 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 \$106,667 net of accumulated depreciation, are not included in this amount.

	\$ 1,464,080,745
Less accumulated depreciation/amortization	<u>(548,108,573)</u>
	<u>\$ 915,972,172</u>

Deferred outflows on refunding	5,018
Deferred inflows on refunding	<u>(634,900)</u>
	<u>\$ (629,882)</u>

Deferred outflows from pension	71,311,846
Deferred inflows from pension	<u>(8,588,216)</u>
	<u>\$ 62,723,630</u>

Deferred outflows from OPEB	8,674,203
Deferred inflows from OPEB	<u>(1,309,989)</u>
	<u>\$ 7,364,214</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	(2,135,000)
Revenue bonds	(143,495,000)
Accrued interest on long-term debt	(1,950,097)
Unamortized premium on long-term debt	(15,991,447)
Employee compensated absences	(14,495,806)
Accrued pollution remediation costs	(2,000,651)
Net OPEB liability	(34,431,314)
Net pension liability	<u>(391,280,743)</u>
Total long-term liabilities	<u>\$ (605,780,058)</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.

\$ (46,541,972)

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.

	<u>2,031,161</u>
	<u>\$ (44,510,811)</u>

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2021

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	\$157,375,697	28,661,992	—	186,037,689
Receivables (net, where applicable, of allowances for uncollectibles):				
Accounts	23,471,522	143,318	—	23,614,840
Interest	389,364	43,037	—	432,401
Notes receivable Successor Agency	-	—	—	-
Settlement	-	—	—	-
Due from other governments	10,709,924	—	—	10,709,924
Internal balances	—	—	(8,086,348)	(8,086,348)
Inventory	3,416,607	6,953	—	3,423,560
Prepays	12,313	—	—	12,313
Restricted cash and investments	66,413,736	—	—	66,413,736
Restricted cash and investments with fiscal agent	2	—	—	2
Capital assets, net	454,575,208	18,363,491	—	472,938,699
Total assets	<u>716,364,373</u>	<u>47,218,791</u>	<u>(8,086,348)</u>	<u>755,496,816</u>
Deferred Outflows of Resources				
Deferred loss on refunding	38,132	—	—	38,132
Deferred outflows from pensions	14,482,536	671,696	—	15,154,232
Deferred outflows from OPEB	1,393,550	65,082	—	1,458,632
Total deferred outflows of resources	<u>15,914,218</u>	<u>736,778</u>	<u>—</u>	<u>16,650,996</u>
Liabilities				
Accounts payable	11,244,973	370,349	—	11,615,322
Accrued liabilities	2,758,316	72,053	—	2,830,369
Accrued interest payable	429,795	—	—	429,795
Contracts payable (retained percentage)	1,846,566	—	—	1,846,566
Internal balances	6,055,187	2,031,161	(8,086,348)	—
Unearned revenue	20,846,514	—	—	20,846,514
Liabilities payable from restricted assets	17,811,927	—	—	17,811,927
Compensated absences due within one year	2,249,482	76,368	—	2,325,850
Compensated absences due in more than one year	1,191,498	111,681	—	1,303,179
Claims payable due within one year	—	2,478,793	—	2,478,793
Claims payable due in more than one year	—	1,890,701	—	1,890,701
Loans and bonds payable due within one year	2,340,000	—	—	2,340,000
Loans and bonds payable due in more than one year	28,129,655	—	—	28,129,655
Pollution remediation obligation due within one year	20,352,242	—	—	20,352,242
Pollution remediation obligation due in more than one year	34,343,458	—	—	34,343,458
Net OPEB liability due in more than one year	5,531,545	258,334	—	5,789,879
Net pension liability due in more than one year	83,856,945	3,889,262	—	87,746,207
Total liabilities	<u>238,988,103</u>	<u>11,178,702</u>	<u>(8,086,348)</u>	<u>242,080,457</u>
Deferred Inflows of Resources				
Deferred inflows from pensions	2,997,012	139,001	—	3,136,013
Deferred inflows from OPEB	210,457	9,829	—	220,286
Total deferred inflows of resources	<u>3,207,469</u>	<u>148,830</u>	<u>—</u>	<u>3,356,299</u>
Total Net Position	<u>\$490,083,019</u>	<u>36,628,037</u>	<u>—</u>	<u>526,711,056</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.

\$ 38,659,198

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.

\$ (2,031,161)

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2021

(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 called 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 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 called 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 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

Notes to Basic Financial Statements For the fiscal year ended June 30, 2021

During FY 2020-21, the City revised its pollution remediation liability estimate for both the Charnock and Olympic Well Field restoration projects based on the most current information available. The primary reason for the increase was the refinement of the remediation process and related operating costs for the Olympic Well Field based on updated engineering estimates from the City's consultants that are currently constructing the remediation system, where the capital and operating costs of the remediation system are higher than determined in the 2017 evaluation. The Charnock Well Field remediation liability increased due to longer periods of remediation than determined in the previous evaluation in 2017. The City believes it has sufficient funds from the Gillette/Boeing settlement to fund current and future estimated remediation costs. To estimate the potential remediation liability, the City utilized expected cash flow and present value to the anticipated cost of remediation, both construction and operating costs, as required under the remediation agreements and included a 10% contingency for unforeseen costs. This increased the business type activities liability from \$34,174,514 as of June 30, 2020 to \$54,695,700 as of June 30, 2021 but the governmental activities liability decreased from \$2,332,867 as of June 30, 2020 to \$2,000,651 as of June 30, 2021.

Additionally, the City engages in an ongoing program of pollution remediation related to its various properties. Currently the City Yards are undergoing remediation in the form of vaporous contaminant removal. By State law these occurrences are required to be reported to California Department of Health Services.

The balance of the pollution remediation liability is \$2,000,651 in the governmental activities of which \$342,183 is due within one year and \$54,695,700 in the business-type activities, of which \$20,352,242 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, 2021

(5) CASH AND INVESTMENTS

Cash and investments as of June 30, 2021 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 558,504,640
Restricted cash and investments	86,808,365
Restricted cash with fiscal agent	33,702,688
Fiduciary funds:	
Restricted cash and investments	7,788,571
Restricted cash with fiscal agent	7,105,022
Total cash and investments	<u>\$ 693,909,286</u>

Cash and investments as of June 30, 2021 consist of the following:

Cash on hand	\$ 27,348
Deposits with financial institutions	100,145,242
Investments	<u>593,736,696</u>
Total cash and investments	<u>\$ 693,909,286</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 \$1,116,350 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).

<u>Investment types authorized by state law</u>	<u>Authorized by investment policy</u>	<u>*Maximum maturity</u>	<u>*Maximum percentage of portfolio</u>	<u>*Maximum Investment in one issuer</u>
Local agency bonds	Yes	5 years	None	None
U.S. Treasury obligations	Yes	5 years	None	None
U.S. agency securities/obligations	Yes	5 years	None	50%
State Obligations-California and Others	Yes	5 years	None	None
CA Local Agency obligations	Yes	5 years	None	None

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2021

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	40%	10%
Commercial paper-Pooled funds	Yes	270 days	25%	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	50%	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, 2021

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 timing of market value changes as well as the timing of investment transactions may on occasion result in the percentage of equities exceeding 60% for a short period of time until the portfolio can be rebalanced. 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

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2021

callable structured investments for which the coupon interest rate changes if the investments are not called on or before certain pre-determined dates. The fair value of these investments, which primarily falls into the Federal agency security 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	\$ 273,923,593	34,872,980	30,967,820	208,082,793	—	—
Treasury Bills	—	—	—	—	—	—
Corporate medium term notes	111,959,640	37,982,665	27,819,958	46,157,017	—	—
Municipal bonds	58,571,690	10,112,944	10,528,214	37,930,532	—	—
Commercial Paper	2,499,426	2,499,426	—	—	—	—
Supranationals	32,425,799	—	4,123,240	28,302,559	—	—
State investment pool	74,666,539	74,666,539	—	—	—	—
Held by others:						
Treasury notes/bonds	3,239,351	—	689,686	341,305	2,208,360	—
Corporate medium term notes	3,388,918	—	288,771	2,484,741	615,406	—
Municipal Bonds	130,878	—	130,878	—	—	—
Common stock	10,470,006	—	—	—	—	10,470,006
Money market funds	22,460,856	22,460,856	—	—	—	—
Total	\$ 593,736,696	182,595,410	74,548,567	323,298,947	2,823,766	10,470,006

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City's investments as of June 30, 2021 (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.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2021

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, 2021

Investment type	Amount	Minimum legal rating**	Actual ratings - Standard & Poor's***										
			AAA/A+1	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	Not rated
Held by City:													
Corporate medium term notes	\$ 111,959,640	A	13,971,289	12,324,359	—	17,606,438	31,654,084	20,623,995	10,684,025	5,095,450	—	—	—
Municipal bonds	58,571,690	N/A	8,178,147	13,867,328	8,366,058	19,475,970	5,253,860	3,430,327	—	—	—	—	—
Commercial Paper	2,499,426	A+1	2,499,426	—	—	—	—	—	—	—	—	—	—
Supranationals	32,425,799	AA	32,425,799	—	—	—	—	—	—	—	—	—	—
State investment pool	74,666,539	N / A	—	—	—	—	—	—	—	—	—	—	74,666,539
	<u>280,123,094</u>												
Held by others:													
Municipal Bonds	130,878	N / A	—	130,878	—	—	—	—	—	—	—	—	—
Corporate medium term notes	3,388,918	N / A	120,098	—	—	—	—	175,335	141,794	592,439	1,407,153	952,099	—
Common stock	10,470,006		—	—	—	—	—	—	—	—	—	—	10,470,006
Money market funds	22,460,856	*	22,300,198	—	—	—	—	—	—	—	—	—	160,658
	<u>\$ 316,573,752</u>		<u>79,494,957</u>	<u>26,322,565</u>	<u>8,366,058</u>	<u>37,082,408</u>	<u>36,907,944</u>	<u>24,229,657</u>	<u>10,825,819</u>	<u>5,687,889</u>	<u>1,407,153</u>	<u>952,099</u>	<u>85,297,203</u>

*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.

*** For bonds not rated by Standard and Poor's but rated by Fitch Ratings and/or Moody's, the rating from either Fitch or Moody's is used.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2021

As of June 30, 2021, 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. Detail on bonds that were downgraded after the time of purchase are discussed in detail below:

- The portfolio holds one Starbucks bond (book value of \$5,103,335 or about 0.9% of total invested funds) that was 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 remaining maturity life of the bond is a little over one year and the estimated probability of default of the bond is very low (less than 0.01%). Staff concluded that holding the bond is the appropriate course of action at this time.
- The portfolio holds one bond issued by Merck Corp with a book value of \$3,189,316 (about 0.6% of total invested funds) that were downgraded by S&P from AA- to A+ in June 2021. The bond has a relatively short remaining maturity and a default risk of less than 0.01%. Given this and the fact that it is likely a loss of approximately \$54,000 would be realized if the bond was sold, it will continue to be held at this time.
- The portfolio holds one Pfizer Inc bond (book value of \$6,413,280 or about 1.2% of total invested funds) that was downgraded by S&P from AA- to A+ in November 2020. The bond has a very low default risk (about .02%), and the City would likely realize a loss of over \$106,000 if the bond were sold. The bond will continue to be held at this time.
- The portfolio holds four bonds issued by Toyota Motor Credit Corp with a book value of \$13,057,351 (about 2.4% of total invested funds). One of the bonds was rated AA- by S&P at the time of purchase but was downgraded to A+ in May 2020. The net market value of the bonds is about \$228,000 less than the book value. The default risk ranges from about 0.3% for bonds with shorter maturities to about 1.3% for a four and a half-year maturity bond. The default risk for the longer-term bond relatively low, and the bonds will continue to be held at this time.
- The portfolio holds two bonds issued by IBM Corp with a book value of \$8,768,301 (about 1.6% of total invested funds) that were downgraded by S&P from A to A- in May 2021. Both bonds have a remaining maturity of less than one year and a default risk of less than .01%. Given this and the fact that it is likely a \$102,000 loss would be realized if the bonds were sold, the bonds will continue to be held 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:

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Notes to Basic Financial Statements
For the fiscal year ended June 30, 2021

<u>Issuer</u>	<u>Investment type</u>	<u>Reported amount</u>	<u>% of Investments</u>
FNMA (Fannie Mae)	Federal agency securities	\$ 59,147,505	10.0 %
Federal Farm Credit Bank	Federal agency securities	34,810,340	5.9
FHLMC (Freddie Mac)	Federal agency securities	58,804,570	9.9
Federal Home Loan Bank	Federal agency securities	67,772,280	11.4
Federal Agricultural Mortgage Assoc.	Federal agency securities	49,294,990	8.3

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The collateral is held by the pledging financial institution’s trust department and is considered held in the City’s name. The investments held by the City were not subject to custodial credit risk at June 30, 2021.

As of June 30, 2021, 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, 2021, \$74,665,666 was invested in the City’s account and \$873 was invested in the SA account. The total amount invested by all public agencies in LAIF at that date was \$37.1 billion. The LAIF is part of the State’s Pooled Money Investment Account (PMIA). As of June 30, 2021, the investments in the PMIA totaled \$193.3 billion (exclusive of demand bank account balances), nearly all of which is invested in non-derivative financial products. The weighted average of PMIA investments

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Notes to Basic Financial Statements
For the fiscal year ended June 30, 2021

was 291 days as of June 30, 2021. LAIF is not rated. LAIF does not impose limits or restrictions on participant withdrawals (other than the number of withdrawals per month and 24-hour notice required for withdrawals of \$10 million and over), 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, 2021:

Investment Type	Totals	Level			Uncategorized
		1	2	3	
Federal agency securities	\$ 273,923,593	—	273,923,593	—	—
Treasury bills	—	—	—	—	—
Corporate medium term notes	111,959,640	—	111,959,640	—	—
Municipal bonds	58,571,690	—	58,571,690	—	—
Supranationals	32,425,799	—	32,425,799	—	—
Commercial Paper	2,499,426	—	2,499,426	—	—
Local Agency Investment Fund	74,666,539	—	—	—	74,666,539
Held by Others:					
Treasury notes/bonds	3,239,351	3,239,351	—	—	—
Corporate medium term notes	3,388,918	—	3,388,918	—	—
Municipal bonds	130,878	—	130,878	—	—
Common stock	10,470,006	10,470,006	—	—	—
Money market mutual funds	22,460,856	—	—	—	22,460,856
Investments at Fair Value	\$ 593,736,696	13,709,357	482,899,944	—	97,127,395

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.

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Notes to Basic Financial Statements
For the fiscal year ended June 30, 2021

(6) NOTES RECEIVABLE

Notes receivable related to governmental activities total \$201,864,672 as follows:

	<u>Balance at June 30, 2020</u>	<u>Transfers</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2021</u>
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)	10,570,940	-	-	-	10,570,940
EAH, Inc (k)	6,738,114	-	4,661,886	-	11,400,000
Community Corporation of Santa Monica (l)	377,773	-	52,192	-	429,965
Community Corporation of Santa Monica (m)	8,131,592	-	1,416,064	-	9,547,656
Community Corporation of Santa Monica (n)	8,679,178	-	2,507,670	-	11,186,848
Community Corporation of Santa Monica (o)	12,404,964	-	4,354,895	-	16,759,859
EAH, Inc (p)	1,645,205	-	-	-	1,645,205
Community Corporation of Santa Monica (q)	13,820,136	-	81,429	-	13,901,565
Total Special Revenue Source Fund	<u>113,409,658</u>	<u>-</u>	<u>13,074,136</u>	<u>-</u>	<u>126,483,794</u>
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	-	594,294	-	5,949,089
Total Low and Moderate Income Housing Asset Fund	<u>52,362,933</u>	<u>-</u>	<u>594,294</u>	<u>-</u>	<u>52,957,227</u>
Other Nonmajor Governmental Funds					
Ocean Park Community Center (dd)	400,000	-	-	-	400,000
Community Corporation of Santa Monica (ee)	6,345,807	-	-	-	6,345,807
Community Corporation of Santa Monica (ff)	841,600	-	-	-	841,600
Community Corporation of Santa Monica (gg)	1,691,965	-	-	-	1,691,965
Ocean Park Community Center (hh)	800,000	-	-	-	800,000
Step Up (ii)	1,300,000	-	-	-	1,300,000
Community Corporation of Santa Monica (jj)	669,456	-	-	-	669,456
Low- and moderate-income housing (kk)	719,619	-	-	42,900	676,719
MERL Program (ll)	5,786,839	-	-	98,940	5,687,899
MERL Program (mm)	4,079,370	-	-	69,165	4,010,205
Total nonmajor governmental funds	<u>22,634,656</u>	<u>-</u>	<u>-</u>	<u>211,005</u>	<u>22,423,651</u>
Total notes receivable	<u>\$ 188,407,247</u>	<u>-</u>	<u>13,668,430</u>	<u>211,005</u>	<u>201,864,672</u>

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2021

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, 2021, \$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, 2021, \$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, 2021, \$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, 2021, \$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, 2021, \$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, 2021, \$19,400,000 had been disbursed to the borrower.

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Notes to Basic Financial Statements For the fiscal year ended June 30, 2021

- g. A shared appreciation promissory note dated October 18, 2012 in the amount of \$87,830 was executed with residents for a unit purchase in Mountain View Mobile Home Park at 1930 Stewart Street. This is a 55-year loan with a 0% interest rate. As of June 30, 2021, \$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, 2021, \$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, 2021, \$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 3% interest loan with a fifty-five-year term from the date the project is completed but not later than December 31, 2075. As of June 30, 2021, \$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, 2021, \$11,400,000 had been disbursed to the borrower.
- 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, 2021, \$429,965 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, 2021, \$9,547,656 had been disbursed to the borrower.
- n. A promissory note dated March 18, 2021 in the amount of \$13,348,057 was executed with Community Corporation of Santa Monica for an affordable housing project located at 1819 Pico Boulevard et al. This

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Notes to Basic Financial Statements For the fiscal year ended June 30, 2021

is a 2% interest loan with a fifty-five-year term from the date the project is completed but not later than December 31, 2077. 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, 2021, \$11,186,848 had been disbursed to the borrower.

- o. A promissory note dated November 24, 2020 in the amount of \$20,650,000 was executed with Community Corporation of Santa Monica for an affordable housing project located at 1834-48 14th Street. This is a 3% interest loan with a fifty-five-year term from the date the project is completed but not later than December 31, 2077. 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, 2021, \$16,759,859 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, 2021, \$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 "cc" 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, 2021, \$13,901,565 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, 2021, 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, 2021, \$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

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Notes to Basic Financial Statements For the fiscal year ended June 30, 2021

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, 2021, the outstanding balance is \$4,437,001. See item “c” above for the amount disbursed from the Special Revenue Source Fund.

- 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, 2021, \$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, 2021, \$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, 2021, \$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, 2021, \$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, 2021, \$5,408,035 had been disbursed to the borrower. This was disbursed from the Low and Moderate Income Housing Asset Fund. See item “gg” 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, 2021, \$5,870,000 had been disbursed to the borrower. This was disbursed from the Low

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements For the fiscal year ended June 30, 2021

and Moderate Income Housing Asset Fund. See item "ii" 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 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, 2021, 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, 2021, \$685,738 had been disbursed to the borrower.
- cc. 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, 2021, \$5,949,089 had been disbursed to the borrower. A part of this balance was transferred from the Special Revenue Source Fund. See item "p" above.

Other Nonmajor Governmental Funds

- dd. 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, 2021, \$400,000 had been disbursed to the borrower. This was disbursed from the TORCA Fund. See item "hh" below for the amount disbursed from the Miscellaneous Grants Fund.
- ee. 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, 2021, \$6,345,807 had been disbursed to the borrower. This was disbursed from the TORCA Fund.
- ff. 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, 2021, \$841,600 had been disbursed to the borrower. This was disbursed from the CDBG Fund.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements For the fiscal year ended June 30, 2021

- gg. 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, 2021, \$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.
- hh. 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, 2021, \$800,000 had been disbursed to the borrower. This was disbursed from the Miscellaneous Grants Fund. See item “dd” above for the amount disbursed from the TORCA Fund.
- ii. 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, 2021, \$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.
- jj. On October 22, 1998, the City executed a promissory note with Community Corporation of Santa Monica for the construction of a twenty unit, large family, affordable housing complex located at 708 Pico Boulevard. \$579,000 was funded from the City’s Pico Neighborhood Trust Fund but now known as CDBG Housing Trust Fund, while \$221,000 is funded from the Community Development Block Grant (CDBG) Fund. This note is a 0% interest loan to be repaid from residual receipts of the project and is due on October 22, 2053. As of June 30, 2021, the outstanding balance is \$669,456.
- kk. 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, 2021, the outstanding balances of such loans total \$676,719.
- ll. 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

CITY OF SANTA MONICA, CALIFORNIA

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Presidential Contingency Fund, and \$25,000,000 – CDBG Program Emergency Supplemental Fund. Loans were made between 1995 and 2001. As of June 30, 2021, the CDBG Program Emergency Supplemental Fund outstanding balance is \$5,687,899. See item “mm” below for the amount disbursed from the Miscellaneous Grants Fund.

- mm. 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, 2021, the Miscellaneous Grants Fund outstanding balance is \$4,010,205. See item “ll” above for the amount disbursed from the CDBG fund.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2021

(7) CAPITAL ASSETS

Capital assets activity for the primary government for fiscal year ended June 30, 2021 is as follows:

	Balance at July 1, 2020	Increases	Decreases	Transfers	Balance at June 30, 2021
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 200,323,024	—	—	—	200,323,024
Land held under easement	72,237,823	147,100	—	—	72,384,923
Construction in progress	161,943,715	55,191,634	(188,219)	(135,811,716)	81,135,414
Total capital assets, not being depreciated	<u>434,504,562</u>	<u>55,338,734</u>	<u>(188,219)</u>	<u>(135,811,716)</u>	<u>353,843,361</u>
Capital assets, being depreciated:					
Buildings	340,429,097	—	(26,544)	113,783,549	454,186,102
Improvements other than buildings	197,362,735	—	—	21,014,722	218,377,457
Utility systems	1,742,913	—	—	—	1,742,913
Machinery and equipment	59,306,980	104,911	(192,123)	1,013,445	60,233,213
Infrastructure	376,593,979	—	—	—	376,593,979
Intangibles	695,710	—	—	—	695,710
Total capital assets being depreciated	<u>976,131,414</u>	<u>104,911</u>	<u>(218,667)</u>	<u>135,811,716</u>	<u>1,111,829,374</u>
Less accumulated depreciation for:					
Buildings	(134,431,796)	(8,844,378)	24,317	—	(143,251,857)
Improvements other than buildings	(97,606,806)	(8,595,573)	—	—	(106,202,379)
Utility systems	(1,577,970)	(164,947)	—	—	(1,742,917)
Machinery and equipment	(36,179,511)	(3,018,271)	180,015	—	(39,017,767)
Infrastructure	(250,254,245)	(8,840,972)	—	—	(259,095,217)
Intangibles	(242,317)	(41,442)	—	—	(283,759)
Total accumulated depreciation	<u>(520,292,645)</u>	<u>(29,505,583)</u>	<u>204,332</u>	<u>—</u>	<u>(549,593,896)</u>
Total capital assets, being depreciated, net	<u>455,838,769</u>	<u>(29,400,672)</u>	<u>(14,335)</u>	<u>135,811,716</u>	<u>562,235,478</u>
Subtotal governmental activities	<u>890,343,331</u>	<u>25,938,062</u>	<u>(202,554)</u>	<u>—</u>	<u>916,078,839</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	53,380,750	—	—	—	53,380,750
Construction in progress	27,972,800	31,756,631	—	(4,988,522)	54,740,909
Total capital assets, not being depreciated	<u>81,353,550</u>	<u>31,756,631</u>	<u>—</u>	<u>(4,988,522)</u>	<u>108,121,659</u>
Capital assets, being depreciated:					
Buildings	148,326,983	—	—	1,740,508	150,067,491
Improvements other than buildings	28,865,015	—	—	992,974	29,857,989
Machinery and equipment	227,404,898	2,356,551	(5,754,673)	1,054,835	225,061,611
Infrastructure	249,653,154	3,516,517	—	1,200,205	254,369,876
Intangibles	113,808,997	2,956,126	—	—	116,765,123
Total capital assets being depreciated	<u>768,059,047</u>	<u>8,829,194</u>	<u>(5,754,673)</u>	<u>4,988,522</u>	<u>776,122,090</u>
Less accumulated depreciation for:					
Buildings	(71,287,219)	(4,361,612)	—	—	(75,648,831)
Improvements other than buildings	(18,777,645)	(1,193,079)	—	—	(19,970,724)
Machinery and equipment	(142,797,085)	(17,701,829)	5,670,105	—	(154,828,809)
Infrastructure	(111,194,639)	(5,585,080)	—	—	(116,779,719)
Intangibles	(41,139,678)	(2,937,289)	—	—	(44,076,967)
Total accumulated depreciation	<u>(385,196,266)</u>	<u>(31,778,889)</u>	<u>5,670,105</u>	<u>—</u>	<u>(411,305,050)</u>
Total capital assets, being depreciated, net	<u>382,862,781</u>	<u>(22,949,695)</u>	<u>(84,568)</u>	<u>4,988,522</u>	<u>364,817,040</u>
Subtotal business-type activities	<u>464,216,331</u>	<u>8,806,936</u>	<u>(84,568)</u>	<u>—</u>	<u>472,938,699</u>
Total	<u>\$ 1,354,559,662</u>	<u>34,744,998</u>	<u>(287,122)</u>	<u>—</u>	<u>1,389,017,538</u>

CITY OF SANTA MONICA, CALIFORNIA

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

Governmental activities:	
General government	\$ 605,915
Public safety	3,598,061
General services	15,080,046
Community services	4,362,325
Library	1,298,948
Community development	4,467,553
Capital assets held by the government's internal service funds are charged to the various functions based on their assets' usage	92,735
Total depreciation and amortization expense - governmental activities	<u>\$ 29,505,583</u>
Business-type activities:	
Water	\$ 1,474,753
Resource Recovery and Recycling	4,897
Broadband	10,459
Pier	907,215
Wastewater	6,535,170
Airport	335,690
Stormwater management	324,607
Cemetery	44,313
Big Blue Bus	17,406,930
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	4,718,592
Total depreciation and amortization expense - business-type activities	<u>\$ 31,778,889</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, 2021

(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.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2021

The components of unearned revenue are as follows:

Governmental funds:	
General Fund:	
Unearned user fees	\$ 2,079,559
Unearned rent	166,555
Business license tax	<u>2,756,606</u>
Total General Fund	<u>5,002,720</u>
Special Revenue Source Fund:	
Civic Center Village advanced lease payments	<u>17,522,050</u>
Total Special Revenue Source Fund	<u>17,522,050</u>
Nonmajor governmental funds:	
Grants received prior to meeting all eligibility requirements	815,174
Unearned user fees	<u>534,299</u>
Total nonmajor governmental funds:	<u>1,349,473</u>
Total governmental funds	<u>23,874,243</u>
Enterprise funds:	
Big Blue Bus Fund:	
Unearned developer fees	185,000
Unearned rent	527
Grant and other funds received prior to meeting all eligibility requirements	<u>20,628,888</u>
Total Big Blue Bus Fund	<u>20,814,415</u>
Wastewater Fund:	
Business license tax	<u>13,140</u>
Total Wastewater Fund	<u>13,140</u>
Nonmajor enterprise funds:	
Unearned rent	<u>18,959</u>
Total nonmajor enterprise funds:	<u>18,959</u>
Total enterprise funds	<u>20,846,514</u>
Total unearned revenue	<u><u>\$ 44,720,757</u></u>

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2021

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	\$ 163,285	(163,285)	—
Total General Fund	<u>163,285</u>	<u>(163,285)</u>	<u>—</u>
Nonmajor governmental funds:			
Grants receivable	13,189,312	(13,189,312)	—
Total Nonmajor governmental funds	<u>13,189,312</u>	<u>(13,189,312)</u>	<u>—</u>
Total deferred inflows of resources	<u>\$ 13,352,597</u>	<u>(13,352,597)</u>	<u>—</u>

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2021

(9) LONG-TERM DEBT

Changes in long-term debt:

Long-term debt activity for the fiscal year ended June 30, 2021, was as follows:

	<u>Balance at July 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2021</u>	<u>Due within one year</u>	<u>Due beyond one year</u>
Governmental Activities:						
Lease Revenue bonds	148,455,000	19,700,000	24,660,000	143,495,000	1,820,000	141,675,000
General obligation bonds	3,230,000	—	1,095,000	2,135,000	1,075,000	1,060,000
Plus deferred amounts:						
For issuance premiums	14,326,015	3,711,636	2,046,204	15,991,447	—	15,991,447
Total loans and bonds payable	<u>166,011,015</u>	<u>23,411,636</u>	<u>27,801,204</u>	<u>161,621,447</u>	<u>2,895,000</u>	<u>158,726,447</u>
Business-type activities:						
Loans payable						
from direct borrowings	5,550,789	22,528,915	—	28,079,704	—	28,079,704
Revenue bonds	4,615,000	—	2,275,000	2,340,000	2,340,000	—
Plus deferred amounts:						
For issuance premiums	149,846	—	99,895	49,951	—	49,951
Total loans and bonds payable	<u>10,315,635</u>	<u>22,528,915</u>	<u>2,374,895</u>	<u>30,469,655</u>	<u>2,340,000</u>	<u>28,129,655</u>
Total	<u>\$ 176,326,650</u>	<u>45,940,551</u>	<u>30,176,099</u>	<u>192,091,102</u>	<u>5,235,000</u>	<u>186,856,102</u>

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements For the fiscal year ended June 30, 2021

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, 2021</u>
Governmental activities:					
Lease Revenue bonds (1):					
Public Finance Authority Refunding 2021 (Series A)	May 5, 2021	\$ 17,860,000	July 1, 2031	4.00%	\$ 17,860,000
Public Finance Authority Refunding 2021 (Series B)	May 5, 2021	1,840,000	July 1, 2023	0.30%	1,840,000
Public Finance Authority Refunding 2015	Jul 9, 2015	26,360,000	July 1, 2033	3.00-5.00%	21,010,000
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>143,495,000</u>
General obligation bonds (1):					
Main Library Improvements 2012	May 30, 2012	11,325,000	July 1, 2022	0.20-4.00%	<u>2,135,000</u>
Subtotal general obligation bonds - governmental activities					<u>2,135,000</u>
Subtotal governmental activities					<u>145,630,000</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>2,340,000</u>
Subtotal revenue bonds - business-type activities					<u>2,340,000</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>28,079,704</u>
Subtotal business-type activities					<u>30,419,704</u>
Total					<u>\$ 176,049,704</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, 2021

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
2022	\$ 1,820,000	5,795,629	1,075,000	63,900	2,895,000	5,859,529
2023	3,330,000	5,914,852	1,060,000	21,200	4,390,000	5,936,052
2024	5,340,000	5,741,342	—	—	5,340,000	5,741,342
2025	5,600,000	5,536,332	—	—	5,600,000	5,536,332
2026	5,845,000	5,285,532	—	—	5,845,000	5,285,532
2027-2031	33,430,000	22,249,795	—	—	33,430,000	22,249,795
2032-2036	25,530,000	15,626,070	—	—	25,530,000	15,626,070
2037-2041	21,330,000	11,128,188	—	—	21,330,000	11,128,188
2042-2046	26,855,000	5,578,263	—	—	26,855,000	5,578,263
2047-2050	14,415,000	671,225	—	—	14,415,000	671,225
	<u>\$ 143,495,000</u>	<u>83,527,228</u>	<u>2,135,000</u>	<u>85,100</u>	<u>145,630,000</u>	<u>83,612,328</u>

Business-type activities						
Fiscal year ending June 30,	Revenue bonds		Loan payable from direct borrowings		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
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	—	—	1,894,568	1,227,540	1,894,568	1,227,540
2027-2031	—	—	9,996,815	5,613,724	9,996,815	5,613,724
2032-2036	—	—	10,929,506	4,681,033	10,929,506	4,681,033
2037-2041	—	—	1,569,586	816,764	1,569,586	816,764
	<u>\$ 2,340,000</u>	<u>46,800</u>	<u>28,079,704</u>	<u>14,894,046</u>	<u>30,419,704</u>	<u>9,443,049</u>

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements For the fiscal year ended June 30, 2021

The City's outstanding balance of a construction installment sale agreement from direct borrowings related to business type activities of \$28,079,704 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 \$2,340,000 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 *	\$ 1,060,000	1,060,000	100%	-
Public Finance Authority Refunding 2021	533,166	533,166	100%	24,613,228
Public Finance Authority Refunding 2015	2,048,194	2,048,194	100%	24,627,788
Public Finance Authority 2017	2,991,600	2,991,600	100%	115,307,100
Public Finance Authority 2018	1,554,387	1,554,387	100%	57,970,020
Library bond tax revenue				
Main Library Improvements Refunding 2012	1,160,400	1,160,400	100%	1,102,400
Wastewater charges for services				
Hyperion Project Revenue Refunding 2012	2,505,100	2,505,100	100%	2,386,800

* bonds were refunded in May of 2021

Refunding

On May 5, 2021, the Santa Monica Public Financing Authority issued \$19,700,000 of Santa Monica Public Financing Authority Lease Revenue Refunding Bonds (Parking Structure 6 Project) Series 2021A&B bearing interest from 0.30% to 4.00% with a final maturity of July 1, 2031. The bonds were issued to refund the Santa Monica Public Financing Authority Lease Revenue Bonds (Parking Structure 6 Project) Series

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements For the fiscal year ended June 30, 2021

2011A. The aggregate difference in debt service between the refunding debt and the refunded debt is \$4,206,176 and resulted in an economic gain of \$4,197,861. The reacquisition price exceeded the net carry value of the old debt by \$588,305. The amount is being added to the new debt and amortized over the remaining life of the new debt, which is equal to the life of the refunded debt. The bonds due in 2022 were advanced refunded and the principal amount of those bonds is \$1,605,000.

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 principal contingent on the City's performance of its obligations under the agreement. 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 \$28,079,704 on the loan as of June 30, 2021.

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 \$930,000 as of June 30, 2021.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2021

(10) FUND DEFICITS

Governmental Funds

A negative fund balance of \$3,208,872 exists in the Beach Recreation Fund primarily due to beach parking revenue declines as a result of the global pandemic and expenditures for large capital projects such as the beach bike path. It is anticipated that the fund deficit will be eliminated through increased future revenues and a reduction in future capital project expenditures.

A negative fund balance of \$1,522,393 exists in the Miscellaneous Grants Fund primarily due to grant reimbursements receivables from other governments that have not been recognized as revenue based on the City's revenue recognition policy. Once the funds have been received the negative fund balance will be eliminated.

Enterprise Funds

A net deficit of \$117,597 exists in the Community Broadband Fund primarily due to investment of \$1.3 million in a 5G wireless network system. Future revenues from the new system are expected to relieve the deficit.

Internal Service Funds

A net deficit of \$59,403,838 exists in the Self-Insurance General Liability Fund primarily due the current and prior year's 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 in FY 2021-22 through increased annual contributions and a one-time \$54.9 million contribution to the Fund.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2021

(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, 2021.

Advances to/from

Advances to/from other funds at June 30, 2021 are as follows:

<u>Advances to (receivable fund)</u>	<u>Advances from (payable fund)</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	\$ 4,162,703
	Nonmajor enterprise funds	5,539,456
	Total General Fund	<u>9,702,159</u>
Special Revenue Source Fund	Nonmajor governmental funds	1,450,000
	Total Special Revenue Source Fund	<u>1,450,000</u>
	Total advances to/from	<u>\$ 11,152,159</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, 2021 are as follows:

<u>Due From (receivable fund)</u>	<u>Due to (payable fund)</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	\$ 9,191,939
	Nonmajor enterprise funds	515,731
	Total due to/from	<u>\$ 9,707,670</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, Continued
For the fiscal year ended June 30, 2021

Transfers

Transfers to/from other funds for the fiscal year ended June 30, 2021 are as follows:

<u>Transfer in (receivable fund)</u>	<u>Transfer out (payable fund)</u>	<u>Amount</u>
General Fund	Special Revenue Source Fund	\$ 1,904,422 ⁽¹⁾
	Nonmajor governmental funds	20,365,330 ⁽²⁾
	Water Fund	1,344,955 ⁽³⁾
	Big Blue Bus Fund	366,041 ⁽⁴⁾
	Wastewater Fund	670,339 ⁽⁵⁾
	Resource Recovery and Recycling Fund	232,680 ⁽⁶⁾
	Nonmajor enterprise funds	2,447,671 ⁽⁷⁾
	Internal service funds	236,711 ⁽⁸⁾
	Total General Fund	<u>27,568,149</u>
Special Revenue Source Fund	General Fund	6,990,474 ⁽⁹⁾
	Nonmajor enterprise funds	8,799,116 ⁽⁹⁾
	Total Special Revenue Source Fund	<u>15,789,590</u>
Low/Moderate Housing Fund	General Fund	1,497,619 ⁽⁹⁾
	Nonmajor enterprise funds	2,199,779 ⁽⁹⁾
	Total Low/Moderate Housing Fund	<u>3,697,398</u>
Nonmajor governmental funds	General Fund	12,599,129 ⁽¹⁰⁾
	Special Revenue Source Fund	158,950 ⁽¹¹⁾
	Nonmajor governmental funds	203,989 ⁽¹²⁾
	Wastewater Fund	15,527,652 ⁽¹³⁾
	Nonmajor enterprise funds	64,154 ⁽¹⁴⁾
	Total nonmajor governmental funds	<u>28,553,874</u>
Water Fund	General Fund	133,323 ⁽¹⁵⁾
	Total Water Fund	<u>133,323</u>
Resource Recover and Recycling Fund	Non-major governmental funds	1,463 ⁽⁶⁾
	Total Resource Recovery and Recycling Fund	<u>1,463</u>
Wastewater Fund	General Fund	39,721 ⁽¹⁵⁾
	Nonmajor enterprise funds	1,210,782 ⁽¹⁶⁾
	Total Wastewater Fund	<u>1,250,503</u>
Big Blue Bus Fund	Nonmajor governmental funds	472,076 ⁽¹⁷⁾
	Total Big Blue Bus Fund	<u>472,076</u>
Nonmajor enterprise funds	General Fund	2,754,772 ⁽¹⁸⁾
	Nonmajor governmental funds	1,455,826 ⁽¹⁹⁾
	Water Fund	9,465 ⁽²⁰⁾
	Nonmajor enterprise funds	84,440 ⁽²¹⁾
	Total nonmajor enterprise funds	<u>4,304,503</u>
Internal service funds	Internal service funds	1,992,254 ⁽²²⁾
	Total Internal service funds	<u>1,992,254</u>
	Total transfers	<u>\$ 83,763,133</u>

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2021

- 1) Transfer of monies to subsidize administrative, cultural arts, community recreation, inclusionary and affordable housing, transportation management, and litigation expenditures and payments for property used in CityTV operations.
- 2) Transfer of monies to subsidize administrative, literacy, watershed management, planning, transportation and street infrastructure expenditures and ARPA and CARES Act related expenditures.
- 3) Transfer of monies to subsidize infrastructure improvements, environmental program, and engineering expenditures.
- 4) Transfer of monies to subsidize finance, human resources, police and transit mall maintenance expenditures.
- 5) Transfer of monies to subsidize engineering and environmental programs and infrastructure improvement expenditures.
- 6) Transfer of monies to subsidize environmental programs.
- 7) Transfer of monies to subsidize the Network Operations Center, infrastructure improvements and environmental, administrative, and economic development program expenditures.
- 8) Transfer of monies to subsidize risk management program, administrative, and youth program expenditures.
- 9) Transfer of monies to subsidize affordable housing program expenditures.
- 10) Transfer of monies for payment of debt service and to subsidize beach operations and community recreation programs.
- 11) Transfer of monies to subsidize infrastructure improvements and transportation program expenditures.
- 12) Transfer of monies to subsidize infrastructure improvements and transportation program and administrative expenditures.
- 13) Transfer of monies to subsidize Sustainable Water Infrastructure Project (SWIP) expenditures.
- 14) Transfer of monies to subsidize maintenance programs.
- 15) Transfer of monies to subsidize utility rates for low-income families.
- 16) Transfer of monies to subsidize operating and maintenance expenditures associated with the Santa Monica Urban Runoff Recycling Facility.
- 17) Transfer of monies to subsidize transportation program and infrastructure expenditures.
- 18) Transfer of monies to subsidize Clean and Safe Beaches program, pier and police operations.
- 19) Transfer of monies to subsidize operating and maintenance expenditures associated with the Santa Monica Urban Runoff Recycling Facility, cemetery operation and maintenance and administrative expenditures.
- 20) Transfer of monies received from Metropolitan Water District Recycled Water Rebate program.
- 21) Transfer of monies to subsidize administrative expenditures.
- 22) 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, 2021

(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, 2021 is as follows:

Community development	
Low and moderate income housing funds	\$ 66,992,294
Special revenue source funds	44,976,922
Tenant Ownership Rights Charter Amendment (TORCA) funds	13,123,456
Community Development Block Grant (CDBG) funds	8,953,089
Miscellaneous grant funds	16,663,539
Rent control funds	1,802,110
Housing authority funds	571,582
Total Community development	<u>153,082,992</u>
Community services	
Special revenue source funds	6,952,909
Parks and recreation funds	44,105
Total Community services	<u>6,997,014</u>
Transportation	
Special revenue source funds - traffic	2,789,586
Special revenue source funds - parking	1,144,006
Special revenue source funds - roads	44,853
Special revenue source funds - transit	12,010,846
Local return funds	14,394,152
Gas tax funds	4,277,821
Total transportation	<u>34,661,264</u>
Clean beaches and ocean parcel tax	7,877,341
Debt service	5,622,302
Miscellaneous	12,949,246
Perpetual care - nonexpendable	17,468,033
Total governmental restricted net position	<u>\$ 238,658,192</u>

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2021

Restricted net position for business-type activities at June 30, 2021 is as follows:

Prop 1B	\$ 10,731,093
Debt service	<u>2,298,946</u>
Total business-type restricted net position	<u><u>\$ 13,030,039</u></u>

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2021

(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, 2021 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	\$ 12,076	—	—	44,516	56,592
Advances to Airport	5,376,171	—	—	—	5,376,171
Advances to Beach	3,842,973	1,450,000	—	—	5,292,973
Advances to Rent Control	319,730	—	—	—	319,730
Perpetual care	—	—	—	17,468,033	17,468,033
Total nonspendable	<u>\$ 9,550,950</u>	<u>1,450,000</u>	<u>—</u>	<u>17,512,549</u>	<u>28,513,499</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, 2021

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	\$ 2,296,683	—	—	—	2,296,683
2018 FSI Bonds	6,256,435	—	—	—	6,256,435
Affordable housing	—	44,976,922	66,992,294	40,014,473	151,983,689
Childcare programs	—	1,489,342	—	44,105	1,533,447
Clean beaches and ocean parcel tax	—	—	—	7,877,341	7,877,341
Consumer protection	2,233,552	—	—	—	2,233,552
Cultural and recreation services	—	6,952,909	—	—	6,952,909
Debt service	—	—	—	5,622,302	5,622,302
Disability	332,827	—	—	—	332,827
Miscellaneous	—	2,413,920	—	3,175,963	5,589,883
Overnight accommodations	—	3,303,642	—	—	3,303,642
Parking	—	1,144,006	—	—	1,144,006
Roads	—	44,853	—	4,277,821	4,322,674
Traffic	—	2,789,586	—	—	2,789,586
Transit	—	12,010,846	—	14,394,152	26,404,998
Total restricted	<u>\$ 11,119,497</u>	<u>75,126,026</u>	<u>66,992,294</u>	<u>75,406,157</u>	<u>228,643,974</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.

Committed fund balance includes affordable housing funds received from settlement proceeds, the sale of City-owned properties, 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, 2021

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

	General Fund	Special Revenue Source Fund	Low and Moderate Income Housing Asset Fund	Nonmajor governmental funds	Total governmental funds
<u>Committed</u>					
Affordable housing	\$ —	114,924,058	—	—	114,924,058
Total committed	\$ —	114,924,058	—	—	114,924,058

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. Self-insurance supplemental payment funds are set aside to pay for potential increases in General Fund contributions to the City’s liability self-insurance program. Other purposes funds represent one-time funds set aside to cushion the General Fund budget from the impacts of pension contribution rate adjustments reflecting pension plan losses in FY 2019-20 and also due to the City’s FY 2020-21 staff reductions, other post employment benefit (OPEB) liability paydown, unanticipated deferred maintenance costs arising out of the temporary reduction of the City’s ongoing capital improvement program investments as a result of COVID-19-related revenue losses, and potential litigation costs. The Shutdown Reserve, created per Council direction, is kept intact to allow a cushion to fund the continuation of essential General Fund operations in the face of continued COVID-19-related revenue losses. ARPA funds reflect funds made available for economic recovery and operations programming through June 30, 2023 as a result of the use of American Rescue Plan Act (ARPA) funds to supplement General Fund revenues. Funds for continuing capital projects represent funds that are dedicated to completing previously budgeted but as yet unencumbered capital improvement projects throughout the City. Other funds are assigned for compensated absences and other key initiatives required for the health and safety of the City and its assets. A portion of Yearend CIP savings will be used in FY 2021-22 for immediate one-time clean and safe enhancements.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2021

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>					
Encumbrances and reappropriations	\$ 34,166,462	—	—	—	34,166,462
Self insurance fund supplemental payments	8,000,000	—	—	—	8,000,000
Other purposes	14,355,418	—	—	—	14,355,418
Shutdown reserve	20,000,000	—	—	—	20,000,000
ARPA	9,338,689	—	—	—	9,338,689
Compensated absences	13,864,743	—	—	—	13,864,743
Continuing capital projects	11,502,786	—	—	—	11,502,786
Economic recovery fund	461,570	—	—	—	461,570
Racial justice fund	183,750	—	—	—	183,750
Yearend CIP savings	2,412,480	—	—	—	2,412,480
Total assigned	<u>\$ 114,285,898</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>114,285,898</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 ongoing capital program 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 lowered its contingency reserves from 15% to 12.5% of the following year’s operating and ongoing capital budget in order to make more one-time funds available to withstand the severe revenue decreases resulting from the COVID-19 pandemic. It is anticipated that the City will begin to increase the contingency reserve in FY 2023-24. The unrealized loss represents the portion of fund balance related to investments that is not available for appropriation. Negative unassigned fund balance for nonmajor governmental funds is due to the timing of expenditures being incurred prior to reimbursement from grant and other revenue sources. The deficits will be eliminated as future revenues are received.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2021

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	\$ 46,874,440	—	—	—	46,874,440
Unrealized loss	(982,963)	—	—	—	(982,963)
Other unassigned	—	—	—	(21,394,804)	(21,394,804)
Total unassigned	\$ 45,891,477	—	—	(21,394,804)	24,496,673

Subsequent to year end the City issued Lease Revenue Bonds in order to fund the remodel and construction of the City Yards. The total net proceeds of the bonds available for construction costs was \$70 million. Once the bonds were issued, the City reimbursed previously incurred construction costs of \$42.6 million. Had the bonds been issued in FY 2020-21, the General Fund fund balance would have been increased by \$70 million.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2021

(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.

(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 March 2020 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 paid two of these settlement payments on November 25, 2020 (\$162,500) and December 1, 2020 (\$4 million), leaving an outstanding balance as of June 30, 2021 of \$5,662,500. This amount has been accrued in these financial statements. On July 30, 2021 (\$2.4 million) and October 7, 2021 (\$162,500) the City made additional settlement payments and as of December 31, 2021 only \$3,100,000 remains outstanding.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2021

The City also reached a settlement with a total of 61 additional claimants totaling \$54.9 million. The settlement moneys were paid into a qualified settlement fund on December 22, 2021. This amount has been accrued in these financial statements.

Six other plaintiffs have recently sued the City and SM-PAL alleging abuse by Uller. In addition, counsel for another 13 individuals have indicated their clients' intent to sue the City and SM-PAL based on similar allegations of abuse by Uller.

The City and SM-PAL have insurance coverage via several insurance carriers covering some of the time when the alleged abuse occurred. Despite numerous and ongoing demands to these carriers by the City, the only monetary contributions to the aforementioned settlements have been \$11,000,000 from ACCEL (in exchange for a release) and \$163,679.48 from one SM-PAL insurer, Riverstone, to reimburse select defense costs. After deducting Santa Monica's required contributions to ACCEL to cover its share of this \$11 million, the net recovery from ACCEL was approximately \$8,766,089.

On September 30, 2021, the City initiated a Coverage Action, alleging breach of contract and bad faith against six of the City's insurers, as well as contractual and equitable indemnification against SM-PAL. This litigation has only recently commenced and may result in the recovery of at least some and potentially a substantial portion of the settlement funds paid by the City.

Airport

On October 31, 2013, the City filed suit against the Federal Aviation Administration (FAA) regarding the City's desire to get a judicial determination as to whether its ownership and control of the Santa Monica Airport, including its right to close the Airport if desired, is subject to limitations imposed by federal law.

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, in 1994 the City had accepted several federal grants to fund capital improvements at the Airport. Outside aviation interests contended that an amendment to an existing grant that was executed in 2003 obligated the City to operate the Airport until 2023, which is the twenty-year federal obligation period for the acceptance of grant funds. The City disputed this and instead contended that the 2003 amendment was not a new grant and that the twenty-year obligation period ended in 2014. This dispute also 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.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2021

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 the operator of the Santa Monica Airport. Among other things, the Director’s Determination finds that certain loans made by the City’s General Fund to the Airport Fund 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. Currently, the City and the FAA are engaged in settlement discussions to resolve the issues raised in the Director’s Determination. The discussions are ongoing.

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, 2020 in accordance with the Uniform Guidance requirements issued by the U.S. Office of Management and Budget, these programs may be subject to financial and compliance audits by the reimbursing agencies. The amount, if any, of expenditures, which may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Construction Commitments

The City has a number of construction projects currently underway. Purchase orders, contracts and other commitments for these projects are recorded in order to reserve the portion of the applicable appropriation and are segregated at year-end as an unavailable fund balance. Approximately \$20.6 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 2019-20. Per the City of Los Angeles, as of June 30, 2021 \$6.49 million will be due under this agreement for fiscal year 2021-22. 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, 2021, \$341,420 remains to be disbursed.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2021

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, 2021, total encumbrances for the governmental funds are reported as follows:

General Fund	\$ 35,605,046
Special Revenue Fund	2,796,672
Low and Moderate Income Housing Asset Fund	—
Nonmajor governmental funds	17,471,451
Total	<u>\$ 55,873,169</u>

Operating Lease Revenue/Expenses

The City has entered into operating lease arrangements as lessor for property. The following schedule is an analysis of the City’s investment in property under operating leases by major classes as of June 30, 2021:

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>(38,083,467)</u>
Total	<u>\$ 114,567,338</u>

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2021

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, 2021:

<u>Fiscal year ending June 30</u>	<u>Rental revenue</u>	<u>Lease payments</u>
2022	\$ 15,903,469	20,649
2023	11,387,466	-
2024	10,330,291	-
2025	8,960,733	-
2026	8,263,483	-
2027 - 2031	32,558,643	-
2032 - 2036	8,821,049	-
2037 - 2041	7,152,536	-
2042 - 2046	7,152,068	-
2047 - 2051	6,922,568	-
2052 - 2056	4,663,247	-
2057 - 2061	3,887,959	-
2062 - 2066	3,331,651	-
2067 - 2071	179,235	-
2072 - 2076	177,316	-
2077 - 2081	52,200	-
Total	<u>\$ 129,743,914</u>	<u>20,649</u>

The total long-term lease annual rental revenues and expenditures/expenses for the year ended June 30, 2021, were \$17,215,195 and \$1,254,231 respectively.

City staff formerly located in leased facilities have been relocated to City Hall and City Hall East (City Services Building), thereby eliminating the City's long term lease commitments beginning in FY 2022-23.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2021

(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 \$55,000,000. The City retains self-insurance up to \$1,000,000 for workers' compensation. PRISM Excess Insurance Authority covers up to an additional \$4,000,000 for workers' compensation and arranges for excess of workers' compensation over \$5,000,000 and up to statutory limits. No claim settlements have exceeded insurance coverage in any of the past three years.

In order to provide funds to pay claims, ACCEL collects premiums from each member. The premiums paid are credited with investment income at the rate earning on the Authority's investments. Based on ACCEL's June 30, 2021 audited financial statements, the City's proportionate share of ACCEL's net reserves and incurred but not reported (IBNR) amounts related to the City was (\$1,785,319) meaning the City's reserves and IBNR exceeded premiums and interest earned. Accel's total net reserves and IBNR was (\$1,291,579). Total assets of ACCEL at June 30, 2021 were \$53,055,767. 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, 2021, 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.

On August 30, 2021, the City entered into a \$54.9 million settlement agreement with 61 alleged victims of sexual abuse of minors. The payment will be made to a qualified settlement fund by December 31, 2021. This amount has been accrued in these financial statements.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2021

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, 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
Total Governmental activities	\$ 63,409,087	55,563,901	(23,265,413)	95,707,575	39,202,556
Business-type activities:					
Bus	\$ 7,095,747	600,008	(2,525,077)	5,170,678	2,514,041
Total Business-type activities	\$ 7,095,747	600,008	(2,525,077)	5,170,678	2,514,041
June 30, 2021:					
Governmental activities:					
General Liability and Automobile	\$ 40,113,022	59,798,269	(26,609,407)	73,301,884	62,610,214
Workers' Compensation	55,594,553	11,845,381	(9,835,306)	57,604,628	11,173,539
Total Governmental activities	\$ 95,707,575	71,643,650	(36,444,713)	130,906,512	73,783,753
Business-type activities:					
Bus	\$ 5,170,678	1,648,825	(2,450,009)	4,369,494	2,478,793
Total Business-type activities	\$ 5,170,678	1,648,825	(2,450,009)	4,369,494	2,478,793

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2021

(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 annual comprehensive financial report available from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95811.

Plan Description

All full-time employees of the City and part-time employees who have worked over 1,000 hours during a fiscal year are eligible to participate in either one of the Safety Plans (Police and Fire) or the Miscellaneous Plan (all others). The City is authorized by statute to establish and amend all plan provisions. Related benefits vest after five years of service. Upon five years of service, employees who retire are entitled to receive an annual retirement benefit according to the following Plan provision chart for each employee group:

	Miscellaneous		
	Prior to July 1, 2012	Between July 1, 2012 and December 31, 2012	On or after January 1, 2013
Hire Date			
Benefit formula	2.70% @ 55	2.00% @ 55	2.00% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefits payments	monthly for life	monthly for life	monthly for life
Retirement age	50-55	50-62	52-67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.43% to 2.42%	1.00% to 2.50%
Cost of living adjustment	2.00%	2.00%	2.00%
Required employee contribution rate	8.00%	7.00%	6.75%
Required employer contribution rate	25.19%	25.19%	25.19%

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2021

	Police	
	<u>Prior to December 31, 2012</u>	<u>On or after January 1, 2013</u>
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%	13.00%
Required employer contribution rate	58.96%	58.96%

	Fire	
	<u>Prior to December 31, 2012</u>	<u>On or after January 1, 2013</u>
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%	10.00%
Required employer contribution rate	45.84%	45.84%

As of June 30, 2021, the City had 1,900 active members of which 1,083 were considered “classic” members (hired prior to 12/31/2012) and 817 fall under the decreased benefits as prescribed in the Public Employees Pension Reform Act of 2012 (PEPRA). As noted in the tables 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 formula.

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 2020-21, the City paid CalPERS \$22,094,006, \$10,867,817 and \$5,144,742 for the employer paid amortization of the unfunded liability for the miscellaneous, police and fire plans respectively. Because of the financial constraints caused by revenue losses due to the pandemic, the City elected to temporarily suspend its policy of making additional payment towards the unfunded liability. The City intends to reestablish these additional payments beginning FY 2022-23.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2021

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 6.75% to 8.00% (for miscellaneous employees), 9.00% to 13.00% (for Police safety employees), and 9.00% to 10.00% (for Fire safety employees), of their annual covered salary. 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.

Beginning July 1, 2020, all plan members pay 100% of their employee contributions. In addition, Fire safety members hired before December 31, 2012 reimburse the City an additional 6.0% and Police safety members hired before December 31, 2012 reimburse the City for an additional 8.5%.

Employees’ share of pension costs totaled \$17,693,360 for FY 2020-21.

Employees Covered

At June 30, 2019, 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	1,407	332	148
Inactive employees entitled to but not yet receiving benefits	159	6	1
Active members	1,905	220	117
Total	<u>3,471</u>	<u>558</u>	<u>266</u>

Note: Information derived from 2019 CalPERS Census Data

Net Pension Liability

The City’s net pension liability for each Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The total pension liability of each of the Plans is measured as of June 30, 2020, using an annual actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2021

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2020 (the measurement date), the total pension liability was determined using the following actuarial methods and assumptions:

	<u>Miscellaneous</u>	<u>Safety - Police</u>	<u>Safety - Fire</u>
Valuation date	June 30, 2019	June 30, 2019	June 30, 2019
Measurement date	June 30, 2020	June 30, 2020	June 30, 2020
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		The lesser of contract COLA up to 2.50% until Purchasing Power Protections Allowance Floor on Purchasing Power applies, 2.50% thereafter	

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

² The mortality table used was developed based on CalPERS-specific data. The 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.

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 expected future real rates of return (expected returns net of pension plan investment expense and inflation) are developed for each major asset class.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2021

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 adjusted to account for the assumed administrative expenses. The expected real rates of return by asset class are as followed:

Asset Class ¹	Assumed asset allocation	Real Return % Years 1 - 10 ²	Real Return % Years 11+ ³
Global equity	50.00	4.80	5.98
Fixed income	28.00	1.00	2.62
Inflation assets	-	0.77	1.81
Private equity	8.00	6.30	7.23
Real assets	13.00	3.75	4.93
Liquidity	1.00	-	(0.92)

¹ In the System's financial statements, Fixed Income is included in the Global Debt Securities; Liquidity is included in Short-term investments; Inflation assets are 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

Amortization of Deferred Outflows and Inflows of Resources

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.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2021

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

Net Difference between projected and actual earnings on pension plan investments	5 year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lives (EARSL) 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 zero. Also note that total future service is based on members' probability of decrementing due to an event other than receiving a cash refund.

Changes in Net Pension Liability

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

Miscellaneous:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(c)=(a)-(b)
Balance at 6/30/2019 (Valuation Date)	\$ 1,206,549,260	945,750,453	260,798,807
Changes recognized for the measurement period			
Service cost	26,940,522	—	26,940,522
Interest on total pension liability	84,780,608	—	84,780,608
Differences between expected and actual experience	(7,677,266)	—	(7,677,266)
Contribution - employer	—	39,789,326	(39,789,326)
Contribution - employee	—	11,287,483	(11,287,483)
Net investment income	—	48,650,608	(48,650,608)
Benefit payments, includes employee contribution refunds	(53,198,960)	(53,198,960)	—
Administrative expense	—	(1,333,279)	1,333,279
Net changes	<u>50,844,904</u>	<u>45,195,178</u>	<u>5,649,726</u>
Balance at 6/30/2020 (Measurement Date)	\$ <u>1,257,394,164</u>	<u>990,945,631</u>	<u>266,448,533</u>

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2021

Public Safety - Police:

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c)=(a)-(b)
Balance at 6/30/2019 (Valuation Date)	\$ 499,688,158	373,559,650	126,128,508
Changes recognized for the measurement period			
Service cost	11,086,298	—	11,086,298
Interest on total pension liability	35,384,916	—	35,384,916
Differences between expected and actual experience	2,033,685	—	2,033,685
Contribution - employer	—	19,904,356	(19,904,356)
Contribution - employee	—	3,493,416	(3,493,416)
Net investment income	—	18,812,931	(18,812,931)
Benefit payments, includes employee contribution refunds	(24,742,085)	(24,742,085)	-
Administrative expense	—	(526,627)	526,627
Net changes	23,762,814	16,941,991	6,820,823
Balance at 6/30/2020 (Measurement Date)	\$ 523,450,972	390,501,641	132,949,331

Public Safety - Fire:

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c)=(a)-(b)
Balance at 6/30/2019 (Valuation Date)	\$ 259,802,551	181,050,855	78,751,696
Changes recognized for the measurement period			
Service cost	5,050,337	—	5,050,337
Interest on total pension liability	18,311,217	—	18,311,217
Differences between expected and actual experience	923,359	—	923,359
Contribution - employer	—	10,703,394	(10,703,394)
Contribution - employee	—	1,752,804	(1,752,804)
Net investment income	—	9,068,546	(9,068,546)
Benefit payments, includes employee contribution refunds	(14,300,274)	(14,300,274)	—
Administrative expense	—	(255,237)	255,237
Net changes	9,984,639	6,969,233	3,015,406
Balance at 6/30/2020 (Measurement Date)	\$ 269,787,190	188,020,088	81,767,102

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):

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2021

Discount Rate	Plan		
	Miscellaneous	Safety - Police	Safety - Fire
1% Decrease	6.15%	6.15%	6.15%
Net Pension Liability	\$ 435,258,935	204,131,890	117,492,245
Current Discount Rate	7.15%	7.15%	7.15%
Net Pension Liability	\$ 266,448,533	132,949,331	81,767,102
1% Increase	8.15%	8.15%	8.15%
Net Pension Liability	\$ 126,745,255	74,534,290	52,269,422

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, 2021, the City recognized pension expense as follows:

Plan	Pension Expense
Miscellaneous	\$ 48,051,709
Safety - Police	22,644,916
Safety - Fire	12,273,967
Total	\$ 82,970,592

As of June 30, 2021, 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	\$ —	(2,386,839)	—	(304,146)	3,776,708	(622,915)
Difference between expected and actual experience	3,239,815	(7,135,916)	1,552,639	(722,812)	3,113,077	(628,013)
Net difference between projected and actual earnings on pension plan investments	7,318,783	—	3,206,463	—	1,412,871	—
Employer contributions subsequent to the measurement date	35,458,470	—	19,119,799	—	8,636,700	—
Total	\$ 46,017,068	(9,522,755)	23,878,901	(1,026,958)	16,939,356	(1,250,928)

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2021

The amounts above are net of outflows and inflows recognized in the pension expense for the fiscal year ended June 30, 2021.

Contributions of \$63,214,969 that were made City subsequent to the measurement date but before the end of the reporting period are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the subsequent fiscal year ended June 30, 2022 rather than in the current fiscal year.

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
2021	\$ (7,451,549)	(1,487,224)	1,651,918
2022	1,673,071	1,360,454	2,367,071
2023	3,063,366	2,297,652	1,503,310
2024	3,750,955	1,561,262	1,311,059
2025	—	—	188,588
Thereafter	—	—	29,782

CalPERS Funding Risk Mitigation Policy

The Funding Risk Mitigation (“FRM”) Policy seeks to reduce CalPERS funding risk over time. It establishes a mechanism whereby CalPERS investment performance that significantly outperforms the discount rate triggers adjustments to the discount rate, expected investment return, and strategic asset allocation targets. The Asset Liability Management (ALM) process is an integrated review of CalPERS assets and liabilities to inform decisions designed to achieve a sound and sustainable fund.

The goal of the ALM process is to balance the expected cost of future pension payments with the expected future investment returns. During the process, the CalPERS board reviews its overall risks, taking into consideration the long-term sustainability of the system.

This formal process runs on a four-year cycle and includes a review of CalPERS’ investment portfolios and retirement plan liabilities. Capital Market Assumptions are primarily based on expectations of future investment returns. Liability projections are based on demographic and economic factors and trends, including membership dynamics, future salary and payroll growth, retirement ages, inflation, and life expectancy.

The difference between the 21.3% investment returns for FY 2020-21 and the 7.0% expected discount rate exceeded the 13.0% threshold as established in the FRM policy and resulted in an FRM event. This triggered a 0.2% reduction in the discount rate from 7.0% to 6.8% to help mitigate future investment return risk. This change will result in a higher contribution rate in future years compared to the rate that would have been used prior to the adoption of the FRM.

As part of the ALM, on November 5, 2021, the CalPERS Board of Administration selected a new asset allocation mix that will guide the fund’s investment portfolio for the next four years, while at the same time

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2021

retaining the 6.8% target rate of return. The Board also approved adding 5% leverage to increase investment diversification. The new asset allocation takes effect July 1, 2022.

Deferred Compensation Plans

The City offers to its employees an optional deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code. This plan is available to substantially all employees and allows participants to defer a portion of their current income until future years to shelter such funds and earnings from state and federal taxation until withdrawal. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency. For the fiscal year ended June 30, 2021 the total employee contributions were \$12,278,351.

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, 2021 the total employee contributions were \$942,083.

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, 2021 the combined employee/employer contributions were \$80,505.

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.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2021

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><u>2,509</u></u>

Contributions

The OPEB Plan and its contribution requirements are established by Memorandum of Understanding with the applicable employee bargaining units and may be amended by agreements between the City and these bargaining units. The annual contribution is based on the actuarially determined contribution.

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2020 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	2.85%
Inflation	2.75%
Salary increases	3.25% per year, used only to allocate the costs between service years.
Investment rate of return	6.20%
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%

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2021

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 2.85%. 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 is 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 reemergence of revenues which suffered a downturn caused by the COVID-19 pandemic. Because the City did not contribute to the plan for FY 2020-21 the discount rate was reduced from 3.73% to 2.85% which increased the OPEB liability by \$4,391,134. It is anticipated that once the City restarts annual contributions to the trust then a higher discount will be used, and the liability will be reduced.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2021

Changes in OPEB liability

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

	Increase (Decrease)		
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(c)=(a)-(b)
Balance at 6/30/2019 (valuation date)	\$ 40,906,328	7,899,459	33,006,869
Changes recognized for the measurement period			
Service cost	1,707,389	—	1,707,389
Interest on total OPEB liability	1,555,940	—	1,555,940
Changes of assumptions	4,391,134	—	4,391,134
Net investment income	—	432,025	(432,025)
Benefit payments	(1,798,994)	(1,798,994)	—
Administrative expense	—	(3,973)	3,973
Net changes	<u>5,855,469</u>	<u>(1,370,942)</u>	<u>7,226,411</u>
Balance at 6/30/2020 (measurement date)	<u>\$ 46,761,797</u>	<u>6,528,517</u>	<u>40,233,280</u>

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

The following presents the net OPEB liability of the City if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2020:

	1% Decrease	Current Discount Rate	1% Increase
	(1.85%)	(2.85%)	(3.85%)
Net OPEB Liability	\$ 46,098,172	40,233,280	35,292,321

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, 2020.

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
	(5.5% decreasing to 3.0%)	(6.5% decreasing to 4.0%)	(7.5% decreasing to 5.0%)
Net OPEB Liability	\$ 34,669,821	40,233,280	47,027,459

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2021

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)

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

For the fiscal year ended June 30, 2021 the City recognized OPEB expense of \$3,727,758. As of fiscal year ended June 30, 2021, 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	\$ 10,135,880	178,471
Differences between expected and actual experience	-	1,112,502
Net difference between projected and actual earnings on investments	-	239,762
	\$ 10,135,880	1,530,735

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2021

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

<u>Measurement Year Ending June 30</u>	<u>Recognized Deferred Outflows(Inflows) of Resources</u>
2021	\$ 894,333
2022	916,389
2023	935,347
2024	995,772
2025	995,397
Thereafter	3,867,907

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

Medical Trusts

The City contributes, consistent with bargaining unit agreements, monies to medical trusts, a defined contribution plan that provide postemployment medical benefits to employees. The amount of benefits provided to employees under these plans is limited solely to the amount contributed (determined by negotiations between the various bargaining groups and the City) related investment earnings, and forfeitures. For the fiscal year ended June 30, 2021 the City contributed \$3,112,905 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, 2021

(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, 2021 are classified in the accompanying financial statements as follows:

Statement of Fiduciary Net Position:	
Restricted cash and investments	\$ 5,893,172
Restricted cash and investments with fiscal agent	<u>7,105,022</u>
Total cash and investments	<u>\$ 12,998,194</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. For fair value, authorized investments, disclosures relating to interest rate and credit risk and other information see Cash and Investments Note 5.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2021

SUCCESSOR AGENCY LONG-TERM LIABILITIES

Changes in long-term liabilities:

Long-term liability activity for the fiscal year ended June 30, 2021 was as follows:

	Balance at June 30, 2020	Additions	Reductions	Balance at June 30, 2021	Due within one year	Due beyond one year
Loans and notes payable						
from direct borrowings	\$ 37,840,254	—	720,078	37,120,176	769,173	36,351,003
Term loan from direct borrowings	25,757,567	—	3,030,306	22,727,261	3,030,303	19,696,958
Tax allocation bonds	76,045,000	—	2,855,000	73,190,000	2,975,000	70,215,000
Notes payable to the City of Santa Monica (1)	2,348,247	—	2,348,247	—	—	—
Less deferred amounts:						
For issuance discounts	(72,750)	—	(8,085)	(64,665)	—	(64,665)
For issuance premiums	286,788	—	13,656	273,132	—	273,132
Total loans, notes and bonds payable	\$ 142,205,106	—	8,959,202	133,245,904	6,774,476	126,471,428

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

	Date of issue	Original issue	Final maturity date	Interest rate	Balance at June 30, 2021
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%	32,140,000
Subtotal tax allocation bonds					<u>73,190,000</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%	22,727,261
Promissory notes payable to others(2)*	Nov 1, 2010	42,500,000	Jan 1, 2042	6.82%	37,120,176
Subtotal loans and notes					<u>59,847,437</u>
Total					<u>\$ 133,037,437</u>

*Final and conclusive determination received from the Department of Finance

- (1) To fund low moderate income housing projects
- (2) For purchase of real estate

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2021

Annual debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Tax allocation bonds		Loans and notes payable from direct borrowings		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
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	3,545,000	3,085,983	4,031,687	2,501,788	7,576,687	5,587,771
2027-2031	18,130,000	12,702,018	13,911,587	10,598,445	32,041,587	23,300,463
2032-2036	13,145,000	9,167,103	9,383,970	7,816,029	22,528,970	16,983,132
2037-2041	17,315,000	4,772,038	10,467,784	3,632,215	27,782,784	8,404,253
2042-2043	8,335,000	463,653	6,525,310	674,671	14,860,310	1,138,324
	<u>\$ 73,190,000</u>	<u>44,028,138</u>	<u>59,847,437</u>	<u>36,456,256</u>	<u>133,037,437</u>	<u>80,484,394</u>

The Successor Agency’s outstanding loan of \$22,727,261 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 \$73,190,000 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 \$37,120,176 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 action 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, 2021

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	\$ 4,447,758	4,447,758	100%	\$ 35,584,495
Earthquake Recovery Project 2011	2,262,413	2,262,413	100%	76,791,056
Note Payable to Others	3,300,000	3,300,000	100%	71,700,000
Bank of America Term Loan	3,396,422	3,396,422	100%	22,855,917

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2021

(18) COVID-19 PANDEMIC

On March 13, 2020, the City issued an emergency declaration in response to the novel coronavirus (COVID-19) public health emergency to enhance the City's ability to access federal and state dollars for COVID-19 response.

Since then, various emergency orders have been issued and through various State, County and Local orders, various businesses were required to temporarily cease or curtail operations. This affected the City's operations as well.

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 to cover costs that:

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

In May of 2020, the Department of Housing and Urban Development (HUD) awarded the Housing Authority \$244,968 and in August of 2020 HUD awarded an additional allocation of \$357,550 for a total of \$602,518 to be spent before December 31, 2021 on administrative expenses associated with the Housing Choice Voucher program.

On July 10, 2020, the City completed certification to become eligible for CARES Act allocations of which the City received an allocation of \$1,140,344 which was recognized as revenue in FY 2020-21. Also, in FY 2020-21, the City was provided a credit of \$1,655,357 against its State Unemployment Insurance payment.

The Big Blue Bus received a total of \$24,360,412 of CARES Act funding to pay for operating expenses which was recognized as revenue in FY 2020-21.

Additionally, the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSAA) includes \$14 billion to be allocated to support the transit industry during the COVID-19 public health emergency. The Big Blue Bus was awarded but has not received \$22,247,777 in Coronavirus Response and Relief Supplemental Appropriations Act funds.

On March 11, 2021, Congress passed the American Rescue Plan Act of 2021 (ARPA). Included in the act were approximately \$350 billion for eligible state, local, territorial, and Tribal governments to respond to the COVID-19 emergency and bring back jobs.

The funding objectives are:

- Support urgent COVID-19 response efforts to continue to decrease spread of the virus and bring the pandemic under control
- Replace lost revenue for eligible state, local, territorial, and Tribal governments to strengthen support for vital public services and help retain jobs
- Support immediate economic stabilization for households and businesses

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2021

- Address systemic public health and economic challenges that have contributed to the unequal impact of the pandemic

The City, in applying for the funds, calculated lost revenues as defined under the ARPA rules in order to qualify for recognition of the ARPA grant revenue. The estimated revenue loss incurred by the City was determined to be approximately \$139 million as of the twelve months ended December 31, 2020 which consisted primarily of losses in transient occupancy taxes, parking charges and taxes, sales and use taxes and various utility charges for services such as solid waste pickup and water/wastewater commodities.

The City's total allocation of ARPA funds is \$28,570,125 of which the first tranche of \$14,285,063 has been received and recognized as revenue in FY 2020-21. The second tranche of remaining funds is expected to be received in FY 2021-22. The US Treasury's Interim Final Rule allows recipients to use funds for the provision of government services incurred after March 3, 2021 to the extent of the reduction in revenue and the City elected to allocate the revenue replacement funds to salaries for public safety staff.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2021

(19) SPECIAL ITEM

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

The following transaction is reported as a special item:

- The City settled additional legal claims related to an alleged incident of sexual assault of minors in the amount of \$9.825 million paid by the City's General Fund which is reported as a special item.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
Year ended June 30, 2021

(20) PRIOR PERIOD ADJUSTMENTS

The accompanying financial statements reflect adjustments resulting from a restatement of fund balance and net position as of June 30, 2021 as follows:

Restatements on Government-wide Statements:

	<u>Governmental Activities</u>
Beginning Net Position, as previously reported	\$ 927,940,863
Restatements:	
Cable franchise fees incorrectly recognized	<u>(1,666,685)</u>
Beginning Net Position, as restated	<u><u>\$ 926,274,178</u></u>

	<u>Business-Type Activities</u>
Beginning Net Position, as previously reported	\$ 589,623,918
Restatements:	
Recycling revenue not recognized in correct period	<u>4,166,911</u>
Beginning Net Position, as restated	<u><u>\$ 593,790,829</u></u>

Restatement on Fund Statements, Governmental Funds:

	<u>General Fund</u>
Beginning Fund Balance, as previously reported	\$ 226,544,053
Restatements:	
Cable franchise fees incorrectly recognized	<u>(1,666,685)</u>
Beginning Fund Balance, as restated	<u><u>\$ 224,877,368</u></u>

Advance cable television provider franchise fees were incorrectly recognized as revenue in FY 2019-20.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements

Year ended June 30, 2021

Restatement on Fund Statements, Enterprise Funds:

	Resource, Recovery and Recycling Fund
Beginning Net Position, as previously reported	\$ 2,490,097
Restatements:	
Recycling revenue not recognized in correct period	4,166,911
Beginning Fund Balance, as restated	<u>\$ 6,657,008</u>

Deposits forfeited were not recognized as revenue in prior years.

Restatement on Fund Statements, Fiduciary Funds:

	Custodial Fund
Beginning Net Position, as previously reported	\$ -
Restatements:	
Implementation of GASB 84	1,678,369
Beginning Fund Balance, as restated	<u>\$ 1,678,369</u>

To establish a beginning Net Position for the Custodial Fund as required by GASB 84.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2021

(21) SUBSEQUENT EVENTS

On August 4, 2021, the Santa Monica Public Financing Authority (Public Financing Authority) issued \$64,780,000 (par value) in Lease Revenue Bonds, Series 2021 (City Yards Project Bonds) to fund remodel and construction of the City Yards. The bonds were sold at a premium of \$7,714,767 with a final maturity date in 2051.

On August 25, 2021, the City issued \$70,525,000 (par value) in Water Enterprise Revenue Bonds, Series 2021 to fund certain water supply, storage, and distribution projects. The bonds were sold at a premium of \$7,930,862 with a final maturity of 2051.

On August 30, 2021, the City entered into a \$54.9 million settlement agreement with 61 alleged victims of sexual abuse of minors. The payment is to be made to a qualified settlement fund by December 31, 2021. This amount has been accrued in these financial statements.

City of Santa Monica, California
Year Ended June 30, 2021

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, 2021

	Original budget	Final budget	Actual, GAAP basis	Encumbrance	Actual, budgetary basis	Variance with final budget
Revenues:						
Property taxes	\$ 70,615,501	72,809,390	75,324,679	-	75,324,679	2,515,289
Sales and use taxes	54,575,000	57,400,000	64,301,901	-	64,301,901	6,901,901
Transient occupancy taxes	27,800,000	21,300,000	20,691,803	-	20,691,803	(608,197)
Utility user taxes	25,410,450	26,686,000	27,840,035	-	27,840,035	1,154,035
Business license taxes	32,172,908	33,648,000	33,644,559	-	33,644,559	(3,441)
Other taxes	12,530,000	13,020,000	16,779,463	-	16,779,463	3,759,463
Licenses and permits	32,136,520	22,173,413	26,089,017	-	26,089,017	3,915,604
Intergovernmental	1,300,786	1,440,786	1,868,076	-	1,868,076	427,290
Charges for services	40,572,985	36,293,252	36,668,251	-	36,668,251	374,999
Fines and forfeitures	10,991,674	7,986,546	7,779,862	-	7,779,862	(206,684)
Investment income	3,000,000	4,100,000	426,868	-	426,868	(3,673,132)
Interest from promissory note	-	-	5,399,246	-	5,399,246	5,399,246
Rental income	5,695,206	5,145,850	5,291,569	-	5,291,569	145,719
Other revenue	3,548,303	3,700,527	3,256,754	-	3,256,754	(443,773)
Total revenues	<u>320,349,333</u>	<u>305,703,764</u>	<u>325,362,083</u>	<u>-</u>	<u>325,362,083</u>	<u>19,658,319</u>
Expenditures:						
General government:						
City council	760,166	1,072,763	794,460	-	794,460	278,303
City manager	4,290,939	4,800,880	4,160,537	18,700	4,179,237	621,643
Record and election services	3,110,613	3,239,066	3,240,088	-	3,240,088	(1,022)
Finance	12,423,420	12,536,355	11,496,944	796,084	12,293,028	243,327
City attorney	11,063,176	11,327,131	11,298,625	34,600	11,333,225	(6,094)
Human resources	4,714,281	5,075,881	4,970,360	52,200	5,022,560	53,321
Information services	9,170,427	9,068,253	9,058,674	14,100	9,072,774	(4,521)
Public Works	2,314,717	2,455,841	2,171,476	99,000	2,270,476	185,365
Other	6,346,222	7,797,299	3,139,512	53,458	3,192,970	4,604,329
Capital improvement	53,500	18,274,653	10,462,014	3,716,962	14,178,976	4,095,677
Total general government	<u>54,247,461</u>	<u>75,648,122</u>	<u>60,792,690</u>	<u>4,785,104</u>	<u>65,577,794</u>	<u>10,070,328</u>
Public safety:						
City Manager	5,663,232	6,081,193	6,691,115	10,000	6,701,115	(619,922)
Police	98,943,776	97,943,150	96,404,740	205,100	96,609,840	1,333,310
Fire	43,442,960	44,076,250	45,572,620	50,700	45,623,320	(1,547,070)
Capital improvement	7,075,000	13,426,669	2,641,653	1,822,100	4,463,753	8,962,916
Total public safety	<u>155,124,968</u>	<u>161,527,262</u>	<u>151,310,128</u>	<u>2,087,900</u>	<u>153,398,028</u>	<u>8,129,234</u>

See accompanying notes to Required Supplementary Information.

(Continued)

CITY OF SANTA MONICA, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
General Fund
For the fiscal year ended June 30, 2021

	Original budget	Final budget	Actual, GAAP basis	Encumbrance	Actual, budgetary basis	Variance with final budget
General services:						
Public works	42,018,303	42,187,643	39,558,231	382,100	39,940,331	2,247,312
Mobility	21,441,564	21,431,875	20,223,678	540,700	20,764,378	667,497
Capital improvement	3,511,450	43,790,981	14,034,672	26,058,842	40,093,514	3,697,467
Total general services	<u>66,971,317</u>	<u>107,410,499</u>	<u>73,816,581</u>	<u>26,981,642</u>	<u>100,798,223</u>	<u>6,612,276</u>
Community services:						
Community services	24,453,677	25,078,393	23,993,529	394,600	24,388,129	690,264
Other	23,020,144	23,020,144	23,961,853	-	23,961,853	(941,709)
Capital improvement	250,000	4,872,806	1,987,359	615,900	2,603,259	2,269,547
Total community services	<u>47,723,821</u>	<u>52,971,343</u>	<u>49,942,741</u>	<u>1,010,500</u>	<u>50,953,241</u>	<u>2,018,102</u>
Library:						
Library	8,430,145	8,830,510	8,712,985	121,100	8,834,085	(3,575)
Capital improvement	-	55,900	52,094	3,800	55,894	6
Total library	<u>8,430,145</u>	<u>8,886,410</u>	<u>8,765,079</u>	<u>124,900</u>	<u>8,889,979</u>	<u>(3,569)</u>
Community development:						
Community development	17,620,764	18,211,355	17,140,638	615,000	17,755,638	455,717
Other	959,173	1,131,680	839,760	-	839,760	291,920
Capital improvement	510,700	552,040	517,141	-	517,141	34,899
Total community development	<u>19,090,637</u>	<u>19,895,075</u>	<u>18,497,539</u>	<u>615,000</u>	<u>19,112,539</u>	<u>782,536</u>
Bond issuance costs	-	-	340,135	-	340,135	(340,135)
Total expenditures	<u>351,588,349</u>	<u>426,338,711</u>	<u>363,464,893</u>	<u>35,605,046</u>	<u>399,069,939</u>	<u>27,268,772</u>
Excess (deficiency) of revenues over (under) expenditures	(31,239,016)	(120,634,947)	(38,102,810)	(35,605,046)	(73,707,856)	46,927,091
Other financing sources (uses):						
Transfers in	13,907,313	29,532,663	27,568,149	-	27,568,149	(1,964,514)
Transfers out	(21,201,872)	(26,039,572)	(24,015,038)	-	(24,015,038)	2,024,534
Bonds issued	-	-	19,700,000	-	19,700,000	19,700,000
Premium on debt issued	-	-	3,711,635	-	3,711,635	3,711,635
Payment to refunded bond escrow agent	-	-	(23,066,482)	-	(23,066,482)	(23,066,482)
Total other financing sources (uses)	<u>(7,294,559)</u>	<u>3,493,091</u>	<u>3,898,264</u>	<u>-</u>	<u>3,898,264</u>	<u>405,173</u>
Special item:						
Special item (note 18)	-	(9,825,000)	(9,825,000)	-	(9,825,000)	-
Total special item	<u>-</u>	<u>(9,825,000)</u>	<u>(9,825,000)</u>	<u>-</u>	<u>(9,825,000)</u>	<u>-</u>
Net change in fund balance	(38,533,575)	(126,966,856)	(44,029,546)	(35,605,046)	(79,634,592)	47,332,264
Fund balance at beginning of year, as restated	<u>224,877,368</u>	<u>224,877,368</u>	<u>224,877,368</u>	<u>-</u>	<u>224,877,368</u>	<u>-</u>
Fund balance at end of year	<u>\$ 186,343,793</u>	<u>97,910,512</u>	<u>180,847,822</u>	<u>(35,605,046)</u>	<u>145,242,776</u>	<u>47,332,264</u>

See accompanying notes to Required Supplementary Information

CITY OF SANTA MONICA, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Special Revenue Source Fund
For the fiscal year ended June 30, 2021

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual, GAAP basis</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with final budget</u>
Revenues:						
Charges for services	\$ 675,107	668,107	1,000,828	-	1,000,828	332,721
Investment income	200,000	200,000	14,457	-	14,457	(185,543)
Other	2,072,554	2,082,235	3,634,790	-	3,634,790	1,552,555
Total revenues	<u>2,947,661</u>	<u>2,950,342</u>	<u>4,650,075</u>	<u>-</u>	<u>4,650,075</u>	<u>1,699,733</u>
Expenditures:						
General government:						
Capital improvement	-	130,000	-	-	-	130,000
Total general government	<u>-</u>	<u>130,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>130,000</u>
Public safety:						
Police	4,187	605,013	32,025	-	32,025	572,988
Fire	5,000	6,268	7,380	4,900	12,280	(6,012)
Capital improvement	53,600	541,337	42,188	-	42,188	499,149
Total public safety	<u>62,787</u>	<u>1,152,618</u>	<u>81,593</u>	<u>4,900</u>	<u>86,493</u>	<u>1,066,125</u>
General services:						
Mobility	166,080	270,680	255,838	500	256,338	14,342
Capital improvement	2,400,000	6,685,630	1,785,013	1,765,300	3,550,313	3,135,317
Total general services	<u>2,566,080</u>	<u>6,956,310</u>	<u>2,040,851</u>	<u>1,765,800</u>	<u>3,806,651</u>	<u>3,149,659</u>
Community services:						
Community services	3,300,716	3,506,794	1,618,417	75,472	1,693,889	1,812,905
Other	-	-	356,839	-	356,839	(356,839)
Capital improvement	1,222,000	3,322,594	1,763,170	950,500	2,713,670	608,924
Total community services	<u>4,522,716</u>	<u>6,829,388</u>	<u>3,738,426</u>	<u>1,025,972</u>	<u>4,764,398</u>	<u>2,064,990</u>
Library:						
Library	-	83,232	-	-	-	83,232
Total library	<u>-</u>	<u>83,232</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>83,232</u>
Community development:						
Community development	-	257,950	259,474	-	259,474	(1,524)
Capital improvement	-	255,000	-	-	-	255,000
Total community development	<u>-</u>	<u>512,950</u>	<u>259,474</u>	<u>-</u>	<u>259,474</u>	<u>253,476</u>
Total expenditures	<u>7,151,583</u>	<u>15,664,498</u>	<u>6,120,344</u>	<u>2,796,672</u>	<u>8,917,016</u>	<u>6,747,482</u>
Excess (deficiency) of revenues over (under) expenditures	(4,203,922)	(12,714,156)	(1,470,269)	(2,796,672)	(4,266,941)	8,447,215
Other financing sources (uses):						
Transfers in	15,789,591	15,789,591	15,789,590	-	15,789,590	(1)
Transfers out	(2,381,883)	(2,409,445)	(2,063,372)	-	(2,063,372)	346,073
Total other financing sources (uses)	<u>13,407,708</u>	<u>13,380,146</u>	<u>13,726,218</u>	<u>-</u>	<u>13,726,218</u>	<u>346,072</u>
Net change in fund balance	9,203,786	665,990	12,255,949	(2,796,672)	9,459,277	8,793,287
Fund balance at beginning of year	<u>179,244,135</u>	<u>179,244,135</u>	<u>179,244,135</u>	<u>-</u>	<u>179,244,135</u>	<u>-</u>
Fund balance at end of year	<u>\$ 188,447,921</u>	<u>179,910,125</u>	<u>191,500,084</u>	<u>(2,796,672)</u>	<u>188,703,412</u>	<u>8,793,287</u>

See accompanying notes to Required Supplementary Information.

CITY OF SANTA MONICA, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Low and Moderate Income Housing Asset Special Revenue Fund
For the fiscal year ended June 30, 2021

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual, GAAP basis</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with final budget</u>
Revenues:						
Investment income	\$ 100,000	100,000	39,576	-	39,576	(60,424)
Other	400,000	400,000	377,624	-	377,624	(22,376)
Total revenues	<u>500,000</u>	<u>500,000</u>	<u>417,200</u>	<u>-</u>	<u>417,200</u>	<u>(82,800)</u>
Expenditures:						
Community development:						
Other	-	-	1,104,778	-	1,104,778	(1,104,778)
Community development	-	-	1,104,778	-	1,104,778	(1,104,778)
Total expenditures	-	-	1,104,778	-	1,104,778	(1,104,778)
Excess (deficiency) of revenues over (under) expenditures	500,000	500,000	(687,578)	-	(687,578)	(1,187,578)
Other financing sources (uses):						
Transfers in	3,697,398	3,697,398	3,697,398	-	3,697,398	-
Total other financing sources (uses)	<u>3,697,398</u>	<u>3,697,398</u>	<u>3,697,398</u>	<u>-</u>	<u>3,697,398</u>	<u>-</u>
Net change in fund balance	4,197,398	4,197,398	3,009,820	-	3,009,820	(1,187,578)
Fund balance at beginning of year	63,982,474	63,982,474	63,982,474	-	63,982,474	-
Fund balance at end of year	<u>\$ 68,179,872</u>	<u>68,179,872</u>	<u>66,992,294</u>	<u>-</u>	<u>66,992,294</u>	<u>(1,187,578)</u>

See accompanying notes to Required Supplementary Information.

CITY OF SANTA MONICA, CALIFORNIA

Note to Required Supplementary Information
For the fiscal year ended June 30, 2021

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, 2021, expenditures exceeded appropriations in the General Fund. Fire Department staff logged higher than budgeted overtime to assist with wildfires as part of multiple mutual aid strike team deployments, for which the City was fully reimbursed, and to provide COVID-19 pandemic and Emergency Operations Center support (not reimbursed). Library, Record and election services 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 Seven Fiscal Years (Unaudited)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability							
Service Cost	\$ 26,940,522	27,751,083	27,141,560	27,164,949	24,044,347	23,584,538	24,972,667
Interest on the total pension liability	84,780,608	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	(7,677,266)	6,325,353	(5,319,485)	(14,768,176)	(7,701,743)	(12,672,814)	-
Benefit payments, including refunds of employee contributions	(53,198,960)	(49,130,828)	(44,560,263)	(41,097,884)	(36,967,774)	(35,460,612)	(32,834,279)
Net change in total pension liability	<u>50,844,904</u>	<u>66,170,618</u>	<u>45,042,772</u>	<u>107,109,082</u>	<u>50,061,009</u>	<u>25,815,612</u>	<u>56,064,968</u>
Total pension liability - beginning	<u>1,206,549,260</u>	<u>1,140,378,642</u>	<u>1,095,335,870</u>	<u>988,226,788</u>	<u>938,165,779</u>	<u>912,350,167</u>	<u>856,285,199</u>
Total pension liability - ending (a)	<u>\$ 1,257,394,164</u>	<u>1,206,549,260</u>	<u>1,140,378,642</u>	<u>1,095,335,870</u>	<u>988,226,788</u>	<u>938,165,779</u>	<u>912,350,167</u>
Plan fiduciary net position							
Contribution - employer	\$ 39,789,326	32,912,163	29,338,109	56,350,053	28,154,218	28,349,184	27,433,064
Contribution - employee	11,287,483	11,502,697	11,221,260	11,398,672	11,256,065	10,754,206	11,418,160
Net investment income	48,650,608	58,848,094	70,094,677	82,395,628	3,759,440	15,956,734	104,724,175
Benefit payments	(53,198,960)	(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	(1,333,279)	(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	<u>45,195,178</u>	<u>53,495,802</u>	<u>62,342,616</u>	<u>107,918,969</u>	<u>5,764,678</u>	<u>18,792,140</u>	<u>110,741,120</u>
Plan fiduciary net position - beginning	<u>945,750,453</u>	<u>892,254,651</u>	<u>829,912,035</u>	<u>721,993,066</u>	<u>716,228,388</u>	<u>697,436,244</u>	<u>586,695,124</u>
Plan fiduciary net position - ending (b)	<u>990,945,631</u>	<u>945,750,453</u>	<u>892,254,651</u>	<u>829,912,035</u>	<u>721,993,066</u>	<u>716,228,384</u>	<u>697,436,244</u>
Net pension liability - ending (a)-(b)	<u>\$ 266,448,533</u>	<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	78.81%	78.38%	78.24%	75.77%	73.06%	76.34%	76.44%
Covered payroll	\$ 154,765,955	149,416,791	147,371,283	142,942,436	137,199,170	138,199,596	134,174,365
Net pension liability as a percentage of covered-payroll	172.16%	174.54%	168.37%	185.69%	194.05%	160.59%	160.18%

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 Seven Fiscal Years (Unaudited)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability							
Service Cost	\$ 11,086,298	10,255,581	10,217,345	9,940,041	8,471,379	8,324,522	8,493,146
Interest on the total pension liability	35,384,916	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	2,033,685	(1,686,562)	587,060	(3,121,761)	(1,152,112)	(501,077)	-
Benefit payments, including refunds of employee contributions	(24,742,085)	(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>23,762,814</u>	<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	499,688,158	480,186,517	460,413,681	415,624,714	397,171,629	385,082,921	365,587,519
Total pension liability - ending (a)	<u>\$ 523,450,972</u>	<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	\$ 19,904,356	15,926,339	13,774,479	26,559,693	12,697,470	13,033,273	12,515,162
Contribution - employee	3,493,416	3,118,363	3,021,783	2,827,317	2,753,594	2,695,506	3,372,358
Net investment income	18,812,931	23,179,043	28,113,907	32,951,701	1,516,091	6,513,781	43,315,499
Benefit payments	(24,742,085)	(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	(526,627)	(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>16,941,991</u>	<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	373,559,650	354,418,572	332,325,615	289,949,561	291,927,389	287,134,868	244,062,260
Plan fiduciary net position - ending (b)	<u>390,501,641</u>	<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>\$ 132,949,331</u>	<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	74.60%	74.76%	73.81%	72.18%	69.76%	73.50%	74.56%
Covered payroll	\$ 31,286,093	31,769,364	30,592,273	29,176,438	28,791,622	28,470,873	27,641,624
Net pension liability as a percentage of covered-payroll	424.95%	397.01%	411.11%	439.01%	436.50%	369.66%	354.35%

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 Seven Fiscal Years (Unaudited)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability							
Service Cost	\$ 5,050,337	4,994,560	4,738,879	4,623,044	3,778,677	3,766,398	3,975,757
Interest on the total pension liability	18,311,217	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	923,359	2,419,289	1,380,602	(943,161)	(2,919,523)	(515,792)	-
Benefit payments, including refunds of employee contributions	(14,300,274)	(13,218,568)	(12,523,618)	(11,813,956)	(11,409,171)	(10,728,684)	(10,085,994)
Net change in total pension liability	9,984,639	11,806,005	9,197,232	21,259,132	5,180,303	4,206,904	8,625,211
Total pension liability - beginning	259,802,551	247,996,546	238,799,314	217,540,182	212,359,879	208,152,975	199,527,764
Total pension liability - ending (a)	<u>\$ 269,787,190</u>	<u>259,802,551</u>	<u>247,996,546</u>	<u>238,799,314</u>	<u>217,540,182</u>	<u>212,359,879</u>	<u>208,152,975</u>
Plan fiduciary net position							
Contribution - employer	\$ 10,703,394	7,213,925	6,276,049	10,375,991	5,320,402	5,142,818	4,954,271
Contribution - employee	1,752,804	1,690,559	1,661,415	1,565,941	1,479,400	1,375,301	1,421,733
Net investment income	9,068,546	11,434,835	13,896,417	16,797,654	706,789	3,458,100	23,479,329
Benefit payments	(14,300,274)	(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	(255,237)	(124,209)	(257,882)	(219,672)	(93,112)	(171,948)	-
Other Miscellaneous Income (Expense)	-	405	(489,721)	-	-	-	-
Net change in plan fiduciary - net position	6,969,233	6,996,947	8,562,255	16,705,958	(3,995,692)	(924,413)	19,769,339
Plan fiduciary net position - beginning	181,050,855	174,053,908	165,491,653	148,785,695	152,781,387	153,705,800	133,936,461
Plan fiduciary net position - ending (b)	188,020,088	181,050,855	174,053,908	165,491,653	148,785,695	152,781,387	153,705,800
Net pension liability - ending (a)-(b)	<u>\$ 81,767,102</u>	<u>78,751,696</u>	<u>73,942,638</u>	<u>73,307,661</u>	<u>68,754,487</u>	<u>59,578,492</u>	<u>54,447,175</u>
Plan fiduciary net position as a percentage of the total pension liability	69.69%	69.69%	70.18%	69.30%	68.39%	71.94%	73.84%
Covered payroll	\$ 18,795,618	17,748,610	16,861,345	15,701,959	15,565,558	15,733,733	15,275,469
Net pension liability as a percentage of covered-payroll	435.03%	443.71%	438.53%	466.87%	441.71%	378.67%	356.44%

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 Seven Fiscal Years (Unaudited)

	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 40,186,749	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	<u>(35,458,470)</u>	<u>(39,786,395)</u>	<u>(32,912,563)</u>	<u>(29,331,033)</u>	<u>(56,352,251)</u>	<u>(28,152,578)</u>	<u>(28,349,184)</u>
Contribution (excess) deficiency	<u>\$ 4,728,279 ⁽¹⁾</u>	<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	\$ 121,619,165	152,120,397	154,765,955	149,416,791	147,371,283	142,942,436	137,199,170
Contributions as a percentage of covered-payroll	29.16%	26.15%	21.27%	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.

(1) Because CalPERS bases the Actuarially Determined Contribution (ADC) on historical payroll, and the City terminated more than 200 employees on and around June of 2020, the ADC based on current actual payroll would have been much lower. This resulted in the actual contributions appearing less than the ADC. The City has made all payments required by CalPERS.

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

	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 18,987,371	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>(19,119,800)</u>	<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>\$ (132,429)</u>	<u>(2,415,627)</u>	<u>(495,837)</u>	<u>(320,384)</u>	<u>(12,997,183)</u>	<u>(369,574)</u>	<u>(1,444,131)</u>
Covered payroll	\$ 33,829,867	34,111,685	31,286,093	31,769,364	30,592,273	29,176,438	28,791,622
Contributions as a percentage of covered-payroll	56.52%	58.35%	50.90%	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 Seven Fiscal Years (Unaudited)

	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 8,801,916	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>(8,636,700)</u>	<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) deficiency	<u>\$ 165,216</u>	<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	\$ 18,953,091	19,108,351	18,795,618	17,748,610	16,861,345	15,701,959	15,565,558
Contributions as a percentage of covered payroll	45.57%	56.01%	38.37%	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 Four Fiscal Years (Unaudited) ¹

Fiscal Yearend Measurement Date	FYE 2021 6/30/2020	FYE 2020 6/30/2019	FYE 2019 6/30/2018	FYE 2018 6/30/2017
Total OPEB Liability				
Service Cost	\$ 1,707,389	1,207,816	1,073,506	1,017,718
Interest on the total OPEB liability	1,555,940	2,125,930	2,064,073	2,063,748
Changes in assumptions	4,391,134	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	(1,798,994)	(1,708,929)	(1,571,807)	(1,721,051)
Net change in total OPEB liability	5,855,469	7,514,766	3,009,432	(125,580)
Total OPEB liability - beginning	40,906,328	33,391,562	30,382,130	30,507,710
Total OPEB liability - ending (a)	\$ 46,761,797	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	432,025	712,791	412,595	325,621
Benefit payments	(1,798,994)	(1,708,929)	(1,571,807)	(1,721,051)
Administrative expense	(3,973)	(1,772)	(3,600)	(2,680)
Other expenses	-	-	(5,303)	-
Net change in plan fiduciary - net position	(1,370,942)	2,049,101	1,843,819	1,288,003
Plan fiduciary net position - beginning	7,899,459	5,850,358	4,006,539	2,718,536
Plan fiduciary net position - ending (b)	6,528,517	7,899,459	5,850,358	4,006,539
Net OPEB liability - ending (a)-(b)	\$ 40,233,280	33,006,869	27,541,204	26,375,591
Plan fiduciary net position as a percentage of the total OPEB liability	13.96%	19.31%	17.52%	13.19%
Covered employee payroll	\$ 236,995,540	\$ 232,059,089	216,623,938	206,778,649
Net OPEB liability as a percentage of covered employee payroll	16.98%	14.22%	12.71%	12.76%

¹Fiscal year 2018 was first year of implementation, therefore only four 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 Four Fiscal Year (Unaudited)

	<u>FYE 2021</u>	<u>FYE 2020</u>	<u>FYE 2019</u>	<u>FYE 2018</u>
Actuarially determined contribution	\$ 2,664,115	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>\$ 2,664,115</u>	<u>2,452,877</u>	<u>(319,389)</u>	<u>(366,539)</u>
 Covered employee payroll	 \$ 204,690,556	 236,995,540	 232,059,089	 216,623,938
 Contributions as a percentage of covered employee payroll	 0.00%	 0.00%	 1.31%	 1.39%

Notes to Schedule

Valuation Date Used to Determine ADC	6/30/2019
Discount Rate Used to Determine ADC	6.10%
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, 2021**

SUPPLEMENTARY INFORMATION

CITY OF SANTA MONICA, CALIFORNIA

Nonmajor Governmental Fund Financial Statements

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

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

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

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

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.

CITY OF SANTA MONICA, CALIFORNIA

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, 2021

		Special Revenue Funds					
		Beach Recreation	Housing Authority	TORCA	Asset Seizure	Citizens Option for Public Safety	Rent Control
Assets							
Cash and investments	\$	2,073,953	20,623	5,691,956	1,471,710	484,514	2,240,890
Restricted cash and investments		47,368	1,176,539	-	-	-	-
Receivables (net, where applicable, of allowances for uncollectibles):							
Accounts		1,726,525	3,853	-	9,810	-	68,567
Notes		-	-	7,422,526	-	-	-
Taxes		-	-	-	-	-	-
Interest		14,449	192	10,451	2,251	856	7,469
Other governments		-	907,549	-	-	-	-
Deposits		-	-	-	-	-	-
Prepays		-	-	-	-	-	44,516
Restricted cash and investments with fiscal agent		-	-	-	-	-	-
Total assets	\$	<u>3,862,295</u>	<u>2,108,756</u>	<u>13,124,933</u>	<u>1,483,771</u>	<u>485,370</u>	<u>2,361,442</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances (deficit)							
Liabilities							
Accounts payable	\$	494,717	103,381	1,477	-	19,930	34,675
Accrued liabilities		117,692	36,380	-	-	-	140,215
Contracts payable (retained percentage)		604,856	-	-	-	-	-
Due to other funds		-	896,527	-	-	-	-
Unearned revenue		514,102	500,886	-	-	-	20,196
Deposits payable		46,827	-	-	-	-	-
Advances from other funds		5,292,973	-	-	-	-	319,730
Total liabilities		<u>7,071,167</u>	<u>1,537,174</u>	<u>1,477</u>	<u>-</u>	<u>19,930</u>	<u>514,816</u>
Deferred inflows of resources		-	-	-	-	-	-
Fund balances (deficit)							
Nonspendable		-	-	-	-	-	44,516
Restricted		-	571,582	13,123,456	1,483,771	465,440	1,802,110
Unassigned		(3,208,872)	-	-	-	-	-
Total fund balances		<u>(3,208,872)</u>	<u>571,582</u>	<u>13,123,456</u>	<u>1,483,771</u>	<u>465,440</u>	<u>1,846,626</u>
Total liabilities and fund balances	\$	<u>3,862,295</u>	<u>2,108,756</u>	<u>13,124,933</u>	<u>1,483,771</u>	<u>485,370</u>	<u>2,361,442</u>

continued

CITY OF SANTA MONICA, CALIFORNIA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2021

		Special Revenue Funds					
		Gas Tax	Local Return	Community Development Block Grant	Miscellaneous Grants	SCAQMD	Parks and Recreation
Assets							
Cash and investments	\$	5,194	-	-	-	1,163,465	43,952
Restricted cash and investments		3,998,204	14,732,039	12,566	-	-	-
Receivables (net, where applicable, of allowances for uncollectibles):							
Accounts		-	-	4,728	1,455,232	30,925	-
Notes		-	-	8,890,920	6,110,205	-	-
Taxes		-	-	-	-	-	-
Interest		5,101	20,086	75	359	1,697	153
Other governments		312,005	-	1,405,093	7,916,552	30,665	-
Deposits		-	-	3,257	-	-	-
Prepays		-	-	-	-	-	-
Restricted cash and investments with fiscal agent		-	-	-	-	-	-
Total assets	\$	<u>4,320,504</u>	<u>14,752,125</u>	<u>10,316,639</u>	<u>15,482,348</u>	<u>1,226,752</u>	<u>44,105</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances (deficit)							
Liabilities							
Accounts payable	\$	38,191	285,392	34,364	954,028	-	-
Accrued liabilities		-	-	-	13,298	-	-
Contracts payable (retained percentage)		4,492	72,581	3,821	25,886	-	-
Due to other funds		-	-	1,325,365	6,970,047	-	-
Unearned revenue		-	-	-	314,289	-	-
Deposits payable		-	-	-	-	-	-
Advances from other funds		-	-	-	-	-	-
Total liabilities		<u>42,683</u>	<u>357,973</u>	<u>1,363,550</u>	<u>8,277,548</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources		<u>-</u>	<u>-</u>	<u>1,099,303</u>	<u>8,727,193</u>	<u>-</u>	<u>-</u>
Fund balances (deficit)							
Nonspendable		-	-	-	-	-	-
Restricted		4,277,821	14,394,152	7,853,786	16,663,539	1,226,752	44,105
Unassigned		-	-	-	(18,185,932)	-	-
Total fund balances		<u>4,277,821</u>	<u>14,394,152</u>	<u>7,853,786</u>	<u>(1,522,393)</u>	<u>1,226,752</u>	<u>44,105</u>
Total liabilities and fund balances	\$	<u>4,320,504</u>	<u>14,752,125</u>	<u>10,316,639</u>	<u>15,482,348</u>	<u>1,226,752</u>	<u>44,105</u>

continued

CITY OF SANTA MONICA, CALIFORNIA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2021

	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	\$ 15,289,139	-	19,463	1,885	28,506,744
Restricted cash and investments	-	-	-	-	19,966,716
Receivables (net, where applicable, of allowances for uncollectibles):					
Accounts	-	-	11,558	-	3,311,198
Notes	-	-	-	-	22,423,651
Taxes	65,873	-	-	-	65,873
Interest	13,509	-	40,307	5,008	121,963
Other governments	3,362,816	-	-	-	13,934,680
Deposits	-	-	-	-	3,257
Prepays	-	-	-	-	44,516
Restricted cash and investments with fiscal agent	-	5,622,302	15,516,904	1,872,908	23,012,114
Total assets	<u>\$ 18,731,337</u>	<u>5,622,302</u>	<u>15,588,232</u>	<u>1,879,801</u>	<u>111,390,712</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances (deficit)					
Liabilities					
Accounts payable	\$ 6,067,378	-	-	-	8,033,533
Accrued liabilities	-	-	-	-	307,585
Contracts payable (retained percentage)	1,423,802	-	-	-	2,135,438
Due to other funds	-	-	-	-	9,191,939
Unearned revenue	-	-	-	-	1,349,473
Deposits payable	-	-	-	-	46,827
Advances from other funds	-	-	-	-	5,612,703
Total liabilities	<u>7,491,180</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,677,498</u>
Deferred inflows of resources	<u>3,362,816</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,189,312</u>
Fund balances (deficit)					
Nonspendable	-	-	15,588,232	1,879,801	17,512,549
Restricted	7,877,341	5,622,302	-	-	75,406,157
Unassigned	-	-	-	-	(21,394,804)
Total fund balances	<u>7,877,341</u>	<u>5,622,302</u>	<u>15,588,232</u>	<u>1,879,801</u>	<u>71,523,902</u>
Total liabilities and fund balances	<u>\$ 18,731,337</u>	<u>5,622,302</u>	<u>15,588,232</u>	<u>1,879,801</u>	<u>111,390,712</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, 2021

	Special Revenue Funds					
	Beach Recreation	Housing Authority	TORCA	Asset Seizure	Citizens Option for Public Safety	Rent Control
Revenues:						
Other taxes	\$ -	-	48,060	-	-	-
Licenses and permits	71,617	-	-	-	-	-
Intergovernmental	50,873	21,669,584	-	154,473	220,760	-
Charges for services	10,997,027	-	-	-	-	5,280,607
Investment income	(89,309)	3,630	15,155	3,768	1,456	25,902
Rental income	841,816	-	-	-	-	-
Other revenue	748,442	-	268,794	-	-	622
Total revenues	<u>12,620,466</u>	<u>21,673,214</u>	<u>332,009</u>	<u>158,241</u>	<u>222,216</u>	<u>5,307,131</u>
Expenditures:						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	124,407	326,973	-
General services	10,146,688	-	-	-	-	-
Community services	2,062,284	24,255,095	66,801	-	-	-
Library	-	-	-	-	-	-
Community development	6,435,383	-	1,483,635	-	-	5,228,089
Debt service expenditures:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	<u>18,644,355</u>	<u>24,255,095</u>	<u>1,550,436</u>	<u>124,407</u>	<u>326,973</u>	<u>5,228,089</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,023,889)</u>	<u>(2,581,881)</u>	<u>(1,218,427)</u>	<u>33,834</u>	<u>(104,757)</u>	<u>79,042</u>
Other financing sources (uses)						
Transfers in	2,851,290	129,000	-	-	-	-
Transfers out	(166,984)	-	(51,645)	-	-	(83,740)
Total other financing sources (uses)	<u>2,684,306</u>	<u>129,000</u>	<u>(51,645)</u>	<u>-</u>	<u>-</u>	<u>(83,740)</u>
Net change in fund balances	<u>(3,339,583)</u>	<u>(2,452,881)</u>	<u>(1,270,072)</u>	<u>33,834</u>	<u>(104,757)</u>	<u>(4,698)</u>
Fund balances (deficit) at the beginning 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>
Fund balances at end of year	<u>\$ (3,208,872)</u>	<u>571,582</u>	<u>13,123,456</u>	<u>1,483,771</u>	<u>465,440</u>	<u>1,846,626</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, 2021

	Special Revenue Funds					
	Gas Tax	Local Return	Community Development Block Grant	Miscellaneous Grants	SCAQMD	
Revenues:						
Other taxes	\$ -	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	3,711,635	5,484,184	2,465,110	19,573,049	120,598	-
Charges for services	-	-	-	-	-	-
Investment income	9,581	42,496	(1,426)	(3,704)	3,821	(31)
Rental income	-	-	-	-	-	-
Other revenue	-	-	-	5,000	-	-
Total revenues	<u>3,721,216</u>	<u>5,526,680</u>	<u>2,463,684</u>	<u>19,574,345</u>	<u>124,419</u>	<u>(31)</u>
Expenditures:						
Current:						
General government	4,951	-	45,853	880,646	7,317	-
Public safety	-	-	-	2,098,320	-	-
General services	658,871	2,101,965	77,004	5,741,910	-	-
Community services	-	325	3,280,212	610,170	-	28,841
Library	-	-	-	41,271	-	-
Community development	-	-	-	-	-	-
Debt service expenditures:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	<u>663,822</u>	<u>2,102,290</u>	<u>3,403,069</u>	<u>9,372,317</u>	<u>7,317</u>	<u>28,841</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,057,394</u>	<u>3,424,390</u>	<u>(939,385)</u>	<u>10,202,028</u>	<u>117,102</u>	<u>(28,872)</u>
Other financing sources (uses)						
Transfers in	-	-	-	102,551	-	-
Transfers out	(1,996,179)	(550,700)	(237,618)	(17,259,096)	-	-
Total other financing sources (uses)	<u>(1,996,179)</u>	<u>(550,700)</u>	<u>(237,618)</u>	<u>(17,156,545)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	1,061,215	2,873,690	(1,177,003)	(6,954,517)	117,102	(28,872)
Fund balances (deficit) at the beginning of year	3,216,606	11,520,462	9,030,789	5,432,124	1,109,650	72,977
Fund balances at end of year	<u>\$ 4,277,821</u>	<u>14,394,152</u>	<u>7,853,786</u>	<u>(1,522,393)</u>	<u>1,226,752</u>	<u>44,105</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, 2021

	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	\$ 3,394,100	-	-	-	3,442,160
Licenses and permits	-	-	-	-	71,617
Intergovernmental	3,298,245	-	-	-	56,748,511
Charges for services	-	-	336,355	33,794	16,647,783
Investment income	(7,648)	59	2,400,938	288,089	2,692,777
Rental income	-	-	-	-	841,816
Other revenue	-	-	-	-	1,022,858
Total revenues	<u>6,684,697</u>	<u>59</u>	<u>2,737,293</u>	<u>321,883</u>	<u>81,467,522</u>
Expenditures:					
Current:					
General government	21,390,468	-	-	-	22,329,235
Public safety	-	-	-	-	2,549,700
General services	539,905	-	-	-	19,266,343
Community services	-	-	-	-	30,303,728
Library	-	-	-	-	41,271
Community development	-	-	-	-	13,147,107
Debt service expenditures:					
Principal	-	3,305,000	-	-	3,305,000
Interest	-	6,054,223	-	-	6,054,223
Total expenditures	<u>21,930,373</u>	<u>9,359,223</u>	<u>-</u>	<u>-</u>	<u>96,996,607</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(15,245,676)</u>	<u>(9,359,164)</u>	<u>2,737,293</u>	<u>321,883</u>	<u>(15,529,085)</u>
Other financing sources (uses)					
Transfers in	15,527,652	9,943,381	-	-	28,553,874
Transfers out	(1,700,415)	-	(403,717)	(48,590)	(22,498,684)
Total other financing sources (uses)	<u>13,827,237</u>	<u>9,943,381</u>	<u>(403,717)</u>	<u>(48,590)</u>	<u>6,055,190</u>
Net change in fund balances	<u>(1,418,439)</u>	<u>584,217</u>	<u>2,333,576</u>	<u>273,293</u>	<u>(9,473,895)</u>
Fund balances (deficit) at the beginning of year	<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>
Fund balances at end of year	<u>\$ 7,877,341</u>	<u>5,622,302</u>	<u>15,588,232</u>	<u>1,879,801</u>	<u>71,523,902</u>

CITY OF SANTA MONICA, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Beach Recreation Special Revenue Fund
For the fiscal year ended June 30, 2021

	<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	\$ 20,000	71,617	-	71,617	51,617
Intergovernmental	28,681	50,873	-	50,873	22,192
Charges for services	10,048,700	10,997,027	-	10,997,027	948,327
Investment income	-	(89,309)	-	(89,309)	(89,309)
Rental income	820,189	841,816	-	841,816	21,627
Other revenue	543,000	748,442	-	748,442	205,442
Total revenues	<u>11,460,570</u>	<u>12,620,466</u>	<u>-</u>	<u>12,620,466</u>	<u>1,159,896</u>
Expenditures:					
General services:					
Public works	5,760,067	5,134,283	20,300	5,154,583	605,484
Other	24,333	12,232	-	12,232	12,101
Capital improvement	6,926,431	5,000,173	995,200	5,995,373	931,058
Total general services	<u>12,710,831</u>	<u>10,146,688</u>	<u>1,015,500</u>	<u>11,162,188</u>	<u>1,548,643</u>
Community services:					
Community services	2,222,592	2,029,522	56,900	2,086,422	136,170
Capital improvement	319,346	32,762	11,900	44,662	274,684
Total Community services	<u>2,541,938</u>	<u>2,062,284</u>	<u>68,800</u>	<u>2,131,084</u>	<u>410,854</u>
Community development:					
Community development	6,860,356	6,435,383	-	6,435,383	424,973
Total Community development	<u>6,860,356</u>	<u>6,435,383</u>	<u>-</u>	<u>6,435,383</u>	<u>424,973</u>
Total expenditures	<u>22,113,125</u>	<u>18,644,355</u>	<u>1,084,300</u>	<u>19,728,655</u>	<u>2,384,470</u>
Excess (deficiency) of revenues over (under) expenditures	(10,652,555)	(6,023,889)	(1,084,300)	(7,108,189)	3,544,366
Other financing sources (uses):					
Transfers in	230,962	2,851,290	-	2,851,290	2,620,328
Transfers out	(177,528)	(166,984)	-	(166,984)	10,544
Total other financing sources (uses)	<u>53,434</u>	<u>2,684,306</u>	<u>-</u>	<u>2,684,306</u>	<u>2,630,872</u>
Net change in fund balance	(10,599,121)	(3,339,583)	(1,084,300)	(4,423,883)	6,175,238
Fund balance at beginning of year	<u>130,711</u>	<u>130,711</u>	<u>-</u>	<u>130,711</u>	<u>-</u>
Fund balance at end of year	<u>\$ (10,468,410)</u>	<u>(3,208,872)</u>	<u>(1,084,300)</u>	<u>(4,293,172)</u>	<u>6,175,238</u>

CITY OF SANTA MONICA, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Housing Authority Special Revenue Fund
For the fiscal year ended June 30, 2021

	<u>Budget</u>	<u>Actual, GAAP basis</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Intergovernmental	\$ 22,061,682	21,669,584	-	21,669,584	(392,098)
Investment income	-	3,630	-	3,630	3,630
Total revenues	<u>22,061,682</u>	<u>21,673,214</u>	<u>-</u>	<u>21,673,214</u>	<u>(388,468)</u>
Expenditures:					
Community services:					
Community services	23,192,155	24,242,724	3,400	24,246,124	(1,053,969)
Capital improvement	-	12,371	-	12,371	(12,371)
Total community services	<u>23,192,155</u>	<u>24,255,095</u>	<u>3,400</u>	<u>24,258,495</u>	<u>(1,066,340)</u>
Total expenditures	<u>23,192,155</u>	<u>24,255,095</u>	<u>3,400</u>	<u>24,258,495</u>	<u>(1,066,340)</u>
Excess (deficiency) of revenues over (under) expenditures	(1,130,473)	(2,581,881)	(3,400)	(2,585,281)	(1,454,808)
Other financing sources (uses):					
Transfers in	<u>323,286</u>	<u>129,000</u>	<u>-</u>	<u>129,000</u>	<u>(194,286)</u>
Total other financing sources (uses)	<u>323,286</u>	<u>129,000</u>	<u>-</u>	<u>129,000</u>	<u>(194,286)</u>
Net change in fund balance	(807,187)	(2,452,881)	(3,400)	(2,456,281)	(1,649,094)
Fund balance at beginning of year	<u>3,024,463</u>	<u>3,024,463</u>	<u>-</u>	<u>3,024,463</u>	<u>-</u>
Fund balance at end of year	<u>\$ 2,217,276</u>	<u>571,582</u>	<u>(3,400)</u>	<u>568,182</u>	<u>(1,649,094)</u>

CITY OF SANTA MONICA, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Tenant Ownership Rights Charter Amendment
(TORCA) Special Revenue Fund
For the fiscal year ended June 30, 2021

	<u>Budget</u>	<u>Actual, GAAP basis</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Other taxes	\$ 25,000	48,060	-	48,060	23,060
Investment income	110,000	15,155	-	15,155	(94,845)
Other revenue	50,000	268,794	-	268,794	218,794
Total revenues	<u>185,000</u>	<u>332,009</u>	<u>-</u>	<u>332,009</u>	<u>147,009</u>
Expenditures:					
Community services:					
Community services	6,000	3,511	-	3,511	2,489
Other	78,000	1,483,635	14,300	1,497,935	(1,419,935)
Capital improvement	3,326,866	63,290	54,200	117,490	3,209,376
Total Community services	<u>3,410,866</u>	<u>1,550,436</u>	<u>68,500</u>	<u>1,618,936</u>	<u>1,791,930</u>
Total expenditures	<u>3,410,866</u>	<u>1,550,436</u>	<u>68,500</u>	<u>1,618,936</u>	<u>1,791,930</u>
Excess (deficiency) of revenues over (under) expenditures	(3,225,866)	(1,218,427)	(68,500)	(1,286,927)	1,938,939
Other financing sources (uses):					
Transfers out	(45,000)	(51,645)	-	(51,645)	(6,645)
Total other financing sources (uses)	<u>(45,000)</u>	<u>(51,645)</u>	<u>-</u>	<u>(51,645)</u>	<u>(6,645)</u>
Net change in fund balance	(3,270,866)	(1,270,072)	(68,500)	(1,338,572)	1,932,294
Fund balance at beginning of year	<u>14,393,528</u>	<u>14,393,528</u>	<u>-</u>	<u>14,393,528</u>	<u>-</u>
Fund balance at end of year	<u>\$ 11,122,662</u>	<u>13,123,456</u>	<u>(68,500)</u>	<u>13,054,956</u>	<u>1,932,294</u>

CITY OF SANTA MONICA, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Citizens Option for Public Safety Special Revenue Fund
For the fiscal year ended June 30, 2021

	<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	220,760	-	220,760	20,760
Investment income	5,000	1,456	-	1,456	(3,544)
Total revenues	<u>205,000</u>	<u>222,216</u>	<u>-</u>	<u>222,216</u>	<u>17,216</u>
Expenditures:					
Public safety:					
Police	100,000	326,973	93,100	420,073	(320,073)
Total public safety	<u>100,000</u>	<u>326,973</u>	<u>93,100</u>	<u>420,073</u>	<u>(320,073)</u>
Total expenditures	<u>100,000</u>	<u>326,973</u>	<u>93,100</u>	<u>420,073</u>	<u>(320,073)</u>
Net change in fund balance	105,000	(104,757)	(93,100)	(197,857)	(302,857)
Fund balance at beginning of year	<u>570,197</u>	<u>570,197</u>	<u>-</u>	<u>570,197</u>	<u>-</u>
Fund balance at end of year	<u>\$ 675,197</u>	<u>465,440</u>	<u>(93,100)</u>	<u>372,340</u>	<u>(302,857)</u>

CITY OF SANTA MONICA, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Gas Tax Special Revenue Fund
For the fiscal year ended June 30, 2021

	<u>Budget</u>	<u>Actual, GAAP basis</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Intergovernmental	\$ 3,207,862	3,711,635	-	3,711,635	503,773
Investment income	18,000	9,581	-	9,581	(8,419)
Total revenues	<u>3,225,862</u>	<u>3,721,216</u>	<u>-</u>	<u>3,721,216</u>	<u>495,354</u>
Expenditures:					
General government:					
Other	5,018	4,951	-	4,951	67
Total general government	<u>5,018</u>	<u>4,951</u>	<u>-</u>	<u>4,951</u>	<u>67</u>
General services:					
Capital improvement	4,398,973	658,871	1,860,400	2,519,271	1,879,702
Total general services	<u>4,398,973</u>	<u>658,871</u>	<u>1,860,400</u>	<u>2,519,271</u>	<u>1,879,702</u>
Total expenditures	<u>4,403,991</u>	<u>663,822</u>	<u>1,860,400</u>	<u>2,524,222</u>	<u>1,879,769</u>
Excess (deficiency) of revenues over (under) expenditures	(1,178,129)	3,057,394	(1,860,400)	1,196,994	2,375,123
Other financing sources (uses):					
Transfers out	(1,594,312)	(1,996,179)	-	(1,996,179)	(401,867)
Total other financing sources (uses)	<u>(1,594,312)</u>	<u>(1,996,179)</u>	<u>-</u>	<u>(1,996,179)</u>	<u>(401,867)</u>
Net change in fund balance	(2,772,441)	1,061,215	(1,860,400)	(799,185)	1,973,256
Fund balance at beginning of year	<u>3,216,606</u>	<u>3,216,606</u>	<u>-</u>	<u>3,216,606</u>	<u>-</u>
Fund balance at end of year	<u>\$ 444,165</u>	<u>4,277,821</u>	<u>(1,860,400)</u>	<u>2,417,421</u>	<u>1,973,256</u>

CITY OF SANTA MONICA, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Local Return Fund Special Revenue Fund
For the fiscal year ended June 30, 2021

	<u>Budget</u>	<u>Actual, GAAP basis</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Intergovernmental	\$ 7,807,965	5,484,184	-	5,484,184	(2,323,781)
Investment income	150,000	42,496	-	42,496	(107,504)
Total revenues	<u>7,957,965</u>	<u>5,526,680</u>	<u>-</u>	<u>5,526,680</u>	<u>(2,431,285)</u>
Expenditures:					
General services:					
Mobility	547,538	272,239	-	272,239	275,299
Capital improvement	9,609,293	1,830,051	3,059,300	4,889,351	4,719,942
Total general services	<u>10,156,831</u>	<u>2,102,290</u>	<u>3,059,300</u>	<u>5,161,590</u>	<u>4,995,241</u>
Total expenditures	<u>10,156,831</u>	<u>2,102,290</u>	<u>3,059,300</u>	<u>5,161,590</u>	<u>4,995,241</u>
Excess (deficiency) of revenues over (under) expenditures	(2,198,866)	3,424,390	(3,059,300)	365,090	2,563,956
Other financing sources (uses):					
Transfers out	(735,000)	(550,700)	-	(550,700)	184,300
Total other financing sources (uses)	<u>(735,000)</u>	<u>(550,700)</u>	<u>-</u>	<u>(550,700)</u>	<u>184,300</u>
Net change in fund balance	(2,933,866)	2,873,690	(3,059,300)	(185,610)	2,748,256
Fund balance at beginning of year	<u>11,520,462</u>	<u>11,520,462</u>	<u>-</u>	<u>11,520,462</u>	<u>-</u>
Fund balance at end of year	<u>\$ 8,586,596</u>	<u>14,394,152</u>	<u>(3,059,300)</u>	<u>11,334,852</u>	<u>2,748,256</u>

CITY OF SANTA MONICA, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Community Development Block Grant Special Revenue Fund
For the fiscal year ended June 30, 2021

	<u>Budget</u>	<u>Actual, GAAP basis</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Intergovernmental	\$ 3,234,420	2,465,110	-	2,465,110	(769,310)
Investment income	5,000	(1,426)	-	(1,426)	(6,426)
Total revenues	<u>3,239,420</u>	<u>2,463,684</u>	<u>-</u>	<u>2,463,684</u>	<u>(775,736)</u>
Expenditures:					
General government:					
Other	44,875	45,853	-	45,853	(978)
Total general government	<u>44,875</u>	<u>45,853</u>	<u>-</u>	<u>45,853</u>	<u>(978)</u>
General services:					
Capital improvement	77,004	77,004	-	77,004	-
Total general services	<u>77,004</u>	<u>77,004</u>	<u>-</u>	<u>77,004</u>	<u>-</u>
Community services:					
Community services	3,406,581	3,280,212	126,400	3,406,612	(31)
Total community services	<u>3,406,581</u>	<u>3,280,212</u>	<u>126,400</u>	<u>3,406,612</u>	<u>(31)</u>
Total expenditures	<u>3,528,460</u>	<u>3,403,069</u>	<u>126,400</u>	<u>3,529,469</u>	<u>(1,009)</u>
Excess (deficiency) of revenues over (under) expenditures	(289,040)	(939,385)	(126,400)	(1,065,785)	(776,745)
Other financing sources (uses):					
Transfers out	(353,718)	(237,618)	-	(237,618)	116,100
Total other financing sources (uses)	<u>(353,718)</u>	<u>(237,618)</u>	<u>-</u>	<u>(237,618)</u>	<u>116,100</u>
Net change in fund balance	(642,758)	(1,177,003)	(126,400)	(1,303,403)	(660,645)
Fund balance at beginning of year	<u>9,030,789</u>	<u>9,030,789</u>	<u>-</u>	<u>9,030,789</u>	<u>-</u>
Fund balance at end of year	<u>\$ 8,388,031</u>	<u>7,853,786</u>	<u>(126,400)</u>	<u>7,727,386</u>	<u>(660,645)</u>

CITY OF SANTA MONICA, CALIFORNIA
 Schedule of Revenues, Expenditures and Changes in
 Fund Balance - Budget and Actual
 Miscellaneous Grants Special Revenue Fund
 For the fiscal year ended June 30, 2021

	<u>Budget</u>	<u>Actual, GAAP basis</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Intergovernmental	\$ 45,906,680	19,573,049	-	19,573,049	(26,333,631)
Investment income	20,000	(3,704)	-	(3,704)	(23,704)
Other revenue	-	5,000	-	5,000	5,000
Total revenues	<u>45,926,680</u>	<u>19,574,345</u>	<u>-</u>	<u>19,574,345</u>	<u>(26,352,335)</u>
Expenditures:					
General government:					
City manager	484,550	483,039	136,500	619,539	(134,989)
Other	648,512	355,607	310,300	665,907	(17,395)
Total general government	<u>1,133,062</u>	<u>838,646</u>	<u>446,800</u>	<u>1,285,446</u>	<u>(152,384)</u>
Public safety:					
Police	1,517,010	469,635	133,000	602,635	914,375
Fire	3,844,472	1,670,685	1,048,900	2,719,585	1,124,887
Total public safety	<u>5,361,482</u>	<u>2,140,320</u>	<u>1,181,900</u>	<u>3,322,220</u>	<u>2,039,262</u>
General services:					
Public works	9,216,881	5,252,583	7,300,300	12,552,883	(3,336,002)
Capital improvement	18,965,789	481,111	615,100	1,096,211	17,869,578
Total general services	<u>28,182,670</u>	<u>5,733,694</u>	<u>7,915,400</u>	<u>13,649,094</u>	<u>14,533,576</u>
Community services:					
Community services	737,594	608,870	2,100	610,970	126,624
Capital improvement	930,435	9,516	234,400	243,916	686,519
Total community services	<u>1,668,029</u>	<u>618,386</u>	<u>236,500</u>	<u>854,886</u>	<u>813,143</u>
Libraries:					
Library	80,427	41,271	-	41,271	39,156
Total libraries	<u>80,427</u>	<u>41,271</u>	<u>-</u>	<u>41,271</u>	<u>39,156</u>
Community development:					
Community development	-	-	-	-	-
Total expenditures	<u>36,425,670</u>	<u>9,372,317</u>	<u>9,780,600</u>	<u>19,152,917</u>	<u>17,272,753</u>
Excess (deficiency) of revenues over (under) expenditures	9,501,010	10,202,028	(9,780,600)	421,428	(9,079,582)
Other financing sources (uses):					
Transfers in	27,562	102,551	-	102,551	74,989
Transfers out	(17,607,244)	(17,259,096)	-	(17,259,096)	348,148
Total other financing sources (uses)	<u>(17,579,682)</u>	<u>(17,156,545)</u>	<u>-</u>	<u>(17,156,545)</u>	<u>423,137</u>
Net change in fund balance	(8,078,672)	(6,954,517)	(9,780,600)	(16,735,117)	(8,656,445)
Fund balance at beginning of year	5,432,124	5,432,124	-	5,432,124	-
Fund balance at end of year	<u>\$ (2,646,548)</u>	<u>(1,522,393)</u>	<u>(9,780,600)</u>	<u>(11,302,993)</u>	<u>(8,656,445)</u>

CITY OF SANTA MONICA, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
SCAQMD Special Revenue Fund
For the fiscal year ended June 30, 2021

	<u>Budget</u>	<u>Actual, GAAP basis</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Intergovernmental	\$ 119,000	120,598	-	120,598	1,598
Investment income	10,000	3,821	-	3,821	(6,179)
Total revenues	<u>129,000</u>	<u>124,419</u>	<u>-</u>	<u>124,419</u>	<u>(4,581)</u>
Expenditures:					
General government:					
Other	-	7,317	-	7,317	(7,317)
Capital improvement	369,035	-	369,000	369,000	35
Total general government	<u>369,035</u>	<u>7,317</u>	<u>369,000</u>	<u>376,317</u>	<u>(7,282)</u>
General services:					
Capital improvement	95,248	-	41,800	41,800	53,448
Total general services	<u>95,248</u>	<u>-</u>	<u>41,800</u>	<u>41,800</u>	<u>53,448</u>
Total expenditures	<u>464,283</u>	<u>7,317</u>	<u>410,800</u>	<u>418,117</u>	<u>46,166</u>
Net change in fund balance	(335,283)	117,102	(410,800)	(293,698)	41,585
Fund balance at beginning of year	<u>1,109,650</u>	<u>1,109,650</u>	<u>-</u>	<u>1,109,650</u>	<u>-</u>
Fund balance at end of year	<u>\$ 774,367</u>	<u>1,226,752</u>	<u>(410,800)</u>	<u>815,952</u>	<u>41,585</u>

CITY OF SANTA MONICA, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Parks and Recreation Special Revenue Fund
For the fiscal year ended June 30, 2021

	<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	(31)	-	(31)	(3,031)
Total revenues	<u>3,000</u>	<u>(31)</u>	<u>-</u>	<u>(31)</u>	<u>(3,031)</u>
Expenditures:					
Capital improvement	330,125	28,841	28,100	56,941	273,184
Total expenditures	<u>330,125</u>	<u>28,841</u>	<u>28,100</u>	<u>56,941</u>	<u>273,184</u>
Net change in fund balance	(327,125)	(28,872)	(28,100)	(56,972)	270,153
Fund balance at beginning of year	<u>72,977</u>	<u>72,977</u>	<u>-</u>	<u>72,977</u>	<u>-</u>
Fund balance at end of year	<u>\$ (254,148)</u>	<u>44,105</u>	<u>(28,100)</u>	<u>16,005</u>	<u>270,153</u>

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, 2021

	<u>Budget</u>	<u>Actual, GAAP basis</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Other taxes	\$ 2,981,993	3,394,100	-	3,394,100	412,107
Intergovernmental	3,315,465	3,298,245	-	3,298,245	(17,220)
Investment income	130,000	(7,648)	-	(7,648)	(137,648)
Total revenues	<u>6,427,458</u>	<u>6,684,697</u>	<u>-</u>	<u>6,684,697</u>	<u>257,239</u>
Expenditures:					
General services:					
Public works	1,046,151	533,932	167,617	701,549	344,602
Capital improvement	31,513,401	21,396,441	639,500	22,035,941	9,477,460
Total general services	<u>32,559,552</u>	<u>21,930,373</u>	<u>807,117</u>	<u>22,737,490</u>	<u>9,822,062</u>
Total expenditures	<u>32,559,552</u>	<u>21,930,373</u>	<u>807,117</u>	<u>22,737,490</u>	<u>9,822,062</u>
Excess (deficiency) of revenues over (under) expenditures	(26,132,094)	(15,245,676)	(807,117)	(16,052,793)	10,079,301
Other financing sources (uses):					
Transfers in	15,527,651	15,527,652	-	15,527,652	1
Transfers out	(1,569,158)	(1,700,415)	-	(1,700,415)	(131,257)
Total other financing sources (uses)	<u>13,958,493</u>	<u>13,827,237</u>	<u>-</u>	<u>13,827,237</u>	<u>(131,256)</u>
Net change in fund balance	(12,173,601)	(1,418,439)	(807,117)	(2,225,556)	9,948,045
Fund balance at beginning of year	9,295,780	9,295,780	-	9,295,780	-
Fund balance at end of year	<u>\$ (2,877,821)</u>	<u>7,877,341</u>	<u>(807,117)</u>	<u>7,070,224</u>	<u>9,948,045</u>

CITY OF SANTA MONICA, CALIFORNIA

Nonmajor Enterprise Fund Financial Statements

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

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, 2021

	Business-Type Activities - Enterprise Funds						Total nonmajor enterprise funds
	Community Broadband	Airport	Pier	Stormwater Management	Cemetery	Parking Authority	
Assets							
Current assets:							
Cash and investments	\$ -	27,055,803	4,771,375	-	1,934,201	522,225	34,283,604
Restricted cash and investments	-	1,278,418	285,623	7,748,441	153,139	-	9,465,621
Receivables (net, where applicable, of allowances for uncollectibles):							
Accounts	1,542,146	815,265	1,749,400	232,087	577,824	-	4,916,722
Interest	1,080	38,157	10,297	10,769	1,981	3,361	65,645
Due from other governments, restricted	-	-	-	21,110	-	-	21,110
Total current assets	1,543,226	29,187,643	6,816,695	8,012,407	2,667,145	525,586	48,752,702
Noncurrent assets:							
Capital assets:							
Land	-	8	-	-	4	1,362,700	1,362,712
Construction in progress	-	273,366	2,744,256	2,934,720	-	-	5,952,342
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	(46,857)	(10,676,517)	(17,614,727)	(5,736,032)	(2,322,767)	(553,668)	(36,950,568)
Net capital assets	5,229	3,538,516	14,404,989	8,121,540	549,518	1,905,102	28,524,894
Total noncurrent assets	5,229	3,538,516	14,404,989	8,121,540	549,518	1,905,102	28,524,894
Total assets	1,548,455	32,726,159	21,221,684	16,133,947	3,216,663	2,430,688	77,277,596
DEFERRED OUTFLOWS OF RESOURCES							
Deferred outflows from pensions	181,930	312,781	472,779	-	176,824	-	1,144,314
Deferred outflows from OPEB	13,894	31,726	82,932	-	49,811	-	178,363
TOTAL DEFERRED OUTFLOWS OF RESOURCES	195,824	344,507	555,711	-	226,635	-	1,322,677
Liabilities							
Current liabilities:							
Accounts payable	70,355	976,593	333,958	8	76,964	63,718	1,521,596
Accrued liabilities	22,916	38,999	60,396	-	33,077	-	155,388
Contracts payable (retained percentage)	40,556	57,406	114,057	77,378	-	-	289,397
Compensated absences due within one year (note 2)	22,558	61,944	49,200	-	27,504	-	161,206
Unearned revenue (note 8)	-	18,285	674	-	-	-	18,959
Due to other funds	515,731	-	-	-	-	-	515,731
Liabilities payable from restricted assets - deposits	-	1,358,952	284,873	-	-	-	1,643,825
Total current liabilities	672,116	2,512,179	843,158	77,386	137,545	63,718	4,306,102
Long-term liabilities:							
Compensated absences due in more than one year (note 2)	41,452	27,723	120,591	-	20,773	-	210,539
Advances from other funds	-	5,539,456	-	-	-	-	5,539,456
Net OPEB liability due in more than one year (note 16)	55,151	125,934	329,189	-	197,721	-	707,995
Net pension liability due in more than one year (note 16)	1,053,411	1,811,069	2,737,492	-	1,023,851	-	6,625,823
Total long-term liabilities	1,150,014	7,504,182	3,187,272	-	1,242,345	-	13,083,813
Total liabilities	1,822,130	10,016,361	4,030,430	77,386	1,379,890	63,718	17,389,915
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows from pensions	37,648	64,727	97,837	-	36,592	-	236,804
Deferred inflows from OPEB	2,098	4,791	12,525	-	7,523	-	26,937
TOTAL DEFERRED INFLOWS OF RESOURCES	39,746	69,518	110,362	-	44,115	-	263,741
Net position							
Invested in capital assets	5,229	3,538,516	14,404,989	8,121,540	549,518	1,905,102	28,524,894
Unrestricted	(122,826)	19,446,271	3,231,614	7,935,021	1,469,775	461,868	32,421,723
Total net position	\$ (117,597)	22,984,787	17,636,603	16,056,561	2,019,293	2,366,970	60,946,617

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, 2021

	Business-Type Activities - Enterprise Funds						
	Community Broadband	Airport	Pier	Stormwater Management	Cemetery	Parking Authority	Total nonmajor enterprise funds
Operating revenues							
Charges for services	\$ 3,299,401	14,951,713	2,931,534	1,609,230	2,443,201	-	25,235,079
Total operating revenues	<u>3,299,401</u>	<u>14,951,713</u>	<u>2,931,534</u>	<u>1,609,230</u>	<u>2,443,201</u>	<u>-</u>	<u>25,235,079</u>
Operating expenses							
Personnel services	996,721	1,305,682	2,534,288	-	1,165,133	1,049	6,002,873
Administrative indirect	121,003	923,091	612,697	-	266,915	-	1,923,706
Contractual services	588,936	941,192	840,339	-	347,107	-	2,717,574
Repairs and maintenance	111,697	918,311	643,619	-	53,878	-	1,727,505
Materials and supplies	1,273,762	2,634,181	194,383	-	454,584	1,707,582	6,264,492
Utilities	3,654	856,268	116,948	-	123,474	-	1,100,344
Casualty property and liability costs	7,183	431,674	520,258	-	84,173	-	1,043,288
Depreciation and amortization	10,459	335,690	907,215	324,607	44,313	16,263	1,638,547
Other	101,964	1,458,986	1,226,645	-	6,574	-	2,794,169
Total operating expenses	<u>3,215,379</u>	<u>9,805,075</u>	<u>7,596,392</u>	<u>324,607</u>	<u>2,546,151</u>	<u>1,724,894</u>	<u>25,212,498</u>
Operating income (loss)	<u>84,022</u>	<u>5,146,638</u>	<u>(4,664,858)</u>	<u>1,284,623</u>	<u>(102,950)</u>	<u>(1,724,894)</u>	<u>22,581</u>
Nonoperating revenues (expenses)							
Investment income (loss)	(7,714)	98,161	367	11,194	6,817	5,776	114,601
Interest expense	-	(15,205)	-	-	-	-	(15,205)
Other nonoperating revenues	-	1,261,267	233,267	487,723	381,509	-	2,363,766
Total nonoperating revenues (expenses) net	<u>(7,714)</u>	<u>1,344,223</u>	<u>233,634</u>	<u>498,917</u>	<u>388,326</u>	<u>5,776</u>	<u>2,463,162</u>
Income before transfers	76,308	6,490,861	(4,431,224)	1,783,540	285,376	(1,719,118)	2,485,743
Transfers in (note 11)	-	-	2,876,700	891,056	536,747	-	4,304,503
Transfers out (note 11)	(222,000)	(1,873,492)	(80,374)	(1,631,181)	-	(10,998,895)	(14,805,942)
Change in net position	<u>(145,692)</u>	<u>4,617,369</u>	<u>(1,634,898)</u>	<u>1,043,415</u>	<u>822,123</u>	<u>(12,718,013)</u>	<u>(8,015,696)</u>
Net position at beginning of year	28,095	18,367,418	19,271,501	15,013,146	1,197,170	15,084,983	68,962,313
Net position at end of year	<u>\$ (117,597)</u>	<u>22,984,787</u>	<u>17,636,603</u>	<u>16,056,561</u>	<u>2,019,293</u>	<u>2,366,970</u>	<u>60,946,617</u>

CITY OF SANTA MONICA, CALIFORNIA

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the fiscal year ended June 30, 2021

	Business-Type Activities - Enterprise Funds						
	Community Broadband	Airport	Pier	Stormwater Management	Cemetery	Parking Authority	Total nonmajor enterprise funds
Cash flows from operating activities:							
Cash received from customers	\$ 2,081,642	14,683,260	3,483,566	1,394,658	2,201,976	—	23,845,102
Cash payments for materials and services	(2,171,581)	(8,269,561)	(4,346,115)	(241,013)	(1,340,156)	(1,643,864)	(18,012,290)
Cash payments to employees for services	(822,628)	(1,407,142)	(2,368,172)	—	(922,811)	(1,049)	(5,521,802)
Other revenue received	—	1,261,267	233,267	487,723	381,509	—	2,363,766
Net cash provided by (used in) operating activities	<u>(912,567)</u>	<u>6,267,824</u>	<u>(2,997,454)</u>	<u>1,641,368</u>	<u>320,518</u>	<u>(1,644,913)</u>	<u>2,674,776</u>
Cash flows from noncapital financing activities:							
Repayment of advances to other funds	—	—	—	(15,559)	—	—	(15,559)
Advances from other funds	515,731	15,205	—	—	—	—	530,936
Payment received from promissory note	—	—	—	—	—	259,400	259,400
Other	—	—	—	—	—	—	—
Transfers in	—	—	2,876,700	891,056	536,747	—	4,304,503
Transfers out	(222,000)	(1,873,492)	(80,374)	(1,631,181)	—	(10,998,895)	(14,805,942)
Net cash provided by (used in) noncapital financing activities	<u>293,731</u>	<u>(1,858,287)</u>	<u>2,796,326</u>	<u>(755,684)</u>	<u>536,747</u>	<u>(10,739,495)</u>	<u>(9,726,662)</u>
Cash flows from capital and related financing activities:							
Acquisition and construction of capital assets	—	(18,327)	(2,115,777)	—	—	—	(2,134,104)
Reduction in long-term obligations	—	—	—	—	—	—	—
Interest paid on long-term obligations	—	(15,205)	—	—	—	—	(15,205)
Net cash used in capital and related financing activities	<u>—</u>	<u>(33,532)</u>	<u>(2,115,777)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(2,149,309)</u>
Cash flows from investing activities:							
Investment income (loss)	(4,739)	127,371	13,356	22,959	8,240	10,748,401	10,915,588
Net cash provided by (used in) investing activities	<u>(4,739)</u>	<u>127,371</u>	<u>13,356</u>	<u>22,959</u>	<u>8,240</u>	<u>10,748,401</u>	<u>10,915,588</u>
Net increase (decrease) in cash and cash equivalents	(623,575)	4,503,376	(2,303,549)	908,643	865,505	(1,636,007)	1,714,393
Cash and cash equivalents at beginning of year	623,575	23,830,845	7,360,547	6,839,798	1,221,835	2,158,232	42,034,832
Cash and cash equivalents at end of year	<u>—</u>	<u>28,334,221</u>	<u>5,056,998</u>	<u>7,748,441</u>	<u>2,087,340</u>	<u>522,225</u>	<u>43,749,225</u>
Cash and investments	—	27,055,803	4,771,375	—	1,934,201	522,225	34,283,604
Restricted cash and investments	—	1,278,418	285,623	7,748,441	153,139	—	9,465,621
Total cash and cash equivalents	<u>—</u>	<u>28,334,221</u>	<u>5,056,998</u>	<u>7,748,441</u>	<u>2,087,340</u>	<u>522,225</u>	<u>43,749,225</u>

(Continued)

CITY OF SANTA MONICA, CALIFORNIA

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the fiscal year ended June 30, 2021

	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)	\$ 84,022	5,146,638	(4,664,858)	1,284,623	(102,950)	(1,724,894)	22,581
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Add depreciation	10,459	335,690	907,215	324,607	44,313	16,263	1,638,547
Add allowance for doubtful accounts	10,654	527,044	753,457	1,524	40,304	—	1,332,983
Other revenue received	—	1,261,267	233,267	487,723	381,509	—	2,363,766
Changes in assets and liabilities and deferred outflows and inflows of resources:							
(Increase) in accounts receivable	(1,228,413)	(842,421)	(201,425)	(216,096)	(281,529)	—	(2,769,884)
Decrease in prepaids	8,463	40	—	—	—	—	8,503
Increase (decrease) in accounts payable	(350)	(89,310)	(206,701)	(280,370)	(3,451)	63,718	(516,464)
Increase in unearned revenue	—	18,285	—	—	—	—	18,285
Increase (decrease) in accrued liabilities	(11,519)	(13,196)	(3,314)	—	6,442	—	(21,587)
Increase (decrease) in contracts payable	28,505	(16,588)	15,475	39,357	—	—	66,749
Increase in deposits payable from restricted assets	—	28,639	—	—	—	—	28,639
Increase in compensated absences payable	16,297	6,745	8,305	—	10,783	—	42,130
Net OPEB liability and related changes in deferred outflows and inflows of resources	16,354	29,709	19,864	—	16,379	—	82,306
Net pension liability and related changes in deferred outflows and inflows of resources	152,961	(124,718)	141,261	—	208,718	—	378,222
Total adjustments	(996,589)	1,121,186	1,667,404	356,745	423,468	79,981	2,652,195
Net cash provided by (used in) operating activities	\$ (912,567)	6,267,824	(2,997,454)	1,641,368	320,518	(1,644,913)	2,674,776
Schedule of non-cash capital and related financing activities:							
Capital assets acquired through accounts payable	—	—	207,663	—	—	—	207,663

CITY OF SANTA MONICA, CALIFORNIA

Internal Service Fund Financial Statements

Internal Service Funds are used to account for the financing of goods or services provided by one department 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. This fund predominately serves the City's enterprise funds and is reported as a business-type activity.

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. This fund predominately serves the City's enterprise funds and is reported as a business-type activity.

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, 2021

	<u>Vehicle Management</u>	<u>Information Technology Replacement and Services</u>	<u>Self - Insurance General Liability / Auto</u>	<u>Self - Insurance Bus</u>	<u>Self - Insurance Risk Management Admin</u>	<u>Self - Insurance Workers' Compensation</u>	<u>Total internal service funds</u>
Assets							
Current assets:							
Cash and investments	\$ 22,266,173	2,205,421	14,080,317	6,395,819	2,335,093	68,265,111	115,547,934
Receivables:							
Accounts	143,330	-	-	-	7,322	-	150,652
Interest	35,347	5,680	11,954	7,690	-	96,334	157,005
Inventory	6,952	-	-	-	-	-	6,952
Total current assets	<u>22,451,802</u>	<u>2,211,101</u>	<u>14,092,271</u>	<u>6,403,509</u>	<u>2,342,415</u>	<u>68,361,445</u>	<u>115,862,543</u>
Noncurrent assets:							
Capital assets:							
Construction in progress	-	-	-	-	60,300	-	60,300
Machinery and equipment	43,776,598	1,517,857	2,849	7,386	919	10,065	45,315,674
Less: accumulated depreciation	<u>(25,413,107)</u>	<u>(1,471,490)</u>	<u>(2,849)</u>	<u>(7,386)</u>	<u>(919)</u>	<u>(10,065)</u>	<u>(26,905,816)</u>
Net capital assets	18,363,491	46,367	-	-	60,300	-	18,470,158
Total assets	<u>40,815,293</u>	<u>2,257,468</u>	<u>14,092,271</u>	<u>6,403,509</u>	<u>2,402,715</u>	<u>68,361,445</u>	<u>134,332,701</u>
DEFERRED OUTFLOWS OF RESOURCES							
Deferred outflows from pensions	671,696	-	-	-	369,247	-	1,040,943
Deferred outflows from OPEB	65,082	-	-	-	3,045	-	68,127
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>736,778</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>372,292</u>	<u>-</u>	<u>1,109,070</u>
Liabilities							
Current liabilities:							
Accounts payable	300,068	279,031	194,225	70,281	3,924	210,417	1,057,946
Accrued liabilities	72,053	-	-	-	46,565	-	118,618
Contracts payable (retained percentage)	-	5,611	-	-	-	-	5,611
Compensated absences due within one year (note 2)	76,368	-	-	-	38,801	-	115,169
Claims payable due within one year (note 15)	-	-	62,610,214	2,478,793	-	11,173,539	76,262,546
Total current liabilities	<u>448,489</u>	<u>284,642</u>	<u>62,804,439</u>	<u>2,549,074</u>	<u>89,290</u>	<u>11,383,956</u>	<u>77,559,890</u>
Long-term liabilities:							
Compensated absences due in more than one year (note 2)	111,681	-	-	-	116,143	-	227,824
Claims payable due in more than one year (note 15)	-	-	10,691,670	1,890,701	-	46,431,089	59,013,460
Net OPEB liability due in more than one year (note 16)	258,334	-	-	-	12,087	-	270,421
Net pension liability due in more than one year (note 16)	3,889,262	-	-	-	2,138,016	-	6,027,278
Total long-term liabilities	<u>4,259,277</u>	<u>-</u>	<u>10,691,670</u>	<u>1,890,701</u>	<u>2,266,246</u>	<u>46,431,089</u>	<u>65,538,983</u>
Total liabilities	<u>4,707,766</u>	<u>284,642</u>	<u>73,496,109</u>	<u>4,439,775</u>	<u>2,355,536</u>	<u>57,815,045</u>	<u>143,098,873</u>
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows from pensions	139,001	-	-	-	76,412	-	215,413
Deferred inflows from OPEB	9,829	-	-	-	460	-	10,289
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>148,830</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,872</u>	<u>-</u>	<u>225,702</u>
Net position							
Invested in capital assets	18,363,491	46,367	-	-	60,300	-	18,470,158
Unrestricted	18,331,984	1,926,459	(59,403,838)	1,963,734	282,299	10,546,400	(26,352,962)
Total net position	<u>\$ 36,695,475</u>	<u>1,972,826</u>	<u>(59,403,838)</u>	<u>1,963,734</u>	<u>342,599</u>	<u>10,546,400</u>	<u>(7,882,804)</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, 2021

	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	\$ 10,716,549	439,967	17,451,656	5,200,000	4,065,875	19,075,424	56,949,471
Total operating revenues	<u>10,716,549</u>	<u>439,967</u>	<u>17,451,656</u>	<u>5,200,000</u>	<u>4,065,875</u>	<u>19,075,424</u>	<u>56,949,471</u>
Operating expenses							
Personnel services	3,329,505	-	-	-	1,365,217	-	4,694,722
Administrative indirect	937,158	-	-	-	339,428	-	1,276,586
Contractual services	70,384	-	22,011	86,441	89,775	657,709	926,320
Repairs and maintenance	1,515,843	-	29,397	29,397	1,451	59,296	1,635,384
Materials and supplies	2,543,936	2,208,237	-	-	34,565	99	4,786,837
Utilities	33,239	-	-	-	1,367	-	34,606
Casualty property and liability costs	196,801	-	-	-	27,367	-	224,168
Claims expense net of claims reserve adjustment	-	-	60,359,341	1,648,825	-	11,845,381	73,853,547
Insurance and bonds	-	-	1,940,716	1,934,215	3,437,989	580,477	7,893,397
Miscellaneous fees and costs	-	-	1,156,769	281,989	14,701	480,332	1,933,791
Depreciation and amortization	4,718,592	92,735	-	-	-	-	4,811,327
Other	315,749	-	183	21	55	2,856	318,864
Total operating expenses	<u>13,661,207</u>	<u>2,300,972</u>	<u>63,508,417</u>	<u>3,980,888</u>	<u>5,311,915</u>	<u>13,626,150</u>	<u>102,389,549</u>
Operating income (loss)	<u>(2,944,658)</u>	<u>(1,861,005)</u>	<u>(46,056,761)</u>	<u>1,219,112</u>	<u>(1,246,040)</u>	<u>5,449,274</u>	<u>(45,440,078)</u>
Nonoperating revenues							
Investment income	53,626	8,425	20,186	7,270	-	204,777	294,284
Gain on disposal of capital assets	154,116	-	-	-	-	-	154,116
Other nonoperating revenues	814	-	-	-	-	39,118	39,932
Total nonoperating revenues	<u>208,556</u>	<u>8,425</u>	<u>20,186</u>	<u>7,270</u>	<u>-</u>	<u>243,895</u>	<u>488,332</u>
Income (loss) before transfers	<u>(2,736,102)</u>	<u>(1,852,580)</u>	<u>(46,036,575)</u>	<u>1,226,382</u>	<u>(1,246,040)</u>	<u>5,693,169</u>	<u>(44,951,746)</u>
Transfers in (note 11)	-	-	-	-	1,992,254	-	1,992,254
Transfers out (note 11)	(60,833)	-	(504,600)	(328,722)	-	(1,334,810)	(2,228,965)
Change in net position	<u>(2,796,935)</u>	<u>(1,852,580)</u>	<u>(46,541,175)</u>	<u>897,660</u>	<u>746,214</u>	<u>4,358,359</u>	<u>(45,188,457)</u>
Net position at beginning of year	<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>
Net position at end of year (note 10)	<u>\$ 36,695,475</u>	<u>1,972,826</u>	<u>(59,403,838)</u>	<u>1,963,734</u>	<u>342,599</u>	<u>10,546,400</u>	<u>(7,882,804)</u>

CITY OF SANTA MONICA, CALIFORNIA

Combining Statement of Cash Flows

Internal Service Funds

For the fiscal year ended June 30, 2021

	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	\$ 10,659,265	439,967	37,751,656	5,200,666	4,077,320	19,075,424	77,204,298
Cash payments for materials and services	(6,663,909)	(2,043,095)	(3,262,867)	(2,271,116)	(3,952,776)	(2,136,760)	(20,330,523)
Cash payments to employees for services	(3,169,690)	—	—	—	(1,539,480)	—	(4,709,170)
Cash payments for claims and related expenses	—	—	(27,170,479)	(2,450,009)	—	(9,835,031)	(39,455,519)
Other revenue received	814	—	—	—	—	39,118	39,932
Net cash provided by (used in) operating activities	826,480	(1,603,128)	7,318,310	479,541	(1,414,936)	7,142,751	12,749,018
Cash flows from noncapital financing activities:							
Transfers in	—	—	—	—	1,992,254	—	1,992,254
Transfers out	(60,833)	—	(504,600)	(328,722)	—	(1,334,810)	(2,228,965)
Net cash provided by (used in) noncapital financing activities	(60,833)	—	(504,600)	(328,722)	1,992,254	(1,334,810)	(236,711)
Cash flows from capital and related financing activities:							
Acquisition and construction of capital assets	(589,326)	—	—	—	(60,300)	—	(649,626)
Proceeds from sale of capital assets	238,684	—	—	—	—	—	238,684
Net cash used in capital and related financing activities	(350,642)	—	—	—	(60,300)	—	(410,942)
Cash flows from investing activities – investment income	84,709	13,035	25,990	17,523	—	288,767	430,024
Net increase (decrease) in cash and cash equivalents	499,714	(1,590,093)	6,839,700	168,342	517,018	6,096,708	12,531,389
Cash and cash equivalents at beginning of year	21,766,459	3,795,514	7,240,617	6,227,477	1,818,075	62,168,403	103,016,545
Cash and cash equivalents at end of year	22,266,173	2,205,421	14,080,317	6,395,819	2,335,093	68,265,111	115,547,934
Reconciliation of operating income (loss) to net cash provided by (used in) operating income (loss):							
Operating income (loss)	\$ (2,944,658)	(1,861,005)	(46,056,761)	1,219,112	(1,246,040)	5,449,274	(45,440,078)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Add depreciation	4,718,592	92,735	—	—	—	—	4,811,327
Other revenue received	814	—	—	—	—	39,118	39,932
Changes in assets and liabilities and deferred outflows and inflows of resources:							
(Increase) decrease in accounts receivable	(57,284)	—	—	666	11,445	275	(44,898)
Decrease in due from other funds	—	—	20,300,000	—	—	—	20,300,000
Decrease in inventory	36,983	—	—	—	—	—	36,983
Increase (decrease) in accounts payable	(1,087,782)	159,531	(113,791)	60,947	(6,078)	(355,991)	(1,343,164)
(Decrease) in accrued liabilities	(17,467)	—	—	—	(26,229)	—	(43,696)
Increase in compensated absences payable	6,212	—	—	—	15,308	—	21,520
Increase (decrease) in claims payable	—	—	33,188,862	(801,184)	—	2,010,075	34,397,753
Increase in contracts payable	—	5,611	—	—	—	—	5,611
Net OPEB liability and related changes in deferred outflows and inflows of resources	8,115	—	—	—	(65,149)	—	(57,034)
Net pension liability and related changes in deferred outflows and inflows of resources	162,955	—	—	—	(98,193)	—	64,762
Total adjustments	3,771,138	257,877	53,375,071	(739,571)	(168,896)	1,693,477	58,189,096
Net cash provided by (used in) operating activities	\$ 826,480	(1,603,128)	7,318,310	479,541	(1,414,936)	7,142,751	12,749,018
Schedule of non-cash capital and related financing activities:							
Gain on disposal of capital assets	154,116	—	—	—	—	—	154,116

City of Santa Monica, California
Year Ended June 30, 2021

STATISTICAL SECTION

CITY OF SANTA MONICA, CALIFORNIA

For the fiscal year ended June 30, 2021

STATISTICAL SECTION (unaudited)

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CITY OF SANTA MONICA, CALIFORNIA
For the fiscal year ended June 30, 2021

STATISTICAL SECTION (unaudited), *continued*

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CITY OF SANTA MONICA, CALIFORNIA

Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

TABLE 1

	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15 (1)	2013-14	2012-13	2011-12
Governmental activities										
Net investment in capital assets	\$ 764,429,080	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
Restricted	238,658,192	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
Unrestricted	(143,731,308)	(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
Total governmental activities net position	859,355,964	927,940,863	971,718,905	984,598,912	975,239,500	944,523,342	908,061,476	1,211,717,977	1,201,505,013	1,259,831,538
Business-type activities										
Net investment in capital assets	442,507,176	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
Restricted	13,030,039	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
Unrestricted	71,173,841	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
Total business-type activities net position	526,711,056	589,623,918	630,380,888	597,372,456	591,991,292	583,919,691	512,848,296	600,110,889	590,889,283	568,640,908
Primary government										
Net investment in capital assets	1,206,936,256	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
Restricted	251,688,231	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
Unrestricted	(72,557,467)	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
Total primary government net position	\$ 1,386,067,020	1,517,564,781	1,602,099,793	1,581,971,368	1,567,230,792	1,528,443,033	1,420,909,772	1,811,828,866	1,792,394,296	1,828,472,446

(1) 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

	<u>2020-21</u>	<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>
Expenses										
Governmental activities:										
General government	\$ 131,655,331	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
Public safety	168,577,199	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
General services	67,174,450	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
Community services (3)	80,831,581	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
Library	9,390,658	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
Community development (4)	39,576,169	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
Interest on long-term debt	5,091,436	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
Total governmental activities	<u>502,296,824</u>	<u>513,419,067</u>	<u>488,114,435</u>	<u>483,467,835</u>	<u>414,924,268</u>	<u>404,123,086</u>	<u>381,937,086</u>	<u>381,919,995</u>	<u>393,820,233</u>	<u>491,788,469</u>
Business-type activities:										
Water	50,202,882	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
Resource recovery and recycling	28,722,152	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
Community broadband	3,215,379	3,065,926	2,519,298	1,926,149	1,907,535	—	—	—	—	—
Pier	7,596,392	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
Wastewater	19,841,075	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
Civic auditorium (1)	—	—	—	—	—	—	—	—	4,691,051	3,239,999
Airport	9,820,280	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
Storm water management	363,288	1,206,606	380,752	359,488	347,197	2,447,698	2,172,116	651,361	406,721	411,985
Cemetery	2,546,151	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
Big Blue Bus	93,473,973	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
Parking authority	1,724,894	27,937	422,090	216,253	16,178	17,742	403,822	369,367	295,651	315,736
Total business-type activities	<u>217,506,466</u>	<u>196,524,534</u>	<u>195,321,051</u>	<u>191,471,570</u>	<u>181,408,631</u>	<u>172,647,352</u>	<u>162,551,237</u>	<u>163,410,323</u>	<u>157,660,591</u>	<u>159,607,484</u>
Total primary governmental activities expenses	<u>\$ 719,803,290</u>	<u>709,943,601</u>	<u>683,435,486</u>	<u>674,939,405</u>	<u>596,332,899</u>	<u>576,770,438</u>	<u>544,488,323</u>	<u>545,330,318</u>	<u>551,480,824</u>	<u>651,395,953</u>
Program revenues										
Governmental activities:										
Charges for services:										
General government	\$ 19,883,077	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
Public safety	17,035,556	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
General services	37,249,257	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
Community services (3)	5,019,411	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
Library	23,764	260,503	437,269	390,306	388,273	487,809	601,618	614,715	486,204	465,891
Community development (4)	27,194,589	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
Operating grants and contributions	58,477,255	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
Capital grants and contributions	640,520	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
Total governmental activities program revenues	<u>165,523,429</u>	<u>169,124,385</u>	<u>174,883,185</u>	<u>174,307,669</u>	<u>174,413,613</u>	<u>195,977,990</u>	<u>162,255,917</u>	<u>161,503,522</u>	<u>152,376,043</u>	<u>136,073,284</u>

(continues next page)

TABLE 2

CITY OF SANTA MONICA, CALIFORNIA

Changes in Net Position
Last Ten Fiscal Years

	<u>2020-21</u>	<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>
<i>(continues from previous page)</i>										
Business-type activities:										
Charges for services:										
Water	29,638,341	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
Resource recovery and recycling	26,842,779	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
Community broadband	3,299,401	3,301,563	2,489,716	2,200,733	1,924,777	—	—	—	—	—
Pier	3,164,586	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
Wastewater	17,330,719	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
Civic auditorium (1)	—	—	—	—	—	—	—	—	1,468,300	1,667,172
Airport	15,946,198	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
Storm water management	1,609,230	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
Cemetery	2,443,201	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
Big Blue Bus	5,366,846	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
Parking authority	—	—	—	—	—	—	—	—	—	161,504
Operating grants and contributions	63,900,481	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
Capital grants and contributions	4,623,832	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
Business-type activities program revenues	174,165,614	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
Total primary government program revenues	339,689,043	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
Net (expense):										
Governmental activities	(336,773,395)	(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)
Business-type activities	(43,340,852)	(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)
Total primary government net expense	(380,114,247)	(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)
General revenues and other changes in net position										
Governmental activities:										
Taxes:										
Business	33,644,559	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
Property	75,324,679	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
Transient occupancy (2)	20,691,803	48,624,638	60,762,881	60,631,025	55,532,325	51,021,050	—	—	—	—
Sales and use	64,301,901	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
Utility users (2)	27,840,035	28,026,008	28,306,582	29,288,341	29,437,753	30,772,815	—	—	—	—
Real property transfer (2)	9,334,371	6,856,663	9,808,072	8,169,163	10,951,756	7,850,960	—	—	—	—
Parking facility (2)	7,374,354	11,072,445	12,699,044	11,557,811	11,231,324	10,718,156	—	—	—	—
Other	3,512,898	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
Settlement income	—	—	—	—	—	—	—	—	9,608,247	3,750,000
Other revenues	7,201,899	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
Investment earnings	3,268,921	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
Special Item	(9,825,000)	(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	27,184,761	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)
Total governmental activities	269,855,181	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

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TABLE 2

CITY OF SANTA MONICA, CALIFORNIA

Changes in Net Position
Last Ten Fiscal Years

(continues from previous page)

	<u>2020-21</u>	<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>
Business-type activities:										
Other revenues	3,165,760	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
Investment earnings	280,080	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
Special Item	—	(1,422,782)	—	6,408,992	1,103,146	10,617,561	—	—	—	—
Extraordinary gain (loss)	—	—	—	—	—	4,837,753	—	—	—	—
Transfers	(27,184,761)	(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
Total business-type activities	<u>(23,738,921)</u>	<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>
Total primary government	<u>246,116,260</u>	<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>
Changes in net position										
Governmental activities	(66,918,214)	(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
Business-type activities	(67,079,773)	(40,756,970)	34,492,430	7,933,298	8,071,601	23,108,198	(130,676)	9,221,606	22,248,375	10,054,482
Total primary government	<u>\$ (133,997,987)</u>	<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>

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

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

(3) Cultural and recreation services restructured to Community services in FY 20-21.

(4) Housing and community development restructured to Community development in FY 20-21.

TABLE 3

CITY OF SANTA MONICA, CALIFORNIA

Fund Balance of Governmental Funds
Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

	<u>2020-21</u>	<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>
General Fund										
Nonspendable	\$ 9,550,950	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
Restricted	11,119,497	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
Committed	—	1,671,078	1,943,558	2,478,476	4,760,409	31,365	520,574	519,937	519,506	640,000
Assigned	114,285,898	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
Unassigned	45,891,477	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
Total General Fund	<u>180,847,822</u>	<u>226,544,053</u>	<u>340,678,780</u>	<u>435,811,128</u>	<u>346,298,522</u>	<u>387,074,719</u>	<u>375,024,028</u>	<u>366,011,303</u>	<u>384,241,095</u>	<u>416,257,281</u>
All other governmental funds										
Nonspendable	18,962,549	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
Restricted	217,524,477	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
Committed	114,924,058	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
Assigned	—	—	—	—	414,544	927,562	9,649,617	18,033,673	15,057,474	32,550,023
Unassigned	(21,394,804)	(2,018,186)	(3,571,636)	(2,111,163)	(4,785,448)	(7,279,890)	(814,287)	(966,157)	(1,148,932)	(187,396)
Total all other governmental funds	<u>\$ 330,016,280</u>	<u>324,224,406</u>	<u>300,879,554</u>	<u>262,708,657</u>	<u>236,552,128</u>	<u>199,892,867</u>	<u>183,078,926</u>	<u>181,015,155</u>	<u>174,658,843</u>	<u>180,225,310</u>

TABLE 4

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

	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12
Revenues										
Property taxes	\$ 75,324,679	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
Incremental property taxes (1)	—	—	—	—	—	—	—	—	—	19,794,851
Sales & use taxes	64,301,901	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
Transient occupancy taxes (3)	20,691,803	48,624,638	60,762,881	60,631,025	55,532,325	51,021,050	—	—	—	—
Utility user taxes (3)	27,840,035	28,026,008	28,306,582	29,288,341	29,437,753	30,772,815	—	—	—	—
Business license taxes (3)	33,644,559	33,894,714	31,947,056	31,050,087	30,118,555	29,893,341	—	—	—	—
Other taxes	20,221,623	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
License and permits	26,160,634	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
Intergovernmental	58,616,587	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
Charges for services	54,316,862	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
Fines and forfeitures	7,779,862	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
Investment earnings	3,173,678	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
Interest from prmissory note	5,399,246	—	—	—	—	—	—	—	—	—
Rental income	6,133,385	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
Settlement income	—	—	—	14,085,000	6,103,175	2,433,175	2,433,175	2,433,175	52,287,404	33,277,271
Other	8,292,026	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
Total revenue	411,896,880	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
Expenditures										
Current										
General government	93,337,089	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
Public safety	153,941,421	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
General services	84,908,611	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
Community services	83,984,895	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
Library	8,806,350	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
Community development	33,008,898	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
Debt service										
Principal	3,305,000	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
Interest	6,054,223	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
Bond issuance costs	340,135	—	4,025	938,932	—	535,048	—	—	—	441,993
Total expenditures	467,686,622	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

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TABLE 4

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

(continues from previous page)

	<u>2020-21</u>	<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>
Excess (deficiency) of revenues over (under) expenditures	(55,789,742)	(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)
Other financing sources (uses)										
Transfers in	75,609,011	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
Transfers out	(48,577,094)	(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)
Long-term debt issued	—	—	—	—	—	—	—	—	—	32,178,250
Refunding bonds issued	—	—	—	—	—	26,360,000	—	—	—	19,950,000
Bonds issued	19,700,000	—	—	102,785,000	—	—	—	—	—	—
Premium on bonds issued	3,711,635	—	—	12,247,767	—	2,020,710	—	—	—	4,339,840
Payments to refunded bond escrow agent	(23,066,482)	—	—	—	—	(27,826,666)	—	—	—	(22,289,654)
Total other financing sources (uses)	<u>27,377,070</u>	<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>
Special item	(9,825,000)	(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>\$ (38,237,672)</u></u>	<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>
Debt service as a percentage of noncapital expenditures (2)	2.27%	2.49%	2.41%	2.91%	2.33%	3.16%	2.65%	2.76%	2.07%	5.23%

(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	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12
Sales and use taxes	\$ 64,302	64,666	73,709	68,480	54,505	54,803	51,090	49,210	47,881	45,832
Utility user taxes	27,840	28,026	28,307	29,288	29,438	30,773	32,066	32,817	31,450	31,296
Transient occupancy taxes	20,692	48,625	60,763	60,631	55,532	51,021	47,629	44,396	40,997	36,143
Property taxes (2)	75,325	67,791	62,615	56,955	56,424	50,452	55,044	50,114	44,392	40,226
Business license taxes	33,645	33,895	31,947	31,575	30,712	30,799	30,354	29,783	27,518	26,325
Parking facility tax	7,374	11,072	12,699	11,558	11,231	10,718	11,072	10,598	9,954	9,394
Documentary Transfer Tax	9,334	6,857	9,808	8,169	10,952	7,851	7,903	6,273	6,027	5,192
Vehicle license fees	68	74	44	49	42	38	38	39	48	46
Condominium taxes	3	43	25	9	38	73	45	14	18	37
Total	\$ 238,583	\$ 261,049	279,917	266,714	248,874	236,528	235,241	223,244	208,285	194,491

(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)
2020-21	\$ 25,433,374	\$ 17,124,652	\$ 369,459	\$ -	\$ 42,927,485	\$ 1,975,152	\$ 40,952,333	\$ 1,099,941	\$ 42,052,274	1.00%
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%

(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
2020-21	\$ 0.01	\$ 1.00	\$ 0.16	—	\$ 1.17
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

* 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	2020-21			2011-12		
	Taxable assessed value	Rank	Percentage of total City taxable assessed value	Taxable assessed value	Rank	Percentage of total City taxable assessed value
SC Enterprises SMBP LLC	\$ 1,021,938,000	1	2.42 %	\$ 265,000,000	5	1.12 %
Douglas Emmett Inc	810,585,027	2	1.92	303,472,566	3	1.28
California Colorado Center LLC	554,203,160	3	1.31	472,844,007	1	1.99
Water Garden Company	537,628,408	4	1.27	458,264,878	2	1.93
Office Block Investment LLC	390,100,060	5	0.92	—		—
Macerich Company LLC	357,633,887	6	0.85	268,175,478	4	1.13
SM Campus LLC	327,930,000	7	0.78	—		—
New Santa Monica Beach Hotel LLC	306,529,761	8	0.73	137,172,110	9	0.58
MDP SPE 1 LP ET AL	276,229,585	9	0.65	—		—
Kite Pharma Inc	219,770,337	10	0.52	—		—
CREP 2700 Holdings LLC	—		—	227,973,476	6	0.96
Ocean Avenue LLC	—		—	146,369,459	7	0.62
LUI2 LA Lantana LP	—		—	140,909,172	8	0.59
Rand Corporation	—		—	131,855,052	10	0.56
Total principal property taxpayers assessed value	<u>\$ 4,802,548,225</u>		<u>11.37 %</u>	<u>\$ 2,552,036,198</u>		<u>10.76 %</u>
Total City net taxable assessed value	<u>\$ 42,272,100,207</u>		<u>100.00 %</u>	<u>\$ 23,741,414,643</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
2020-21	\$ 36,996,999	\$ 36,306,207	98.1 %	\$ 613,376	\$ 36,919,583	99.8 %	\$ 542,504	1.5 %
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

(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									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Apparel stores	\$ 146,814	322,629	344,337	362,841	395,249	390,071	394,070	401,761	391,145	372,497
General merchandise	19,250	49,204	56,860	78,610	89,282	93,741	100,267	106,569	113,745	112,391
Food stores	94,365	97,024	91,803	87,888	88,196	87,729	86,615	82,367	79,495	76,420
Eating & drinking places	407,938	726,783	716,826	693,473	687,794	638,818	598,468	561,613	540,315	503,243
Building materials	122,302	124,030	114,802	112,587	110,186	113,405	114,156	102,818	88,761	88,391
Auto dealers & auto suppliers	783,207	874,780	854,723	766,512	770,658	757,333	739,833	697,249	653,869	632,489
Service stations	45,161	97,198	101,275	90,164	81,810	96,004	112,717	120,566	127,052	126,247
Other retail stores	562,235	627,046	665,606	695,449	657,236	692,105	677,744	657,413	664,771	659,166
Retail stores total	2,181,272	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
All other outlets	1,093,726	1,060,890	904,103	829,773	804,321	787,252	754,803	707,580	646,311	615,753
Total all outlets	\$ 3,274,998	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

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

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

TABLE 11

CITY OF SANTA MONICA, CALIFORNIA
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal year	Governmental activities			Business-type activities		Total primary government	Percentage of net assessed valuation (1)	Per capita
	General obligation bonds	Lease revenue bonds	Term loans payable (2)	Wastewater bonds	Term loans payable			
2020-21	\$ 2,273,237	\$ 159,348,210	\$ —	\$ 2,389,951	\$ 28,079,704	192,091,102	0.46%	2,066
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

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

TABLE 12**CITY OF SANTA MONICA, CALIFORNIA**Ratios of General Bonded Debt
Last Ten Fiscal Years

	<u>2020-21</u>	<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>
General bonded debt outstanding										
General obligation bonds	\$ 2,273,237	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
Less: Amounts Available in Debt Service Fund (3)	1,075,000	1,095,000	1,110,000	1,120,000	1,130,000	1,135,000	1,165,000	1,210,000	1,225,000	—
Total	<u>\$ 1,198,237</u>	<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>
Assessed value (in thousands) (1)	\$ 42,052,274	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
Percentage of assessed										
Property value	0.00%	0.01%	0.01%	0.01%	0.02%	0.02%	0.03%	0.04%	0.04%	0.05%
Population (2)	92,968	92,357	93,593	92,416	93,834	93,640	93,283	92,185	91,040	90,223
Per capita	\$ 13	26	39	53	66	79	93	108	124	140

(1) See Table 6 for Assessed Value Data

(2) See Table 16 for Population Data

(3) 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, 2021

	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated share of Overlapping Debt
Overlapping debt:			
Los Angeles County General Fund Obligations	\$ 2,618,507,256	2.474%	\$ 64,781,870
Los Angeles County Superintendent of Schools Certificates of Participation	4,565,373	2.474%	112,947
Metropolitan Water District	26,830,000	1.295%	347,449
Santa Monica Community College District	602,706,799	67.001%	403,819,582
Los Angeles Unified School District	10,864,555,000	0.0001%	10,865
Santa Monica-Malibu Unified School District	556,386,656	67.058%	373,101,764
Santa Monica-Malibu Unified School District School Facilities Improvement District 1	95,635,000	100.000%	95,635,000
Los Angeles County Regional Park and Open Space Assessment District	-	2.468%	-
Santa Monica Community College District Certificates of Participation	10,254,607	67.001%	6,870,689
Los Angeles Unified School District Certificates of Participation	130,970,000	0.0001%	131
Los Angeles Community College District	4,409,250,000	0.0120%	529,110
Santa Monica-Malibu Unified School District Certificates of Participation	27,911,162	67.058%	18,716,667
Overlapping Tax Increment Debt (Successor Agency):	73,190,000	100.000%	73,190,000
Subtotal, overlapping debt			<u>1,037,116,074</u>
City direct governmental debt			
City of Santa Monica General Obligation Bonds Main Library Improvements (2012)			2,273,236
City of Santa Monica Civic Parking Structure Lease Revenue Bonds (2015)			22,357,140
City of Santa Monica City Services Building Lease Revenue Bonds (2017)			76,224,752
City of Santa Monica Fire Station 1 Lease Revenue Bonds (2018)			37,354,684
City of Santa Monica Parking Structure 6 Lease Revenue Refunding Bonds (2021)			<u>23,411,635</u>
Subtotal, direct debt (2)			<u>161,621,447</u>
Total direct and overlapping governmental debt (3)			<u>\$ 1,198,737,521</u>

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

(2) Net of issuance discounts and premiums.

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

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

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

	<u>2020-21</u>	<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>
Total net debt applicable to limit	\$ 140,007,696	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
Debt limit	4,402,742,600	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
Legal debt margin	4,262,734,904	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
Total net debt applicable to the limit as a percentage of debt limit	3.18%	3.56%	4.19%	4.34%	1.84%	2.09%	2.44%	2.78%	3.20%	3.54%

Net assessed value	42,052,274,000
Add: exempt property	1,975,152,000
Total gross assessed value	<u>\$44,027,426,000</u>
Debt limit - 10% of total assessed value ⁽¹⁾	4,402,742,600
Amount of debt applicable to debt limit:	
Total bonded debt	145,630,000
Less:	
Assets in debt service funds available for payment of bonds	<u>5,622,304</u>
Total amount of debt applicable to debt limit	<u>140,007,696</u>
Legal debt margin	<u>\$ 4,262,734,904</u>

(1) Per Section 607 of the City Charter, bonded indebtedness of the City may not exceed 10% of total assessed valuation of property within the City, exclusive of any indebtedness incurred for the purpose of water supply or sewers or storm drains.

Source: City of Santa Monica Finance Department

TABLE 15

CITY OF SANTA MONICA, CALIFORNIA
Wastewater Enterprise Revenue Bonds Coverage
Last Ten Fiscal Years

Fiscal year	Gross revenues	Direct operating expense (1)	Net revenue available for debt service	Debt service requirement			Coverage (2)
				Principal	Interest	Total	
2020-21	\$ 17,276,706	\$ 11,173,664	\$ 6,103,042	\$ 2,390,050	\$ 115,050	\$ 2,505,100	2.44
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

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(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

<u>Calendar year</u>	<u>Population (1)</u>	<u>Personal income (2)</u> <u>(millions)</u>	<u>Per capita</u> <u>personal income (3)</u>	<u>Unemployment</u> <u>rate (4)</u>	
2021	92,968	\$ *	\$ *	6.3	%
2020	** 92,995	881,215	66,684	11.6	
2019	92,480	** 846,486	** 63,886	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	

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 2021 as of publication date of AFR

** 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	2020-21			2011-12		
	Number of employees	Rank	Percentage of total City employment	Number of employees	Rank	Percentage of total City employment
UCLA Medical Center, Santa Monica	1,965	1	2.15 %	2,084	2	2.62 %
City of Santa Monica	1,848	2	2.03	2,521	1	3.17
Santa Monica College	1,787	3	1.96	2,030	3	2.56
Santa Monica-Malibu Unified School District	1,697	4	1.86	1,468	5	1.85
Providence Saint John's Health Center	1,518	5	1.66	1,601	4	2.02
Hulu	1,394	6	1.53	—	—	—
SNAP Inc	1,384	7	1.52	—	—	—
Activision Publishing (Includes Beachhead Studios, Treyarch Corp)	1,231	8	1.35	692	8	0.87
Oracle	974	9	1.07	—	—	—
Universal Music Group	957	10	1.05	720	7	0.91
RAND Corporation	—	—	—	881	6	1.11
ET Whitehall, Inc. (Casa del Mar, Shutters on the Beach)	—	—	—	589	9	0.74
MTV Networks	—	—	—	510	10	0.64
Total jobs provided by principal employers	<u>14,755</u>			<u>13,096</u>		
Average total jobs in Santa Monica	91,235			79,444		
Principal employers as percent of total jobs	16.17%			16.48%		

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	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12
General government	250.3	273.5	276.7	277.6	269.7	281.5	265.7	232.9	230.7	238.6
Public safety										
Police										
Sworn	223.0	229.0	227.0	224.0	224.0	221.0	221.0	216.0	216.0	209.0
Non-sworn	165.8	203.4	203.4	201.4	202.4	202.4	197.4	217.4	220.4	225.4
Fire										
Sworn	120.0	120.0	120.0	120.0	120.0	114.0	114.0	108.0	108.0	108.0
Non-sworn	14.0	16.0	16.0	17.0	16.0	15.8	15.8	21.0	21.0	21.0
General services	210.0	270.5	282.0	281.0	281.6	257.3	257.3	256.1	184.3	184.3
Community services	98.2	150.3	152.7	152.7	152.7	153.0	153.7	151.9	231.1	231.1
Library	47.8	112.0	113.5	113.5	112.5	111.0	111.0	114.8	106.1	106.1
Community development	88.5	174.3	164.8	163.2	161.5	159.5	149.8	138.8	144.4	144.4
Beach recreation	35.5	53.3	52.6	52.6	50.5	50.3	48.9	49.9	46.6	46.6
Water	51.0	47.0	47.0	46.0	46.0	46.0	46.0	46.0	46.0	46.0
Resource Recovery & Recycling	81.0	88.3	91.3	92.3	90.7	89.7	87.7	86.7	75.2	84.2
Pier	16.9	21.9	21.9	21.9	20.3	19.3	17.8	17.8	17.2	15.8
Wastewater	21.0	21.0	21.0	22.0	22.2	22.2	22.2	22.2	22.2	22.2
Civic Auditorium	—	—	—	—	—	—	—	—	11.0	30.3
Airport	14.0	15.9	20.9	27.9	37.9	12.9	12.4	12.5	12.2	4.0
Cemetery	7.0	7.0	7.0	8.0	8.1	7.1	7.1	7.1	12.1	12.1
Big Blue Bus	410.8	450.0	463.0	464.0	462.9	464.5	436.0	435.5	419.0	419.0
Vehicle management	21.0	29.3	29.3	29.3	29.0	29.0	28.0	28.0	28.0	28.0
Self insurance - workers' compensation	10.0	13.0	13.0	13.0	13.0	13.0	12.0	12.0	14.0	14.0
Community Broadband	4.0	3.0	3.0	4.0	4.0	—	—	—	—	—
Total all funds	<u>1,889.8</u>	<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>

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	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12
General government:										
Electronic requests for government information	9,236,685	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
Hours of live public meeting coverage	257	187	230	210	220	275	319	284	330	300
Public safety:										
Number of emergency response incidents	15,257	15,802	17,355	17,199	16,384	15,963	14,629	13,637	13,540	12,842
Number of inspections	2,221	6,150	8,201	8,795	10,592	10,202	8,119	9,031	8,706	9,549
Calls to Police Department for service	95,441	111,310	128,992	134,192	129,524	130,016	133,516	128,323	120,320	105,642
Police reports issued	10,932	12,468	16,043	16,298	14,467	14,358	13,984	13,983	13,708	13,086
Number of crimes recorded	7,569	8,301	10,369	10,008	8,988	8,774	8,500	8,744	8,986	8,579
General services:										
Number of square feet of sidewalks repaired	123,991	161,924	219,871	126,959	99,907	14,001	10,359	6,025	3,279	40,000
Number of graffiti removals performed	448 (1)	33,359	40,156	45,729	43,535	38,311	37,940	37,948	34,289	20,000
Feet of sewer mains cleaned	2,247,313	2,372,320	2,072,933	2,093,410	1,988,287	1,985,816	2,200,810	1,933,560	2,328,874	2,316,757
Cultural and recreation services:										
Number of cars parked in beach lots	1,670,062	1,655,820	2,190,104	2,553,233	2,829,771	2,580,752	2,580,225	2,568,733	2,163,186	1,500,000
Senior services meals served	183,652	141,568	118,875	104,472	64,406	52,917	48,253	43,020	64,711	56,232
Number of low income persons receiving primary health care	3,516	4,336	4,460	4,711	4,458	4,137	3,089	3,519	3,568	4,164
Number of youth regularly attending homework assistance programs	261	617	687	597	641	745	624	583	469	466
Library:										
Library visitors	88,974	740,009	1,131,524	1,221,015	1,257,746	1,184,130	1,262,708	1,265,286	1,373,663	1,500,000
Materials used	622,006	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
Public access computer sessions	21,961	95,630	159,705	175,485	173,702	164,318	182,655	215,907	271,680	300,000
Housing and community development:										
Building and Safety plan checks completed	3,936	4,587	4,389	4,412	4,749	2,823	3,080	2,366	1,998	1,500
Building inspections performed	18,429	21,860	23,342	24,009	24,080	23,858	20,690	20,732	21,576	16,000
Rounds of transportation plan check & entitlement application review completed	678	793	530	323	640	632	748	839	465	500
Resident parking passes sold	32,511	47,161	57,993	53,118	51,325	48,962	56,356	51,674	76,000	73,000
Number of traffic signs installed, replaced, repaired, or removed	200	739	2,951	3,024	2,858	1,659	2,079	2,417	2,859	5,600
Number of parking meters installed, replaced, repaired, or removed	18,822	22,780	21,650	18,605	14,843	13,844	5,875	5,874	6,100	23,000
Water:										
Number of direct customer accounts	18,439	18,342	18,342	18,061	17,976	17,842	17,798	17,760	17,705	17,902
Water sold to direct customers in whole acre feet	10,605	10,988	11,265	11,718	11,552	11,242	12,323	13,344	15,147	11,996
Airport:										
Number of tenant aircraft	196	195	256	278	310	309	325	274	420	420
Noise ordinance violations issued	38	33	38	130	148	162	118	153	160	142
Big Blue Bus:										
Revenue Miles	3,700,401	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
Farebox revenue (in millions)	1.99	8.97	11.41	11.72	11.80	12.84	13.36	13.68	14.09	11.86
Total passenger trips (in millions)	5.03	10.29	12.54	13.18	13.30	16.50	18.70	18.80	19.31	21.96
Number of customer relations phone calls	23,768	38,445	51,952	30,730	37,187	38,705	56,995	64,525	69,075	73,586
Total number of charters	0	0	0	0	0	0	0	3	3	90

(1) Due to restructuring, only graffiti removal requested by the public and submitted to the 311 system are tracked and included in the stat. Additional graffiti removal, not currently tracked by City Staff, continues to be performed. Staff has not seen a reduction in quantity of graffiti in our City, however the response time to remove graffiti has increased due to the restructuring.

Sources: Various City departments.

TABLE 20

CITY OF SANTA MONICA, CALIFORNIA
 Capital Asset Statistics by Function/Program
 Last Ten Fiscal Years

Function / program	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12
Public safety:										
Number of police vehicles	244	245	237	243	235 (1)	232	220	223	241	239
Number of fire vehicles	70	71	71	67	67	71	68	64	56	52
Number of fire stations	5	5	5	5 (6)	4	4	4	4	5	5
Number of police substations including Public Safety Facility	4	3	3	3	3	3	3	3	4	4
General services:										
Square footage of asphalt paved streets	30,191,740	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
Square footage of concrete paved streets	1,183,981	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
Square footage of sidewalks	8,620,831	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
Square footage of curbs and gutters	1,938,820	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
Cultural and recreation services:										
Number of beach parking lots	16	16	16	16	16 (3)	16	16	17	17	17
Number of parks	31	31	31	31	30	29	29	29	29	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	5	4	4
Housing and community development:										
Downtown structure visitors	2,740,785	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
Water:										
Number of feet of new water main installed	10,822	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)	211	205	205	205	205	205	205	205	205	205
Reclaimed water main system (in miles)	6	5	5	5	5	5	5	5	4	4
Wastewater:										
City sewage flow in million gallons/day	12	14	14	13.8	14.2	13.9	13.9	12.2	11.4	11.4
Sewer main system (in miles)	155	152	152	151	151	151	151	151	151	151
Stormwater:										
Daily gallons treated for recycling by SMURRF	171,746	193,250	186,732	180,699	159,740	160,059	170,000	108,000	123,000	122,890
Storm drain system (in miles)	59	59	59	59	59	59	59	59	59	59
Airport:										
Aircraft operations (departures and arrivals)	63,870	67,205	74,511	74,130	83,471	89,217	84,633	85,052	102,109	105,026
Big Blue Bus:										
Number of buses	178	189	195	199	200	200	188	201	192	200

(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.



City of
**Santa
Monica**