CITY OF SANTA MONICA, CALIFORNIA

Big Blue Bus Fund

(An Enterprise Fund of the City of Santa Monica)

Financial Statements and Supplementary Information

Fiscal Years Ended June 30, 2022 and 2021

(With Independent Auditors' Reports Thereon)

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INDEPENDENT AUDITORS' 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 Big Blue Bus Fund (the "BBB Fund"), an enterprise fund of the City of Santa Monica, California (the "City") as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the BBB Fund'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 financial position of the BBB Fund as of June 30, 2022 and 2021, and the changes in financial position and 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 opinions.

Emphasis of Matter

Fund Financial Statements

As discussed in Note 1, the financial statements of the BBB Fund, are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City that is attributable to the transactions of the BBB Fund. They do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2022, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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

Change in Accounting Principle

As described in Note 5 to the financial statements, in the fiscal year ended June 30, 2022, the BBB Fund adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 BBB Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 BBB Fund's ability to continue as a going concern for a reasonable period of time.

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

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

Management has omitted the management's discussion and analysis and the pension and other post-employment benefits schedules that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the BBB Fund's basic financial statements. The *50% Expenditure Limitation Tests* schedule (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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2023 on our consideration of the City's internal control over the BBB Fund's 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 the BBB Fund's 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 the BBB Fund's financial reporting and compliance.

Lance, Soll & Lunghard, LLP

Brea, California
January 25, 2023

CITY OF SANTA MONICA, CALIFORNIA

Big Blue Bus Fund
(An Enterprise Fund of the City of Santa Monica)
Statements of Net Position
Fiscal Years Ended June 30, 2022 and 2021

	2022	2021 (as restated)
Assets:		
Current assets:		
Cash and investments (note 2)	$ 39,124,061	14,915,913
Restricted cash and investments (note 2)	13,834,099	38,458,961
Accounts receivable	2,026,752	403,218
Interest receivable	58,360	59,354
Due from other governments	29,034,913	10,688,814
Inventory	3,531,115	3,416,607
Prepaid expense	62,345	11,685
Total current assets	87,671,645	67,954,552
Other assets:		
Lease receivable	9,505,438	10,035,489
Capital assets (note 3):		
Land	48,807,900	48,807,900
Construction in progress	449,148	-
Buildings	131,604,733	131,621,863
Improvements other than buildings	15,312,973	15,314,657
Machinery and equipment	188,886,784	174,051,612
Total capital assets	385,061,538	369,796,032
Less: accumulated depreciation	(209,675,244)	(194,014,926)
Net capital assets	175,386,294	175,781,106
Total noncurrent assets	175,386,294	175,781,106
Total assets	272,563,377	253,771,147
Deferred outflows of resources:		
Deferred outflows from pensions (note 4)	7,957,785	9,394,652
Deferred outflows from OPEB (note 4)	572,533	673,236
Total deferred outflows of resources	8,530,318	10,067,888
Liabilities:		
Current liabilities:		
Accounts payable	1,198,946	1,288,718
Accrued liabilities	2,101,318	2,086,221
Contracts payable (retained percentage)	25,767	5,257
Compensated absences due within one year	1,501,637	1,472,694
Unearned revenue	43,534,508	20,814,415
Liabilities payable from restricted assets - deposits	129,649	47,975
Total current liabilities	48,491,825	25,715,280
Noncurrent liabilities:		
Compensated absences due in more than one year	360,462	529,345
Net OPEB liability (note 4)	1,493,755	2,672,335
Net pension liability (note 4)	21,634,019	54,397,016
Total noncurrent liabilities	23,488,236	57,598,696
Total liabilities	71,980,061	83,313,976
Deferred inflows of resources:		
Deferred inflows from pensions (note 4)	24,692,238	1,944,126
Deferred inflows from OPEB (note 4)	558,197	101,673
Deferred inflows leases	8,628,069	9,267,540
Total deferred inflows of resources	33,878,504	11,313,339
Net Position		
Invested in capital assets	175,386,294	175,781,106
Restricted for:		
Restricted for Prop 1B projects	10,169,682	10,731,093
Unrestricted	(10,320,846)	(17,300,479)
Total net position	$ 175,235,130	169,211,720

See accompanying notes to basic financial statements.

CITY OF SANTA MONICA, CALIFORNIA

Big Blue Bus Fund

(An Enterprise Fund of the City of Santa Monica)

Statements of Revenues, Expenses, and Changes in Fund Net Position

Fiscal Years Ended June 30, 2022 and 2021

	2022	2021 (as restated)
Operating revenues:		
Fixed route service:		
Passenger revenue	$ 5,617,870	1,989,658
Advertising	3,262,548	848,412
Other income	55,576	62,962
Total fixed route service revenues	8,935,994	2,901,032
Specialized transit services	624,888	402,753
Total operating revenues	9,560,882	3,303,785
Operating expenses:		
Fixed route and charter service:		
Personnel services	43,607,977	54,798,803
Administrative indirect	4,921,405	4,921,405
Contractual services	2,903,029	2,461,355
Repairs and maintenance	1,121,570	998,158
Materials and supplies	6,044,544	6,344,135
Utilities	811,580	384,695
Casualty property and liability costs	5,563,056	5,441,429
Miscellaneous fees and costs	25,000	-
Other	391,856	603,456
Total fixed route expenses	65,390,017	75,953,436
Specialized transit services	624,888	402,753
Total operating expenses before depreciation	66,014,905	76,356,189
Depreciation	16,432,829	17,406,930
Total operating expenses	82,447,734	93,763,119
Operating loss	(72,886,852)	(90,459,334)
Nonoperating revenues (expenses):		
CRRSSA funds	22,247,777	-
CARES Act funds	-	24,360,412
ARPA funds	216,642	-
Sales tax proceeds:		
Proposition C funds	2,629,399	2,230,951
Proposition A funds	9,401,107	14,135,655
Transportation Development Act funds	21,750,088	17,176,977
State Transit Assistance Fund sales taxes	1,870,845	2,904,583
State Transit Assistance Senate Bill 1	1,396,905	2,185,749
Measure R	-	858,602
Measure M	-	174,138
Investment income (loss)	(932,671)	41,148
Gain on disposal of capital assets	13,229	75,824
Other nonoperating revenues	4,236,092	3,423,336
Total nonoperating revenues	62,829,413	67,567,375
Loss before capital grants and contributions	(10,057,439)	(22,891,959)
Capital contributions	16,080,850	4,623,832
Changes in fund net position	6,023,411	(18,268,127)
Net position (restated, note 5), beginning	169,211,719	187,479,847
Net position, ending	$ 175,235,130	169,211,720

See accompanying notes to basic financial statements.

CITY OF SANTA MONICA, CALIFORNIA
Big Blue Bus Fund
(An Enterprise Fund of the City of Santa Monica)
Statements of Cash Flows
Years ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Cash received from customers	$ 7,796,334	3,486,747
Cash received from specialized transit services	611,412	402,753
Cash payments for materials and services	(23,016,529)	(22,319,356)
Cash payments to employees for services	(52,880,502)	(51,954,419)
Other revenues received	3,323,498	3,265,961
Net cash used in operating activities	(64,165,787)	(67,118,314)
Cash flows from noncapital financing activities:		
State and local operating grants received	77,707,117	76,939,800
Federal operating grants received		
Net cash provided by noncapital financing activities	77,707,117	76,939,800
Cash flows from capital and related financing activities:		
Federal capital grants	767,531	35,516
State and local capital grants	2,204,434	87,880
Proceeds from disposition of capital assets	14,447	75,824
Acquisition and construction of capital assets	(16,012,780)	(2,050,449)
Net cash provided by capital and related financing activities	(13,026,368)	(1,851,230)
Cash flows from investing activities:		
Interest received on investments	85,761	529,422
Net increase (decrease) in cash and cash equivalents	600,723	8,499,678
Cash and cash equivalents at beginning of year	53,374,874	45,289,099
Effect of unrealized (loss) on cash and cash equivalents	(1,017,437)	(413,903)
Cash and cash equivalents at end of year	$ 52,958,160	53,374,874
Cash and investments	$ 39,124,061	14,915,913
Restricted cash and investments	13,834,099	38,458,961
Total cash and cash equivalents	$ 52,958,160	53,374,874
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$ (72,886,852)	(90,459,334)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	16,432,829	17,406,930
Allowance for doubtful accounts	(403,368)	403,368
Other revenue received	3,323,498	3,265,961
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	65,009	218,764
(Increase) decrease in due from other governments	(907,199)	(194,818)
(Increase) in inventory	(114,508)	(104,497)
Decrease (Increase) in prepaid expense	(50,660)	(11,410)
(Decrease) in accounts payable	(116,226)	(392,850)
Increase in accrued liabilities	208,881	9,422
(Decrease) in contracts payable	(459,554)	(393,754)
(Decrease) in deposits	81,674	-
(Decrease) increase in compensated absences	(139,940)	14,123
Increase (decrease) in net OPEB liability and related changes in deferred outflows and inflows of resources	(621,353)	186,298
Increase in net pension liability and related changes in deferred outflows and inflows of resources	(8,578,018)	2,941,215
(Decrease) increase in unearned revenue	-	(7,732)
Total adjustments	8,721,065	23,341,020
Net cash used in operating activities	$ (64,165,787)	(67,118,314)
Schedule of non-cash capital and related financing activities:		
Capital assets acquired through accounts payable	26,454	35,420

See accompanying notes to basic financial statements.

1. Summary of Significant Accounting Policies

The City of Santa Monica, California (City) began operating its own bus line in 1928 calling it the "Santa Monica Municipal Bus Lines." In 1999 the name was changed to "Santa Monica's Big Blue Bus". The Big Blue Bus Fund (BBB) operates a fleet of about 200 buses of various types and provides a variety of transportation services such as:

- Fixed Route Services – Daily bus service with 20 different fixed routes and various timetables.
- Specialized Transportation Services – The MODE Service (Mobility On-Demand Every Day, formerly called Dial-a-Ride Service), which is a low cost, shared ride service offering door-to-door transportation in Santa Monica for disabled and senior passengers.

The accounting policies of the BBB conform to accounting principles generally accepted in the United States of America. The following is a summary of the significant policies applied in the preparation of the accompanying financial statements.

Basis of Accounting

The BBB is reported as a major proprietary fund in the City's basic financial statements presented in its Annual Comprehensive Financial Report. The accompanying financial statements present the net position and changes in net position and cash flows of the BBB. These financial statements are not intended to present the financial position and the results of operations of the City, or cash flows of the City's other proprietary funds.

The financial statements of the BBB are presented using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recorded in the period in which they are earned. Expenses are recognized in the period in which they are incurred.

The BBB's principal operating revenues are charges to customers for transportation services. Operating expenses include the cost of providing transportation services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Other non-operating revenue consists primarily of rental income.

Cash and Cash Equivalents

Cash and investments of the BBB are pooled and invested with funds of the City (see note 2). BBB's cash and investments balance represents BBB'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 each participating fund. The BBB's investments are stated at fair value, and the increase or decrease in the fair value of investments is included as a component of interest income.

Interest income earned on pooled cash and investments is allocated quarterly to the various funds based on quarter-end balances and is adjusted at year-end.

The City is a voluntary participant 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. The LAIF is part of the State's Pooled Money Investment Account (PMIA). As of June 30, 2022, the investments in the PMIA totaled $236.0 billion, nearly all of which is invested in non-derivative financial products. The weighted average of LAIF investments was 311 days as of June 30, 2022. LAIF is not rated and it does not impose limits or restrictions on participant withdrawals, and the entire balance of the City's investment in the portfolio is available for withdrawal at any time. LAIF is not registered with the Securities and Exchange Commission. Deposits and withdrawals in LAIF are made on the basis of $1 and not fair value.

The City's investments are carried at fair value with the exception of LAIF. 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 Quotation (NASDAQ) dealers. Changes in fair value are allocated to each pool participant on an annual basis.

For purposes of the statement of cash flows, the BBB has defined cash and cash equivalents to be change and petty cash funds and equity in the City's cash and investments.

Accounts Receivable

Accounts receivable represents amounts due to the BBB for services rendered as of year-end, but cash had not been received as of that date. Accounts receivables are reported at their net realizable value.

Due from Other Governments

Due from other governments primarily represents amounts due from the Los Angeles County Metropolitan Transportation Authority related to capital grant reimbursements that have been earned as of year-end but cash had not been received as of that date.

Inventory and Prepaids

Inventory consisting of spare parts, fuel, and similar items are stated at cost on a weighted average basis. The cost of prepaid items is recorded as expenses when consumed rather than when purchased.

Restricted Assets

Assets that are restricted for specific uses by grant provisions are classified as restricted because their use is limited by grant agreements.

Capital Assets

Capital assets, which include land, buildings, improvements other than buildings and machinery and equipment, are defined by the Big Blue Bus as any assets with estimated useful life in excess of one year as the Big Blue Bus follows transit funding guidelines by capitalizing any expense which is funded by capital grant subsidies not related to bus repairs and maintenance. Such assets are recorded at historical cost. Donated capital assets are recorded at acquisition value at the date of donation. The cost of normal maintenance and repairs that do not increase utility of the assets or materially extend asset lives are expensed when incurred.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the Big Blue Bus 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 50
Improvement other than buildings	5 to 50
Machinery and equipment	2 to 20

Interest on Unused Capital Contributions

Interest earned from unused capital grant proceeds and other restricted assets is allocated to unspent capital contribution amounts, thereby having the effect of increasing the BBB's transportation-related capital contributions.

Accounts Payable and Accrued Liabilities

Accounts payable consists primarily of liabilities for goods or services rendered to the BBB, which have not been paid by year-end. Accrued liabilities consist primarily of personnel services rendered by year-end which have been paid in the following year.

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 in the financial statements. Members of The International Association of

Sheet Metal, Air, Rail and Transportation Workers – Transportation Division, Local 1785 (SMART TD), upon retirement after 10 or more years of service and having accumulated 50 or more sick days, are entitled to reimbursement for health insurance premiums up to the cumulative dollar equivalent of those sick days.

Unearned Revenue

Unearned revenue includes unexpended grants and developer fees.

Grant Revenues

Grant revenue for both state and federal grants is recognized when all eligibility requirements imposed by the grantor have been met.

Deferred Outflows/Inflows of Resources

Pursuant to GASBs 63, 65, 68, 75 and 87, the BBB recognizes deferred inflows and outflows of resources. A deferred outflow of resources represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. A deferred inflow of resources is a separate financial statement element that represents an acquisition of net assets that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

See note 4 for additional details.

Leases

GASB 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Therefore, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the pension plans fiduciary net position and additions to/deductions from the pension plans fiduciary net positions 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 currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefits (OPEB)

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

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

Valuation Date	June 30, 2021
Measurement Date	June 30, 2021
Measurement Period	June 30, 2020 to June 30, 2021

Net Position

Net position is reported in three categories: invested in capital assets, restricted net position and unrestricted net position. Invested in capital assets represents capital assets less accumulated depreciation. Restricted net position represents assets restricted by parties outside of the City (such as creditors, grantors, contributors and laws and regulations of other governments). All other net position is considered unrestricted.

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

Use of Estimates

The preparation of basic financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

2. Cash and Investments

Cash and Investments in City Investment Pool

The BBB has no separate bank accounts or investments other than investments in the BBB's equity in the cash and investment pool managed by the City of Santa Monica (the Pool). The BBB is a voluntary participant in the Pool. The Pool is governed by and under the regulatory oversight of the Investment Policy adopted by the City Council of the City pursuant to the California Government Code and the Santa Monica City Charter, Section 711. The BBB has not adopted an investment policy separate from that of the City. The fair value of the BBB's investment in this pool is reported in the accompanying financial statements at amounts based upon the BBB's pro-rata share of the fair value calculated by the City for the entire City portfolio. The balance available for withdrawal is based on the accounting records maintained by the City, which are recorded on an original cost basis. As of June 30, 2022 and 2021, the BBB's portion of the Pool was $52,958,160, and $53,374,874 which represent approximately 9.7% and 8.3% of the Pool respectively. The City issues a publicly available Annual Comprehensive Financial Report that includes complete disclosures related to the entire cash and investment pool.

3. **Capital Assets**

Capital assets activity for the years ended June 30, 2022 and 2021 is as follows:

	Balance at July 1, 2021	Increases	Decreases	Transfers	Balance at June 30, 2022
Capital assets, not being depreciated:					
Land	$ 48,807,900	-	-	-	48,807,900
Construction in progress	-	449,148	-	-	449,148
Total capital assets, not being depreciated	48,807,900	449,148	-	-	49,257,048
Capital assets, being depreciated:					
Buildings	131,621,863	-	(17,130)	-	131,604,733
Improvements other than buildings	15,314,657	-	(1,684)	-	15,312,973
Machinery and equipment	174,051,613	15,590,086	(754,915)	-	188,886,784
Total capital assets, being depreciated	320,988,133	15,590,086	(773,729)	-	335,804,490
Less accumulated depreciation for:					
Buildings	(61,106,876)	(3,482,400)	15,914	-	(64,573,362)
Improvements other than buildings	(8,367,997)	(857,215)	1,683	-	(9,223,529)
Machinery and equipment	(124,540,054)	(12,093,214)	754,915	-	(135,878,353)
Total accumulated depreciation	(194,014,927)	(16,432,829)	772,512	-	(209,675,244)
Total capital assets, being depreciated, net	126,973,206	(842,743)	(1,217)	-	126,129,246
Total	$ 175,781,106	(393,595)	(1,217)	-	175,386,294

	Balance at July 1, 2020	Increases	Decreases	Transfers	Balance at June 30, 2021
Capital assets, not being depreciated:					
Land	$ 48,807,900	-	-	-	48,807,900
Construction in progress	1,811,537	44,876	(1,856,413)	-	-
Total capital assets, not being depreciated	50,619,437	44,876	(1,856,413)	-	48,807,900
Capital assets, being depreciated:					
Buildings	129,881,355	1,740,508	-	-	133,362,371
Improvements other than buildings	15,314,657	-	-	-	15,314,657
Machinery and equipment	176,247,679	2,156,898	-	(4,352,965)	174,051,612
Total capital assets, being depreciated	321,443,691	3,897,406	-	(4,352,965)	320,988,132
Less accumulated depreciation for:					
Buildings	(57,459,948)	(3,646,928)	-	-	(61,106,876)
Improvements other than buildings	(7,418,834)	(949,163)	-	-	(8,367,997)
Machinery and equipment	(116,082,179)	(12,810,839)	-	4,352,965	(124,540,053)
Total accumulated depreciation	(180,960,961)	(17,406,930)	-	4,352,965	(194,014,926)
Total capital assets, being depreciated, net	140,482,730	(13,509,524)	-	-	126,973,206
Total	$ 191,102,167	(13,464,648)	(1,856,413)	-	175,781,106

4. Employee Benefit Programs

Santa Monica Public Employees' Retirement Plan

General Information about the Pension Plan

The BBB's employees participate in the Santa Monica Public Employees' Retirement Plan (Plan), the City's defined benefit pension plan, which 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 where CalPERS 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 non-sworn employees of the City and part-time employees who have worked over 1,000 hours during a fiscal year are eligible to participate in the City's Miscellaneous Plan. The City is authorized by statute to establish and amend all plan provisions. Related benefits vest after five years of service. Upon five years of service, employees who retire are entitled to receive an annual retirement benefit according to the following Plan provision chart:

	Miscellaneous		
Hire Date	Prior to July 1, 2012	Between July 1, 2012 and December 31, 2012	After December 31, 2013
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	26.16%	26.16%	26.16%

For FY 2017-18, CalPERS changed payment for the employer paid amortization of the unfunded pension liability from using a level percentage of payment to a flat dollar amount. In FY 2021-22, the BBB was allocated $4,928,059 of the City payment to CalPERS for the employer paid amortization of the unfunded liability.

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% of their annual covered salary. The City makes such employee contributions on behalf and for employees hired before July 1, 2012. 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 any 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. Members hired prior to July 1, 2012, for whom the City pays for their employee contribution, reimburse the City for the cost of an enhanced benefit at a rate of 6.70%.

Net Pension Liability

The City's net pension liability is measured as the total pension liability, less the pension plan's fiduciary net position. The total pension liability of the Plan is measured as of June 30, 2021, using an annual actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. A summary of principal assumptions and methods used to determine the BBB's allocation of the City's net pension liability is shown below.

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 actuarial methods and assumptions in the following table:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
Actuarial cost method	Entry-Age Normal
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.50%
Projected salary increase	Varies by entry age and service
Investment rate of return [1]	7.15%
Mortality [2]	Derived using CalPERS' membership data for all funds
Post-retirement benefit increase	Contract COLA up to 2.00% until Purchasing Power Protections Allowance Floor on Purchasing Power applies, 2.50% thereafter

[1] Net of pension plan investment expenses, including inflation.7% 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 include 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 the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.15% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at the CalPERS website under the GASB 68 section.

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

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

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

Asset Class [1]	Current Target Allocation %	Real Return % Years 1 - 10 [2]	Real Return % Years 11+ [3]
Global Equity	50.00	4.80	5.98
Fixed Income	28.00	1.00	2.62
Inflation assets	-	0.77	1.81
Private Equity	8.00	6.30	7.23
Real Assets	13.00	3.75	4.93
Liquidity	1.00	-	(0.92)
Total	100.00		

[1] *In the System's ACFR, Fixed Income is included in the Global Debt Securities; liquidity is included in short-term Investments; Inflation Assets expected inflation of 2.5% for this period included both both Global Equity Securities and Global Debt Securities.*

[2] *An expected inflation of 2.00% is used for this period*

[3] *An expected inflation of 2.92% is used for this period*

Recognition of Gains and Losses

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

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

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

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

Changes in Net Pension Liability

As of the measurement date of June 30, 2021, the BBB's allocation of the net pension liability is $21,634,019.

The BBB's net pension liability is measured as the allocation of the net pension liability based on its share of contributions to the pension plan. The BBB's allocation of the net pension liability as of the measurement date June 30, 2021 and 2020 is as follows:

Proportion June 30, 2021	20.6%
Proportion June 30, 2020	20.4%
Change in proportion	0.2%

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

The BBB's allocation of the net pension liability of the City's Miscellaneous Plan as of the Measurement Date, calculated using the discount rate of 7.15% (7.0% after 0.15% administrative costs), in FY 2021-22 and in FY 2020-21, as well as the net pension liability if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15%) than the current rate (all rates are gross of 0.15% administrative costs):

Net Pension Liability

2022		
1% Decrease (6.15%)	Current Rate (7.15%)	1% Increase (8.15%)
$ 57,051,570	21,634,019	(7,657,695)

2021		
1% Decrease (6.15%)	Current Rate (7.15%)	1% Increase (8.15%)
$ 88,118,074	54,397,016	25,659,548

Pension Plan Fiduciary Net Position

Detailed information about the City's 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

The BBB recognized ($1,428,175) and $9,810,036 as the allocation of pension expense for the years ended June 30, 2022 and 2021, respectively.

The BBB's allocation of deferred outflows and deferred inflows of resources related to pensions as of June 30 are as follows:

	2022		2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ —	(44,732)	—	(487,287)
Difference between expected and actual experience	349,851	(1,676,020)	661,427	(1,456,839)
Net difference between projected and actual earnings on pension plan investments	—	(22,971,486)	1,494,172	—
Employer contributions subsequent to the measurement date	7,607,934	—	7,239,053	—
Total	$ 7,957,785	(24,692,238)	9,394,652	(1,944,126)

The amounts above are net of outflows and inflows recognized in the pension expense for the fiscal year ended June 30, 2022 and 2021, respectively.

Contributions of $7,607,934 and $7,239,053 for the years ended June 30, 2022 and 2021, respectively, that were made by BBB subsequent to the measurement date are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the fiscal years ended June 30, 2023 and 2022, respectively 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 Inflows/outflows of Resources 2022
2022	$ (6,324,483)
2023	(6,037,870)
2024	(5,676,567)
2025	(6,303,467)

Measurement periods ended June 30	Deferred Inflows/outflows of Resources 2021
2021	$ (1,521,277)
2022	341,567
2023	625,404
2024	765,779

Deferred Compensation Plans

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

The City offers an employer discretionary, defined contribution plan established and governed under Internal Revenue Code Section 401(a) to members of the Management Team Associates (MTA) bargaining unit. Employee only contributions are calculated based upon a percentage of employee compensation under agreements with the MTA. Beginning July 1, 2018, the City established a 401(a) plan for Administrative Team Associates.

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.

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 BBB in accordance with agreements with various bargaining units and groups provides postemployment medical coverage for certain retired employees under a single employer benefit plan. BBB employees of the Executive Pay Plan group 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, all non-sworn permanent retirees can opt to stay in the City's health insurance plans at the active employees' rate, thereby creating an implicit rate subsidy for retirees. The actuarial valuation for the actuarially determined contribution is not significant for contribution disclosure and does not include separate reporting on the funded status for the BBB.

During FY 2017-18, the BBB implemented GASB 75 which changed reporting of OPEB from the unpaid ARC to an actuarially calculated OPEB liability less the plan fiduciary net position. The allocated net OPEB liability as of June 30, 2022 and 2021 were $1,493,755 and $2,672,335 respectively.

Net OPEB Liability

The BBB's net OPEB liability was measured as of June 30, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by actuarial valuation also dated June 30, 2021 based on the following actuarial assumptions:

Discount rate	3.05%
Inflation	2.50%
Salary increases	3.00% per year, used only to allocate the costs between service years.
Investment rate of return	5.55%
Mortality rate	Mortality rates used were those published by CalPERS 2021 experience study, using data from 20000 to 2019, except for a different basis used to project future mortality improvements, then projected using the MacLeod Watts Scale 2022 from 2017 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 2021 Experience Study Report.
Healthcare Trend Rate	4.7% decreasing to 3.90%

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:

Asset Class	Target Allocation	Long-term expected real rate of return
Global Equity	34%	4.50%
Fixed Income	41%	2.20%
Global real estate	17%	3.90%
Treasury Inflation Protected Securities	5%	1.30%
Commodities	3%	1.20%

Discount Rate

The discount rate used to measure the OPEB liability was 3.05%. 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 through FY 2020-21 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. The City restarted its contributions beginning FY 2021-22 which increased the discount rate to 3.05%.

Changes in OPEB Liability

As of June 30, 2022, the BBB’s allocation of the OPEB liability is $1,493,755. The BBB’s net OPEB liability is measured as the allocation of the OPEB liability based on its share of contributions to the OPEB plan. The BBB’s allocation of the OPEB liability as of the measurement date June 30, 2021 and 2020 are 4.74% and 6.64%, respectively, of the total City OPEB liability.

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

The following presents the BBB's net OPEB liability calculated using a discount rate of 3.05% in FY 2021-22 and 2.85% in FY 2020-21, as well as the net OPEB liability if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	2022		
	1% Decrease (2.05%)	Current Discount Rate (3.05%)	1% Increase (4.05%)
Net OPEB Liability	$ 1,742,641	1,493,755	1,289,962

	2021		
	1% Decrease (1.85%)	Current Discount Rate (2.85%)	1% Increase (3.85%)
Net OPEB Liability	$ 3,061,887	2,672,335	2,344,152

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

The following presents the BBB's net OPEB liability calculated using a health care cost trend of 4.7% decrease to 3.9% in FY 2021-22 and 6.5% to 4.0% in 2020-21, as well as if it were calculated using health care cost trends that are one percentage point lower or one percentage point higher than the current health care cost trend rate:

	2022		
	1% Decrease (3.7% decrease to 2.9%)	Current Rate (4.7% decrease to 3.9%)	1% Increase (5.7% decrease to 4.9%)
Net OPEB Liability	$ 1,262,113	1,493,755	1,783,056

	2021		
	1% Decrease (5.5% decrease to 3.0%)	Current Rate (6.5% decrease to 4.0%)	1% Increase (7.5% decrease to 5.0%)
Net OPEB Liability	$ 2,302,804	2,672,335	3,123,611

OPEB Plan Fiduciary Net Position

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

Recognition of Deferred Outflows and Deferred Inflows of Resources

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

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

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

Net difference between projected and actual earnings on investments	5 year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lives of all members that are provided benefits (active, inactive, and retired) as of the beginning of the measurement period (9.92 years for June 30, 2021)

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

For the fiscal years ended June 30, 2022 and 2021, the BBB recognized OPEB expense of $129,506 and $232,730 respectively. The BBB's allocation of deferred outflows/inflows of resources related to OPEB are as follows:

		2022		2021	
		Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumption	$	422,879	(145,269)	673,236	(11,854)
Differences between expected and actual experience		-	(366,814)	-	(73,894)
Net difference between projected and actual earnings on investments		-	(46,114)	-	(15,925)
OPEB contributions subsequent to measurement date		149,654	-	-	-
	$	572,533	(558,197)	673,236	(101,673)

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

2022			2021	
Measurement date ending June 30		Recognized Deferred Outflows(Inflows) of Resources	Measurement date ending June 30	Recognized Deferred Outflows(Inflows) of Resources
2022	$	(18,159)	2021	59,402
2023		(17,260)	2022	60,867
2024		(14,396)	2023	62,127
2025		(14,413)	2024	66,140
2026		3,299	2025	66,115
Thereafter		(74,389)	Thereafter	256,912

Medical Trust

The BBB also contributes monies to a medical trust that provide other post-retirement medical benefits to members. During the years ended June 30, 2022 and 2021 the BBB contributed $852,246 and $871,273 respectively towards the retiree medical trust. These are administered through third-party administrators and the BBB does not perform the investing function or have any fiduciary accountability for the plans. Thus, plan assets and any related liabilities have been excluded from the BBB's basic financial statements.

5. Leases

Change In Accounting Principles and Restatement

For the year ended June 30, 2022, the BBB implemented Governmental Accounting Standards Board (GASB) Statement No. 87, "Leases." GASB Statement No. 87 enhances the relevance of the government's leasing activities and comparability of financial statements. It establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset.

Most of the leases are at the Bergamot Station property and mostly for artists spaces. Most of the lease agreements were entered on December 31, 2021 and are for one year. The City is receiving monthly payments through calendar 2022. The most significant lease agreement is with Kite Pharma, Inc., which began on May 1, 2018, and the BBB is receiving monthly payments for fourteen years through 2032.

Under GASB 87, the BBB is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the BBB's financial statements and had an effect on beginning net position.

The implementation of GASB Statement No. 87 had the following effect on net position as reported on June 30, 2020.

	Big Blue Bus Fund
Beginning Net Position, as previously reported	$ 186,869,273
Restatements:	
Lease Receivable	10,960,061
Deferred Inflows - Leases	(10,349,487)
Beginning Net Position, as restated	$ 187,479,847

Leases Receivable

The BBB leases land and buildings to various companies. An initial lease receivable was recorded in the amount of $10,960,061 as of July 1, 2020. As of June 30, 2022, the value of the lease receivable is $9,505,438. The BBB reported lease revenue of $1,205,241 and $1,081,947and interest revenue of $490,975 and $527,010 related to lease payments received in FY21-22 and FY20-21 respectively.

6. Risk Management Program

The BBB is covered by the City's self-insurance program for workers' compensation and certain other claims such as general liability and property damage. Self-insurance coverage is provided through internal service funds maintained by the City. The BBB is charged a premium for such coverage which is adjusted periodically based on actual claim experience, the total cost to administer the self-insurance program, and other factors. Additional information on the City's self-insurance program is addressed in the City's Annual Comprehensive Financial Report for the years ended June 30, 2022 and 2021.

7. Federal, State and Local Assistance

The BBB receives funds from several sources to meet its operating, maintenance and capital requirements. The receipt of such revenues is controlled by Federal, State and Local laws, the provisions of various grant contracts and regulatory approvals and, in some instances, is dependent on the availability of grant funds and the availability of local matching funds.

These include:

State Transit Assistance (STA) – State Transit Assistance funds are derived from the Public Transportation Account and are allocated by the State Controller. Transit recipients who are eligible for Transportation Development Act (TDA) Article 4 funds are also eligible for STA funds. STA funds must be allocated for capital costs unless the operator can pass the STA efficiency test. The STA efficiency test examines the increase in total operating cost versus the change in the Consumer Price Index (CPI).

STA funds lapse within 3 years from the date of allocation.

Senate Bill 1 - known as the Road Repair and Accountability Act of 2017, signed by the governor on April 28, 2017 provides over $5 billion in new transportation funding each year over the next 10 years to repair highways, bridges and local roads, to make strategic investments in congested commute and freight corridors, and to improve transit service. The legislation increases both gasoline and diesel taxes, while also creating new vehicle taxes and fees to fund transportation. The BBB will receive funding from 2 portions of the Senate Bill 1; the Senate Bill 1 – State Transit Assistance and the Senate Bill 1 – State of Good Repair.

Senate Bill 1 - State Transit Assistance (SB 1-STA) – The SB 1 – STA funds are derived from the 4% increase in sales and use tax on diesel fuel of which 3.5% of the rate increase is attributable to the State Controller for allocation based on a formula for public transit purposes under the State Transit Assistance Program. The funds can be used for either operational support or to fund capital projects based on local priorities.

Senate Bill 1- State of Good Repair (SB1-SGR) – The SB 1 - SGR program funds are funded from a portion of the new Transportation Improvement Fee on vehicle registrations due on or after January 1, 2018. The funds are allocated by the State Controller using the STA distribution formula. The California Department of Transportation (Caltrans) is tasked with the management and administration of the SGR program. This program has the specific goal of keeping transit systems in a state of good repair that include the purchase of new transit vehicles and the maintenance and rehabilitation of both existing vehicles and transit facilities.

Unused SGR funds lapse within 4 years from the date of allocation.

TDA Article 4 – The Transportation Development Act dedicates ¼ percent of the state sales tax for transportation. TDA Article 4 funds are made available based on the Los Angeles County Metropolitan Transportation Authority (LACMTA)'s Formula Allocation Procedure (FAP), which is calculated from service miles and fare box revenue. Unused TDA funds lapse 3 years from the date of allocation. However, BBB has a general capital reserve agreement with the LACMTA so that programmed funds do not expire regardless of the year in which funding is drawn down.

Proposition (Prop) A 40% Discretionary – This revenue is generated from a ½ percent sales tax in Los Angeles County. The LACMTA sets aside 40% of these funds for operators based on Prop A 40% Discretionary Guidelines. 20% of the Discretionary Grant Program is considered "fare subsidy dollars". This amount is credited in calculating fare box recovery ratio. Additional Prop A funds used for operations is not included in calculating fare box return ratio. Only carryover funds from previous years can be programmed for capital expenses. Prop A funds lapse within 3 years from the year of allocation. Any unused carryover funds are transferred to the Proposition C 40% Fund after 2 years.

Proposition A Local Return – This revenue is generated from the same ½ percent sales tax in Los Angeles County as the Prop A 40% Discretionary Program mentioned above. Here, 25% of the Prop A Local Return revenue is distributed directly to Los Angeles County and municipalities on a per capita basis.

Operators have 4 years, which is the year of allocation plus 3 years, to spend the funds allocated through this program.

Proposition A Interest Allocation – Distribution of Proposition A interest by the LACMTA as a supplemental funding source.

Proposition C Bus System Improvement Program (BSIP) – In 1997, the LACMTA Board approved the use of Proposition C Discretionary funds to help with overcrowding relief for the transit dependent. Operators may not carryover any unused funds to a subsequent year.

Proposition C Interest Allocation – Distribution of Proposition C interest by the LACMTA as a supplemental funding source.

Proposition C Transit Security – Proposition C funds for projects to improve transit security.

Proposition C Foothill Mitigation – In 1997, the LACMTA Board approved the use of Proposition C Discretionary funds to mitigate the impact of the addition of Foothill Transit as an Included

Operator and maintain that mitigation annually. Operators may not carryover any unused funds to a subsequent year.

Proposition C Municipal Operators Service Improvement Program (MOSIP) – MOSIP is an ongoing funding source that is given at the discretion of the LACMTA Board of Directors. BBB's existing agreement with the LACMTA has been extended to June 30, 2028.

Proposition 1B – The Public Transportation Modernization, Improvement and Service Enhancement Account (PTMISEA) Fund is a part of the State of California's Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Bond Act), approved by California voters as Proposition 1B on November 7, 2006. A total of $19.9 billion was deposited into the PTMISEA fund, $3.6 billion of which was made available to fund grants to project sponsors in California for approved eligible public transportation projects over a 10-year period. Proposition 1B funds can be used for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements, or for rolling stock procurement, rehabilitation or replacement.

It is the BBB's practice to record as a restriction of net position any allocated or billed funds not yet received or unspent funds received prior to the incurrence of eligible expenses. Proposition 1B activity during the fiscal years ended June 30, 2022 and 2021 was as follows:

	2022	2021
Restricted Net Position, beginning	$ 10,731,093	10,715,073
Revenue	-	-
Interest	56,497	167,734
Expenses	(617,908)	(151,714)
Restricted Net Position, ending	$ 10,169,682	10,731,093

The above balance is composed of Safety and Security Project: $2.3 million in fiscal year 2022 and $2.7 million in fiscal year 2021 and Bus Replacement Project: $8.2 million in fiscal year 2022 and $8.0 million in fiscal year 2021.

Measure R – Measure R was authorized with the passage of Ordinance 08-01, Traffic Relief and Rail Expansion Ordinance, on November 4, 2008. It is funded by 1/2 percent sales tax imposed on the incorporated and unincorporated territory of Los Angeles County for a period of thirty (30) years. An estimated $40 billion will be raised over the 30 year period. Collections started in July 2009. Measure R provides funding for the following:

1. Transit Capital (40%) - New Rail and/or Bus Rapid Transit Capital Projects, Metrolink Capital Improvement Projects, within Los Angeles County, Metro Rail Capital-System Improvements, Rail Yards, and Rail Cars.
2. Highway Capital (20%) - Carpool Lanes, Highways, Goods Movement, Grade Separations and Sound Walls.
3. Operations (5%) - Rail Operations (New Transit Project Operations and Maintenance) and (20%) Bus Operations (Countywide Bus service Operations, maintenance and expansion).

4. Local Return (15%) - major street resurfacing, rehabilitation and reconstruction; pothole repairs; left turn signals; bikeways; pedestrian improvements; streetscapes; signal synchronization; and transit. Local return funds are allocated on a per-capita basis. Local return funds have to be spent 5 years from allocation. Starting in FY 2018-19, the BBB no longer recognizes Measure R Local Return grant funds.

Measure R transactions for the fiscal year are as follows:

	2022	2021
Unspent Measure R funds, beginning	$ 12,669,642	6,804,482
Operating funds received	8,824,888	6,723,762
Local Return funds received	-	-
Total Measure R funds available	21,494,530	13,528,244
Expenses	-	(858,602)
Unspent Measure R funds, ending	$ 21,494,530	12,669,642

Measure M – Measure M was authorized with the passage of Ordinance 16-01, Los Angeles County Traffic Improvement Plan, on November 9, 2017. It is funded by 1/2 percent sales tax imposed on the incorporated and unincorporated territory of Los Angeles County for a period of forty (40) years. An estimated $61.5 billion will be raised over the 40 year period. Collections started in July 2017. Measure M provides funding for the following:

1. Transit Capital (37%) – Transit Construction (includes System Connectivity Projects – Airports, Union Station and Countywide BRT (35%), Metro State of Good Repair (2%).
2. Highway Capital (19%) – Highway Construction (includes System Connectivity Projects - Ports, Highway Congestion Programs, Goods Movement) (17%), Metro Active Transportation Program (Bicycle, Pedestrian, Complete Streets) (2%).
3. Transit Operations (27%) – Transit Operations (Metro & Municipal Providers) (20%), Metro Rail Operations (5%), ADA Paratransit for the Disabled; Metro Discounts for Seniors and Students (2%).
4. Local Return/Regional Rail (17%) – Local Return- Base (local projects and Transit Services) (16%), Regional Rail (1%).

South Coast Air Quality Management District (SCAQMD) Near-zero Natural Gas Engine Incentives Program (AB 2766) – The SCAQMD is the local agency with primary responsibility for regulating stationary source air pollution within the geographical boundaries of the South Coast Air Quality Management District in the State of California. SCAQMD is authorized under State Health & Safety Code Section 44225 (AB 2766) to levy a fee on motor vehicles for the purpose of reducing air pollution from such vehicles and to implement the California Clean Air Act. Under AB 2766, SCAQMD's Governing Board has authorized the imposition of the statutorily set motor vehicle fee. AB 2766 further mandates that thirty percent of such vehicle registration fees be placed by SCAQMD into a separate account for the sole purpose of implementing and monitoring programs to reduce air pollution from motor vehicles.

FTA Urbanized Area Formula Program (Section 5307) – Congress allocates Section 5307 to Metropolitan Planning Areas using population-based formulas. Metro redistributes these funds to regional transit operators based on a capital allocation procedure. These funds can be used for preventive maintenance and capital expenses. Section 5307 funded projects must be included in the Federal Transportation Improvement Program (FTIP).

The time limit to obligate funds is 4 years, including the year of allocation. The time limit to spend and drawdown funds is indefinite.

FTA Transit Capital Investment Program (Section 5309) – The transit capital investment program provides capital assistance for three primary areas; (1) buses and related facilities; (2) new fixed guide way systems; and (3) modernizing rail. Although the rail funds are distributed based on formula shares, the bus and fixed guide way funds are allocated to public agencies as Congressional earmarks in the annual DOT Appropriations Act. Section 5309 funded projects must be included in the FTIP.

The time limit to obligate funds is 3 years, including the year of allocation. The time limit to spend and drawdown funds is indefinite.

Summary of the various governmental funding sources are as follows:

Federal grants	**2022**	**2021**
Operating grants:		
CRRSSA Act	$ 22,247,777	-
CARES Act	-	24,360,412
Capital grants:		
Federal transit formula and capital investment grants	9,154,795	35,516
Total federal grants	31,402,572	24,395,928
State and local grants and assistance		
Operating assistance grants:		
STA Sales tax	1,870,845	2,904,583
STA Sales Tax - State of Good Repair	1,396,905	2,185,749
TDA Sales tax	21,750,088	17,176,977
Prop A Local return	583,073	470,775
Prop A Sales tax	8,818,034	13,664,880
BSIP	835,533	819,150
Prop C Transit Security	1,078,843	819,168
Prop C Foothill mitigation	715,023	592,633
Measure M - Bus Operations	-	174,138
Measure R - Bus Operations	-	858,602
Total operating assistance grants	37,048,344	39,666,655
Capital contributions:		
TDA	-	3,594,938
MOSIP	6,467,527	993,378
Measure R	458,528	-
Total capital contributions	6,926,055	4,588,316
Total operating assistance and capital grants	$ 75,376,971	68,650,899

8. COVID 19 Pandemic

Big Blue Bus (BBB) continues to make noteworthy progress in recovering from the adverse effects of COVID-19 on its transit operations. Despite the challenges associated with pandemic, Big Blue Bus staff have remained steadfast and committed to providing safe, efficient, and reliable service to its customers. Since March 2020, Big Blue Bus has implemented several key measures (i.e., installation of bus barriers, increased and enhanced cleaning of buses and facilities, contactless fare payment options etc.) to ensure the safety of its frontline staff and passengers.

BBB staff is adeptly aware that the pandemic has changed the landscape of public transportation. Companies now offer telework options, colleges provide remote learning opportunities and there is an increased number of transportation network options which has resulted in a change in people's travel patterns. This change is further exacerbated by the national shortage of workers which is acutely seen in the recruitment of Motor Coach Operators. Despite these challenges, In FY2021-22, BBB carried 6.3M passengers representing a 26% increase over the prior year demonstrating a gradual increase in ridership. Additionally, Big Blue Bus was able to restore 80% of its service levels. Restoration of service levels is heavily reliant upon the recruitment and retention of Motor Coach Operators. BBB staff are actively engaged in a recruitment campaign to hire and retain Motor Coach Operators which includes community and interagency partnerships, outreach efforts, development of targeted training programs, job fairs, offering competitive salary, and many other employee related benefits.

Through the use of federal COVID stimulus funding, Big Blue Bus has been able to offset the negative financial impact that the pandemic has had on its operations while addressing critically needed areas as described above. In FY20/21, Big Blue Bus received Coronavirus Aid, Relief, and Economic Security Act funding (CARE's) in the amount of $24,360,412 and in FY2021-22, Big Blue Bus received Coronavirus Response and Relief Supplemental Appropriations Act funding (CRRSAA) in the amount of $22,247,777.

CITY OF SANTA MONICA, CALIFORNIA
Big Blue Bus Fund
(An Enterprise Fund of the City of Santa Monica)
50% Expenditure Limitation Tests
For the fiscal years ended June 30, 2022 and 2021

		2022	2021
1.	Total Operating expenses-fixed route and charter services	$ 66,014,905	75,953,436
2.	Total depreciation-fixed route and charter services	16,432,829	17,406,930
3.	Total capital outlay, net of related debt	16,039,234	2,085,869
4.	Total (lines 1, 2 and 3)	98,486,968	95,446,235
5.	Less Federal grants recognized	9,154,795	35,516
6.	Less Local Transit funds (LTF) capital intensive	6,926,055	4,588,312
7.	Less State Transit Assistance funds (STAF) recognized	3,267,750	5,090,332
8.	Total (lines 5, 6 and 7)	19,348,600	9,714,160
9.	Total (line 4 less line 8)	$ 79,138,368	85,732,075
10.	50% of line 9	39,569,184	42,866,038
11.	Add amount of LTF claimed in excess of line 9 for match to Federal operating grant	-	-
12.	Add LTF capital intensive	6,926,055	4,588,312
13.	Total permissible LTF expenditures (sum of lines 10, 11 and 12)	$ 46,495,239	47,454,350
14	Actual Sales Tax Revenue - TDA funds	$ 21,750,088	20,771,915

As line 14 is less than line 13, the Big Blue Bus Fund meets the 50% expenditure limitation test.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Big Blue Bus Fund (the "BBB Fund"), an enterprise fund of the City of Santa Monica, California (the "City"), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the BBB Fund's basic financial statements, and have issued our report thereon dated January 25, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over the BBB Fund's financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the BBB Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Lance, Soll & Lunghard, LLP 203 N. Brea Blvd., Suite 203 | Brea, CA 92821 | Phone: 714.672.0022

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lance, Soll & Lunghard, LLP

Brea, California
January 25, 2023