

City of Santa Monica California

Annual Comprehensive Financial Report for the Year Ended June 30, 2022



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Year ended June 30, 2022

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City of Santa Monica, California
Year Ended June 30, 2022

INTRODUCTORY SECTION



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February 9, 2023

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, 2022 (FY 2021-22).

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 2021-22. 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 92,408 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. In the past, elected Council members selected a Mayor and a Mayor Pro-Tempore to preside over Council meetings. However beginning in December 2022, the Council shall select the longest continuously serving Councilmember, whether initially elected or appointed, to serve as Mayor for a 1 year term. Each subsequent December the next longest continuously serving Councilmember shall be selected as Mayor for a 1 year term, then rotating each December to select the Mayor in order of the next longest serving

Councilmember.

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. For the period from March 2020 to June 2022, the City is projected to have lost approximately \$170 million in General Fund revenue as a result of the economic disruption. The federal stimulus funds Santa Monica received to help close the gap totaled approximately 16% of this amount, provided minimal relief. To respond, the City restructured and reduced its operations, resulting in a 20% decrease in General Fund operating expenditures and a 50% decrease in the annual General Fund capital program. Included in the restructuring was an 18% cut in staffing Citywide. At the same time, one-time funds were diverted from liability paydowns, discretionary affordable housing contributions and economic uncertainty and contingency reserves, and the Rainy Day reserve level was lowered from 15% of ongoing operating expenditures to 12.5%, in order to meet the immediate and longer-lasting effects of the COVID-19 pandemic. Despite these measures, and owing to the City's careful realignment, all three major rating agencies affirmed Santa Monica's AAA status during 2021 and 2022.

Fiscal Year 2021-22 saw sustained economic recovery that continues, but challenges persist. While General Fund revenues are growing, they are below the levels they would have been had the economy not been disrupted by the pandemic. The City is also experiencing significant cost increases coming from the highest levels of inflation in forty years, supply chain issues, other market disruptions occurring as a result of the war in Ukraine, and staff compensation increases after two years marked by paycuts or no cost-of-living increases. Furthermore, coronavirus variants continue to emerge and threaten to slow down economic activity, international and business travel is still lagging, and office-based businesses are still not operating in person at their pre-pandemic levels, which impacts supporting businesses and parking

activity. These challenges have a direct impact on the City's ability to restore services and programs to meet community needs and address critical gaps in services. While key investments have enabled staff to bring back some services and invest in new areas addressing priorities, the City is still operating at 86% of previous staffing levels, which translates to most City programs and services continuing to operate at reduced levels. Reductions to facility maintenance and capital improvements in the General fund also continue.

The City's General Fund reserves have been impacted by both COVID losses and by a series of agreements to settle legal claims since March 2020. In the face of ongoing contingent liabilities, continued economic volatility, and the appreciation that strong reserves allow us to continue to provide essential services even in the most difficult times, the City diligently balances program restoration and addressing urgent needs with rebuilding its Rainy Day fund. In FY 2022-23, the Rainy Day fund level has been increased to 13%, with the commitment to increase the reserve level by 0.5 percentage point a year until it once again reaches 15% in FY 2026-27.

Looking to the future and further recovery, City General Fund revenues are projected to increase by over 4.5% in FY 2022-23 over prior year actuals and continue to grow. The City will no longer receive Federal ARPA funds, which helped supplement revenues and slightly mitigate losses during the past two years. With limited resources, any new funds are allocated to address three City Council-adopted priorities: Clean and Safe Neighborhoods and Open Spaces, Addressing Homelessness, and Inclusive and Equitable Economic Recovery for All.

The national economy, after rebounding strongly and quickly in 2021 from the COVID-19 recession that severely hampered economic activity through much of 2020, has begun to show some signs of weakness. Economic growth, as measured by GDP, is expected to be 1.9% in 2022 and only 0.3% in 2023 after a sharp rise of 5.9% in 2021. A recent survey of top economists now puts the probability of a recession at 65% at some time during the next twelve months. The major hindrance to the economy has been surging inflation which has hit a 40 year high of nearly 10% year-over-year led by sharp increases in food, energy, and shelter costs. While inflation is expected to begin to moderate late in 2023, it is expected that it will be at least late 2024 or early 2025 before inflation returns to the Federal Reserve's target level of 2%. To attempt to rein in inflation, the Federal Reserve has sharply increased interest rates, which will further contribute to an economic slowdown. Additionally, there are still concerns over potential surges of new COVID strains, supply chain disruption, the impact of the continuing war in the Ukraine, and the recent labor shortage.

California's economic recovery in 2021 and early 2022 was the strongest since 1960 as the State unemployment rate fell to a record low, and the number of pandemic-related job losses were recovered by late 2022. However, some of the same uncertainties affecting the national economy are expected to slow State growth. The Governor's proposed budget for Fiscal Year 2023-24 projects a deficit of \$22.5 billion. However, the budget avoids spending cuts by using the prior year's record surplus to fund certain one-time costs.

Santa Monica is heavily dependent on visitors and the hospitality industry, which took a significant plunge during the pandemic. However, both transient occupancy taxes and sales taxes have recovered to essentially pre-pandemic levels and should continue to improve as international tourism and group travel related to business or special events gradually catch up to domestic travel over the next 1 to 2 years before reaching pre-COVID 2019 volume levels.

Parking revenues, the other significant revenue source affected by visitors, are improving, but at a slower pace. Although FY 2021-22 revenues exceeded pandemic lows by over 40%, they were still 21% below

pre-COVID highs. The pandemic accelerated many trends, including online shopping and remote working, 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.

FY 2021-22 business license taxes, which were based on 2020 calendar year gross receipts, fell nearly 14% from the prior year; they are expected to show a strong recovery beginning in FY 2022-23, but are not expected to reach pre-COVID levels for several more years. FY 2022-23 utility users taxes (UUT) are also projected to increase sharply, primarily due to inflationary pressure on energy prices.

If the anticipated economic softening is worse than expected, the above revenue sources as well as other tax sources such as property taxes and documentary transfer taxes could be negatively impacted.

The City will have the opportunity to expand services addressing the City's priorities over the next biennial budget period and beyond using three new funding streams approved by Santa Monica voters in November 2022:

- Measure CS funding, generated from an additional 1% Transient Occupancy Tax on hotel stays and 3% on home-share stays. Staff is recommending that these funds be programmed, according to community and Council direction, to address homelessness, improve 911 emergency response times and neighborhood police protection, and improvements to the safety and cleanliness of our public spaces.
- Measure GS, a citizens' initiative authorizing the City to enact a third tier documentary transfer tax of an additional 5% for property sales over \$8 million, with revenue going to fund homelessness prevention, affordable housing projects, and schools. There is currently a reverse validation action that seeks to invalidate Measure GS. This is discussed further in Note 15 (Commitments and Contingencies).
- In future years, if the Council agrees to amend its Municipal Code to allow for an increase of cannabis-related retail establishments, Measure HMP, which imposes a 3% tax on non-medicinal cannabis retailers, 2% on medicinal cannabis retailers, and 1% on other licensed cannabis businesses, with a maximum of 10% gross tax at the discretion of the City Council, will also bring additional revenues to the General Fund.

Looking ahead, as revenues recover, the City will remain centered on preserving jobs and services, ensuring that we can continue to restore programs and services in a responsible manner, as resources allow, and continue to advance a bold agenda that is responsive to community need. Alongside these goals, staff will continue to rebuild the City's capital improvement program to a level that allows for preventive maintenance and lower cost pay as you go capital investments, as well as rebuild the City's contingency reserve balance to 15%.

CITYWIDE BUDGET

For over a decade, the City has followed a biennial budgeting process. This technique improves budget development efficiency by reducing the amount of staff time needed to produce the budget in the second year and allows for long-term planning. Staff prepares and presents the City's Operating Biennial Budget in odd-numbered years, and the Capital Improvement Program (CIP) Biennial Budget in the even-numbered years. Because the City's Charter requires the Council to adopt a budget annually, the Council adopts the first year of the biennial budget and approves the budget plan for the second year at the same time. Council then adopts the second-year budget the following year. On June 22, 2021, Council reviewed

the FY 2021-23 Biennial Budget, adopted the FY 2021-22 Operating Budget and approved the FY 2022-23 Operating Budget Plan. At that time, Council also adopted the FY 2021-22 Capital Improvement Program (CIP) Budget.

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 was \$707.8 million, net of reimbursements and transfers, \$351.7 million within the General Fund. The FY 2021-22 Adopted Budget included 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. During the year, the budget was revised to add 31 full-time equivalent permanent positions (23 in the General Fund) and 7.6 full-time equivalent as-needed positions (5.3 in the General Fund). As of June 30, 2022, the City was operating at approximately 86% of its pre-pandemic staffing overall, 83% in the General Fund. At June 30, 2022, higher than anticipated General Fund revenues, due to an earlier-than-anticipated economic recovery, were set aside in the General Fund assigned reserves to cover upcoming contingent liabilities and future working capital to aid the City in providing essential services and honoring labor agreement provisions.

The Adopted FY 2022-23 Citywide expenditure budget is \$654.9 million, net of reimbursements and transfers (\$393.2 million in the General Fund and \$261.7 million in All Other Funds). Given the level of economic uncertainty discussed above, changes made beyond the original budget plan were limited to contract-based compensation adjustments, no-cost operational adjustments to improve service delivery for the community, required budget corrections, and funding for urgent needs, including the continuation of a Directed Action Response Team focused on enhancing public safety in highly-visited areas in the Downtown, Pier and Beach; rent relief for the City's small business tenants; emergency assistance for the City's most vulnerable community members; funds to pilot a community response unit in the Fire Department; and to create a faster and simpler process for small businesses seeking building permits.

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 Rainy Day Fund contingency reserve totaling 15% of annual operating expenditures. 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 Rainy Day Fund reserve level of 12.5% of ongoing expenditures in the event of a new emergency. As noted above, as revenues recover, in FY 2022-23 the Rainy Day Fund level has been elevated to 13%, with the commitment to increase it by 0.5 percentage point a year until it once again reaches 15% in FY 2026-27.

The City ended the fiscal year with a positive operating balance and a General Fund fund balance of \$209.9 million which includes nonspendable, restricted, committed, assigned, and unassigned fund balances, each with varying constraints that control how amounts can be spent.

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.

MANAGING FISCAL CHALLENGES

In addition to the extraordinary fiscal challenges the City is facing during and in the aftermath of the pandemic, longstanding areas of pressure on our finances continue to be considered in our fiscal management. The City continues to proactively manage its longstanding challenges in the areas of pension liabilities, healthcare and workers compensation costs by proactive paydown strategies, longer term contracts fixing rates at low levels, and focused claims administration, respectively. While challenges persist, these approaches continue to mitigate the liabilities. Further detail on these actions is included below.

Revenue losses

In the past few years, the City has had two additional challenges. The first is the persistent reduction in General Fund revenues needed to restore the City's services to pre-pandemic levels and address important operating needs. In 2022, the City Council placed Measure CS on the November 2022 ballot. This measure, which increased the Transient Occupancy Tax (TOT) by one percentage point for hotel stays and three percentage points for home-share stays, is anticipated to generate over \$4 million a year in new revenue. The measure passed with 73.87% of the vote. Community input on the use of these funds has focused on increasing public safety and addressing homelessness. The implementation of Measure HMP, which would generate additional General Fund revenues from cannabis retailers, is pending changes to the City's zoning laws. New revenues from Measure GS are dedicated to address critical needs in the areas of homelessness prevention, affordable housing and education.

The City is focused on leveraging Federal and State funds to the greatest extent possible. Since 2021, the City has applied for and received direct project funding from the State and Federal government, including the following:

- \$16.3M in direct funding in the FY22-23 State Budget, championed by Assemblymember Richard Bloom.
 - \$10M for the City Yards Modernization Project to fund infrastructure and operational improvements that advance City Yards' transformation in delivering resident services from a facility with pioneering innovations in sustainability and safety.
 - \$4.8M for the Lincoln Blvd. Neighborhood Corridor (LiNC) Plan to construct medians, crosswalks, lighting and landscaping to promote efficient vehicular travel and pedestrian safety.
 - \$1.5M for the Santa Monica Behavioral Health Center project, to address the needs of vulnerable residents with around-the-clock response, including access to safe temporary housing and stabilizing care.

- \$2M in Federal Community Project Funding in the FY 2021-22 appropriations process to support the City’s project to build a mixed-use affordable housing project on the former site of Parking Structure 3 in Downtown Santa Monica.
- \$1.5M in Federal Community Project Funding in the FY 2022-23 appropriations process to support the City’s Behavioral Health project.

In addition, the City entered the bond market twice in FY 2021-22 to issue bonds at exceptionally low interest rates in order to complete important infrastructure improvements at its City Yards site and within its Water system. These projects are discussed further in the Major Capital Projects section below.

Contingent liabilities

The second challenge is the increase in contingent liabilities. 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. Due to recent changes in State law, the statute of limitations for filing sexual abuse claims has been extended. As a result, the City has an estimated 130 additional claims pending based on similar allegations of abuse by Uller. The City continues to work diligently to prevent these liabilities from impacting services and is actively seeking reimbursement from its excess insurance carriers.

Pension liability

With respect to pension liabilities, the City has continually programmed increases in pension costs reflecting the phasing in of the California Public Employees’ Retirement System (CalPERS) discount rate 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.

A number of initiatives mitigate the pressure of pension costs on the budget.

- 49% of current employees receive a reduced level of pension benefits either because of mandated Public Employee Pension Reform Act (PEPRA) reduced benefit levels for staff members hired after January 1, 2013, or the City’s own “Tier 2” levels established on July 1, 2012, six months before the enactment of PEPRA, for non-public safety sworn employees who entered the City and CalPERS during those six months as new Miscellaneous bargaining group employees, and for non-public safety sworn employees who continue to join the City but who were already enrolled in CalPERS as Classic (non-PEPRA) employees at a different agency.
- 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 addition to paying the employee portion of the contribution, members of public safety employee bargaining groups who joined CalPERS prior to January 1, 2013 (before PEPRA benefits were established) and have a higher level of benefits also pay a portion of the annual pension contribution cost.
- The City has a long history of paying down its unfunded pension liability at a level above each year’s actuarially determined contribution. These payments reduce the City's net pension liability by decreasing interest costs over time. In 2014, after a series of pay downs funded from year-end savings, Council adopted a policy to program paydowns of at least \$1 million from the General Fund and proportional amounts from all other funds’ annual budgets, with the potential to increase this paydown amount if funds were available. 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, the City Manager established an ad hoc Pension Advisory Committee (PAC) made up of residents and City employees. Working with an independent actuary and staff, the PAC unanimously recommended that the City Manager consider 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 paydown 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, bringing overall pay downs beyond the annual actuarially determined contributed to \$88.1 million. Due to the economic crisis the City experienced with Covid, additional paydowns were suspended for two years; the Council changed the schedule of the accelerated paydowns, per the emergency provision of the policy, to span 15 years. The next additional discretionary payment is budgeted to be made in FY 2022-23.
- The City has prepaid 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 2021-22, the CalPERS investment portfolio experienced a net loss of 6.1%, and FY 2022-23 performance is currently anticipated to also show a loss of approximately 7%. To plan for the higher contribution rates that will follow these loss years, City staff is projecting future year pension contributions with these losses in mind, using the CalPERS Pension Outlook modeling tool.

Other Post Employment Benefit liability

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 paid the equivalent of its annual actuarially determined OPEB contribution into the irrevocable trust each year through FY 2018-19. This has allowed the City to benefit from a higher discount rate used in calculating its OPEB unfunded liability. The City Council suspended the prefunding contributions during FY 2019-20 and FY 2020-21, but contributions resumed in FY 2021-22 and are continuing.

Health insurance costs

To counter the trend of health insurance cost increases, all members from the City's collective bargaining groups contribute to health insurance premiums. Following the end of a three-year contract in December 2022 that provided lower fixed rates, the current one year contract reflects an industry-wide increase in rates of approximately 9.0%.

Workers' compensation liabilities

Risk Management is implementing and managing a variety of measures to help control workers' compensation costs. FY 2021-22 saw an 11% reduction in the City's total workers' compensation liabilities (the total value of open claims), which is the most important measure of the program's long term fiscal health. This positive development can be attributed to cost control efforts that have been implemented over the past few years. However, staff believes that going forward, it will be almost impossible for these efforts to make such a pronounced impact on the program as new claims filed in FY 2021-22 are likely to be very costly in the long run due to an aging workforce. Among the cost control measures in place are a comprehensive case management for public safety staff that reduces the number of litigated claims, a return to work program that provides employees recovering from work-related injuries with temporary light duty assignments, maintaining a connection to the workplace and lowering temporary disability costs, and the use of a third party administrator for Big Blue Bus claims management, which has lowered liabilities, open claim inventory, and expenses for this fund.

MAJOR CAPITAL PROJECTS

The FY 2021-22 Adopted Capital Improvement Plan (CIP) Budget for the General Fund continued to reflect a 50% decrease in capital funding. As the City gradually recovers from a prolonged period of General Fund revenue loss, the FY 2022-23 CIP Budget is approached strategically to leverage limited resources that have significantly reduced the capacity for new capital investments in the near term. A small increase to the annual General Fund capital funding allotment of \$3 million or 14% focuses on a key priority to protect the City's existing capital investments and minimize future maintenance and replacement costs. However, it is important to note that the capital program remains underfunded, and resources continue to be impacted by significant cost increases resulting from high inflation, market disruptions and ongoing supply chain issues.

Capital 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 adopted by Council: Addressing Homelessness, Clean and Safe Santa Monica, and Equitable and Inclusive Economic Recovery.

As a result of limited resources and low-cost financing in FY 2021-22, 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. Given the multi-year nature of the capital projects, these are ongoing in FY 2022-23 and more detail on these projects is included below. Additionally, in the upcoming months City staff expects to receive and apply for up to \$35 million in grants from various agencies including the State of California AB 178 Budget Act of 2022 and Department of Water Resources to assist in the funding of capital projects. Looking to the years ahead, there will be incremental General Fund increases dedicated to capital projects each year, with funding anticipated to be restored to the \$21 million annual pre-pandemic level in FY 2025-26. While these small increases will provide additional resources for critical projects, the increase is not enough to address deferred infrastructure and equipment maintenance, price escalation and a renewed focus on community amenities put on hold during the pandemic, such as

Memorial Park Expansion and Airport Conversion Planning projects. These will require creative strategies to leverage enterprise funds, grant funds, developer impact fees, and other funding sources to fund priority 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. Phases 1 and 2 of the project, a new Fleet Maintenance building and a Public Works Operations Center, have now been completed. Phase 3 of the project, a new 10,000 square foot permanent Fire Training Facility funded with dedicated Fire facility lease revenue bonds issued in 2018, is scheduled for completion in spring of 2023. Phase 4 will establish the start of an electrical microgrid for the site and include solar panels and battery storage. Funded with \$10 million from the State of California AB 178 Budget Act of 2022, this phase is expected to start in the summer of 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 and restore groundwater quality 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 with the responsible party. 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 December 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 in 2024.
- 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 in 2024.
- 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 and construction phases are completed, equipment and water quality testing is ongoing. 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. Testing and acceptance of these projects are scheduled to be completed in mid-2023.

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, 2021. 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-eight 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 February 9, 2023

City Council

Gleam Davis, Mayor

Lana Negrete, Mayor Pro Tempore

Phil Brock

Christine Parra

Oscar De La Torre

Caroline Torosis

Jesse Zwick

Administration and Department Heads

City Manager

Assistant City Manager

Deputy City Manager

City Attorney

City Clerk (Director of Records and Election Services)

Director of Finance/City Treasurer

Director of Human Resources

Chief Information Officer

Chief of Police

Fire Chief

Director of Community Development

City Librarian

Director of Transit Services

Acting Director of Community Services

Director of Public Works

David White

Susan Cline

Anuj Gupta

Douglas Sloan

Denise Anderson-Warren

Gigi Decavalles-Hughes

Lori Gentles

Joseph Cevetello

Ramon Batista

Danny Alvarez

David Martin

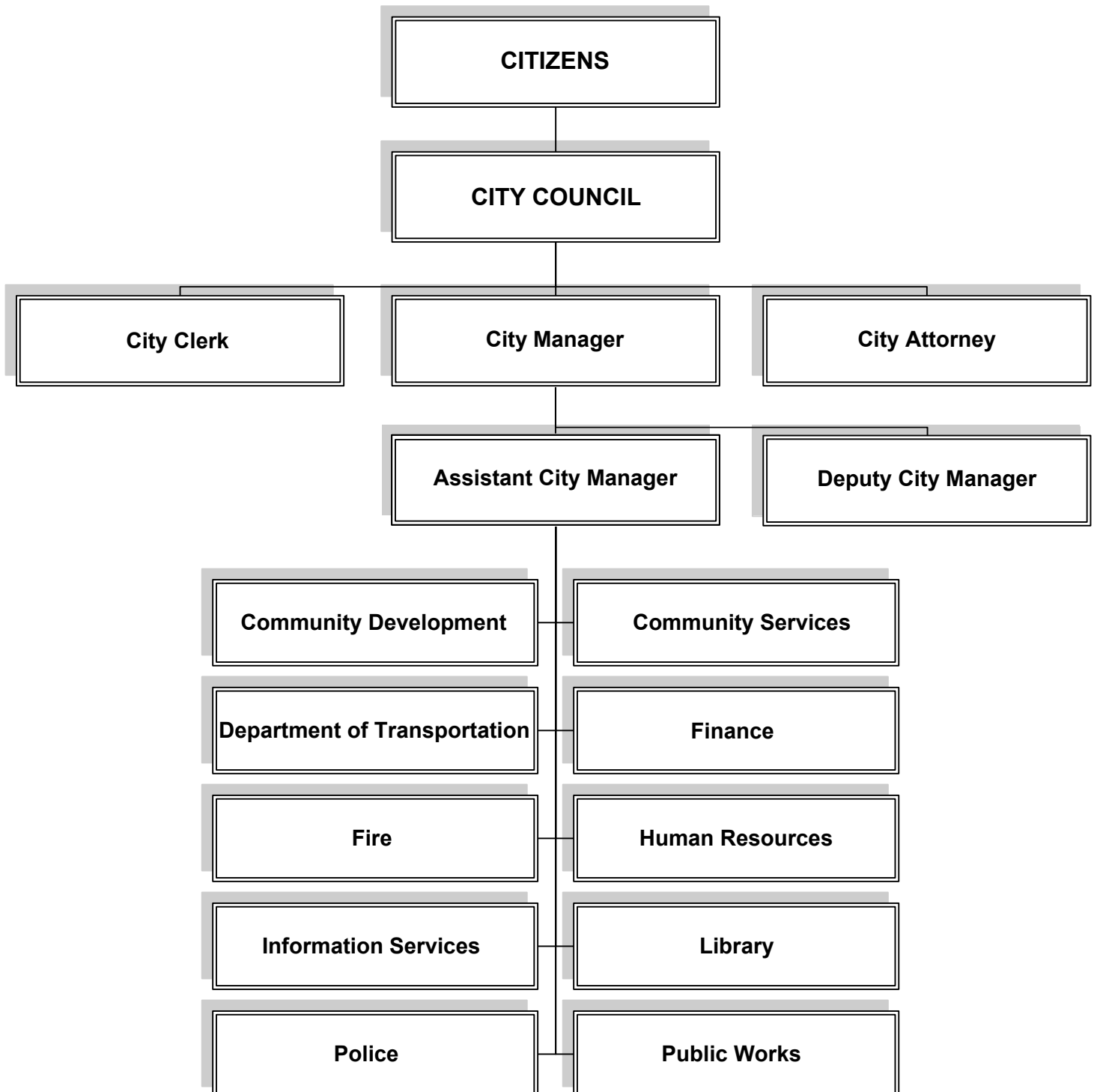
Erica Cuyugan

Edward F. King

Danielle Noble

Rick Valte

**ORGANIZATION OF THE
CITY OF SANTA MONICA**
Ug'cZFebruary '9ž&\$23





Government Finance Officers Association

Certificate of
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in Financial
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Presented to

**City of Santa Monica
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO

City of Santa Monica, California
Year Ended June 30, 2022

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2022, 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, 2022, 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 opinions.

Emphasis of Matter

Change in Accounting Principle

As described in Note 3 to the financial statements, in the fiscal year ended June 30, 2022, the City 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.



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

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 financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' 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 the management's discussion and analysis, budgetary comparison schedules for the General Fund and major special revenue funds, and required pension and other post-employment benefits schedules, as listed on 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



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

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.

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 (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 February 9, 2023 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.

A handwritten signature in cursive script that reads "Lance, Soll & Lughard, LLP".

Brea, California
February 9, 2023

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis For the fiscal year ended June 30, 2022 (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, 2022. 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 \$1,505.2 million as of June 30, 2022. Of this amount, \$1,153.3 million represents net investment in capital assets, \$262.1 million represents net position restricted for specific purposes, and \$89.8 million represents unrestricted net position. Governmental activities and business-type activities reported unrestricted net positions of (\$18.8) and \$108.6 million as restated which is an increase of \$125.0 and \$37.4 million respectively. The increase in governmental activities and business-type activities unrestricted net position is primarily from the decrease in pension liability due to CalPERS' 21.3% return on pension plan assets, an increase in revenues as the City began to recover from the COVID-19 pandemic. \$934.5 million represents net position for governmental activities and \$570.7 million represents net position for business-type activities.
- For the fiscal year ended June 30, 2022, the City's total net position increased by \$111.0 million, from \$1,394.2 million at June 30, 2021 to \$1,505.2 million at June 30, 2022, as restated. This increase was due to increases in governmental activities net position of \$74.2 million and business-type activities net position of \$36.8 million during FY 2021-22.
- At the end of the current fiscal year, the City's governmental funds reported total ending fund balances of \$554.3 million, compared to \$511.8 million at the end of the prior fiscal year as restated, which is an increase of \$42.5 million or 8.3%.
- The General Fund reported an ending fund balance of \$209.9 million as of June 30, 2022, compared to \$181.3 million as of June 30, 2021 as restated, which represents an increase of \$28.6 million or 15.8%. The main reasons for the overall increase in fund balance was increased revenues as the City began to recover from the COVID-19 pandemic offset by a payment to settle legal claims.
- The City's net capital assets increased by \$30.8 million after restatement, or 2.2%, to \$1,421.4 million as of June 30, 2022 from \$1,390.6 million, as restated, as of June 30, 2021.
- The City's long-term debt (excluding unamortized issuance premiums) increased by \$155.4 million or 88.3%, from \$176.0 million as of June 30, 2021 to \$331.4 million as of June 30, 2022. The increase is due to issuance of lease revenue bonds to fund construction of the City Yards Modernization project, issuance of water revenue bonds to fund various water projects and continued draws on a loan for water infrastructure offset by annual debt service payments made during FY 2021-22.
- The City's net pension liability decreased from \$481.2 million at June 30, 2021 to \$230.9 million at June 30, 2022, a decrease of \$250.3 million or 52.0%. The decrease in the liability was due to

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued For the fiscal year ended June 30, 2022 (Unaudited)

higher than projected CalPERS investment portfolio returns of 21.3% in FY 2020-21. In accordance with the Governmental Accounting Standards Board, the financial statements report the City's net pension liability as of June 30, 2021.

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 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.

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

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued
For the fiscal year ended June 30, 2022
(Unaudited)

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

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

The City maintains 19 individual governmental funds for financial reporting purposes. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General, Special Revenue Source Fund, Low and Moderate Income Housing Asset Fund, and Miscellaneous Grants Fund, which are considered to be major funds. Data for the other 15 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, Low and Moderate Income Housing Asset Fund, and Miscellaneous Grants Fund, in the required supplementary information to the basic financial statements.

The governmental funds financial statements can be found on pages 4 through 7 of this report.

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

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued
For the fiscal year ended June 30, 2022
(Unaudited)

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, the General Trust Fund, is 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 \$1.5 billion at the close of the current fiscal year.

As shown on the next page, the largest portion of the City's net position, \$1.2 billion or 76.6%, 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, \$262.1 million or 17.4%, represents resources that are subject to external restrictions on how they may be used. At the end of the current fiscal year, the City reported 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 positive net position for all three categories of net assets primarily due to the reduction in pension liability and the City beginning to recover from the economic effect of the COVID-19 pandemic. Governmental activities reported a negative unrestricted net position due to the cumulative revenue shortfalls from the pandemic and settlement payments made in the past few years. The City continues to implement long-held practices to manage its financial challenges, including pension and health benefits cost sharing with employees, longer-term healthcare agreements that control cost increases, and pension contribution prepayments that provide a discount. To meet the additional challenge of COVID-related revenue losses the City is operating with a reduced workforce (85% of pre-pandemic staff levels) focusing on essential services while many programs are still operating at reduced levels, and has scaled back or eliminated capital projects. Earlier than anticipated recovery, resulting in one-time revenue surpluses, and Federal government subsidies have helped 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, 2022
(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	
	6/30/22	6/30/21 (as restated)	6/30/22	6/30/21 (as restated)	6/30/22	6/30/21 (as restated)
Current and other assets	\$ 753.4	717.6	430.0	340.5	1,183.4	1,058.1
Capital assets	915.7	916.1	505.7	474.6	1,421.4	1,390.7
Total assets	1,669.1	1,633.7	935.7	815.1	2,604.8	2,448.8
Deferred outflows of resources	73.1	80.4	14.0	16.6	87.1	97.0
Current and other liabilities	71.7	67.6	84.5	53.0	156.2	120.6
Long-term liabilities	544.5	737.1	209.4	186.7	753.9	923.8
Total liabilities	616.2	804.7	293.9	239.7	910.1	1,044.4
Deferred inflows of resources	191.5	49.1	85.1	58.1	276.6	107.2
Net position:						
Net investment in capital assets	703.7	764.4	449.6	442.5	1,153.3	1,206.9
Restricted	249.6	238.8	12.5	13.0	262.1	251.8
Unrestricted	(18.8)	(142.9)	108.6	78.4	89.8	(64.5)
Total net position	\$ 934.5	860.3	570.7	533.9	1,505.2	1,394.2

Total current and other assets increased \$125.3 million or 11.8% from the prior fiscal year. Governmental activities increased by \$35.8 million and business-type activities increased by \$89.5 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. Total deferred outflows of resources decreased \$9.9 million or 10.2% from the prior fiscal year, as restated. Governmental activities decreased by \$7.3 million and business-type activities decreased by \$2.6 million. The decrease is primarily due to the amortization of the past deferred items. Total current and other liabilities increased \$35.6 million or 29.5% from the prior fiscal year as restated. Governmental activities increased by \$4.1 million and business-type activities increased by \$31.5 million primarily from changes in transit unearned revenue.

Total deferred inflows of resources increased by \$169.4 million or 158%. Governmental activities increased by \$142.4 million and business-type activities increased by \$27.0 million. The increase is primarily due to the greater than projected CalPERS and OPEB trust investment returns which are amortized over 5 years.

Total long-term liabilities decreased \$169.9 million or 18.4% from the prior fiscal year. The decrease in this category is primarily due to the decrease in net pension liability of \$250.3 million and reduction in claims payable of \$54.9 million related to several legal settlements offset by \$150.9 million in bonds issued and \$25.3 million in draws on the State Water Resources Control Board loan.

CITY OF SANTA MONICA, CALIFORNIA
Management's Discussion and Analysis, Continued
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A summary of the government-wide statement of changes in net position follows:

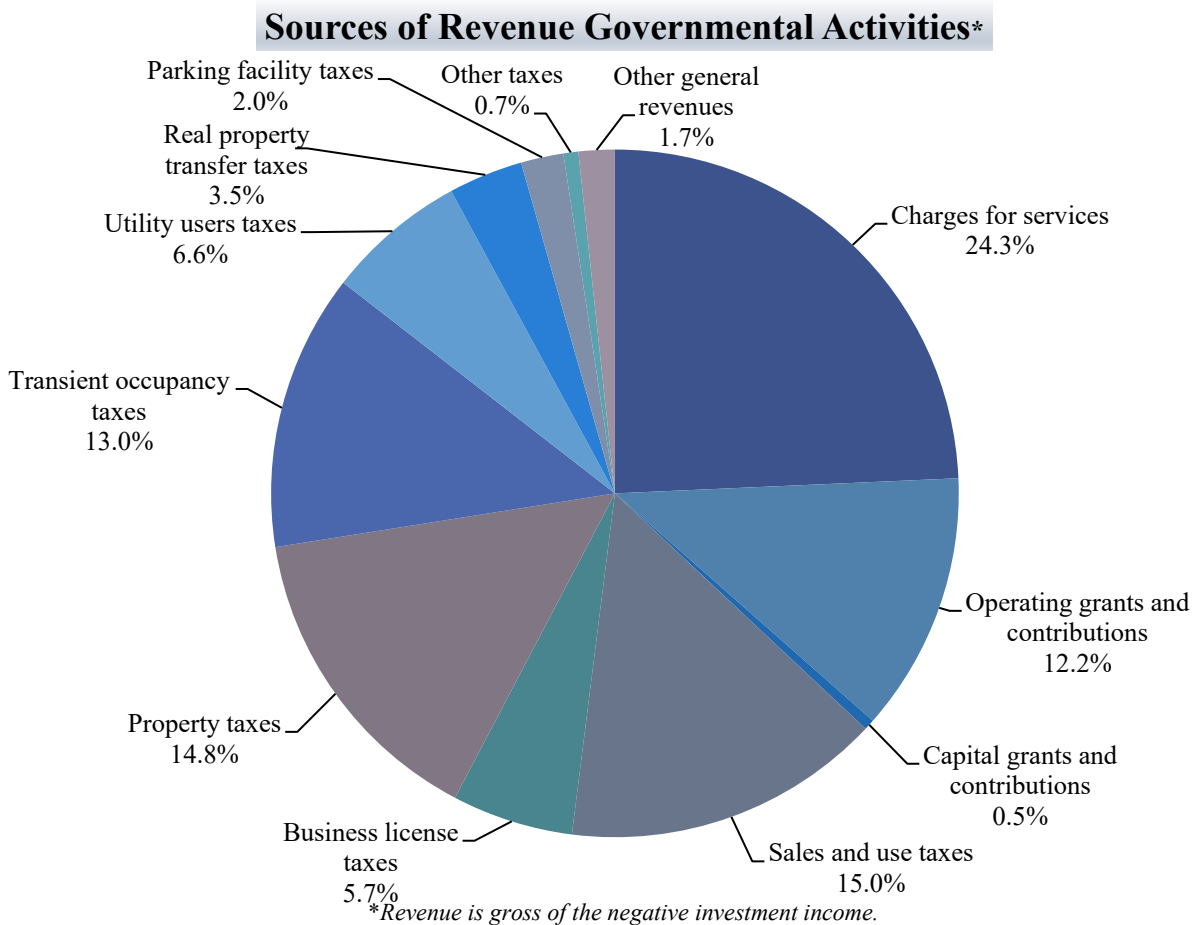
CITY OF SANTA MONICA						
Summary of Changes in Net Position						
(in millions)						
	Governmental activities		Business-type activities		Total	
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
	As restated		As restated		As restated	
Revenues						
Program revenues:						
Charges for services	\$ 124.4	106.4	124.4	105.6	248.8	212.0
Operating grants and contributions	62.4	58.5	58.3	63.9	120.7	122.4
Capital grants and contributions	2.6	0.6	16.1	4.6	18.7	5.2
General revenues:						
Property taxes	76.0	75.3	—	—	76.0	75.3
Sales and use taxes	76.7	64.3	—	—	76.7	64.3
Transient occupancy taxes	66.7	20.7	—	—	66.7	20.7
Utility users taxes	33.6	27.8	—	—	33.6	27.8
Business license taxes	29.1	33.7	—	—	29.1	33.7
Parking facility taxes	10.0	7.4	—	—	10.0	7.4
Real property transfer taxes	17.9	9.3	—	—	17.9	9.3
Other taxes	3.7	3.5	—	—	3.7	3.5
Investment income	(13.4)	3.3	(6.8)	0.3	(20.2)	3.6
Other revenue	8.8	8.1	2.9	5.2	11.7	13.3
Total revenues	<u>498.5</u>	<u>418.9</u>	<u>194.9</u>	<u>179.6</u>	<u>693.4</u>	<u>598.5</u>
Expenses						
General government	74.4	100.0	—	—	74.4	100.0
Public safety	128.0	168.6	—	—	128.0	168.6
General services	80.6	98.8	—	—	80.6	98.8
Community services	87.8	80.8	—	—	87.8	80.8
Library	7.9	9.4	—	—	7.9	9.4
Community development	31.0	39.6	—	—	31.0	39.6
Interest on long-term debt	6.2	5.1	—	—	6.2	5.1
Water	—	—	22.5	50.2	22.5	50.2
Resource recovery and recycling	—	—	26.5	28.7	26.5	28.7
Community broadband	—	—	2.3	1.6	2.3	1.6
Pier	—	—	6.6	7.6	6.6	7.6
Wastewater	—	—	17.3	19.8	17.3	19.8
Airport	—	—	6.1	9.8	6.1	9.8
Stormwater management	—	—	0.4	0.4	0.4	0.4
Cemetery	—	—	2.6	2.6	2.6	2.6
Big Blue Bus	—	—	82.1	93.5	82.1	93.5
Parking Authority	—	—	0.1	1.7	0.1	1.7
Total expenses	<u>415.9</u>	<u>502.3</u>	<u>166.5</u>	<u>215.9</u>	<u>582.4</u>	<u>718.2</u>
Excess (deficiency) of revenues over expenses before special items and transfers	82.6	(83.4)	28.4	(36.3)	111.0	(119.7)
Special items	—	(9.8)	—	—	—	(9.8)
Transfers	(8.4)	27.2	8.4	(27.2)	—	—
Change in net position	<u>74.2</u>	<u>(66.0)</u>	<u>36.8</u>	<u>(63.5)</u>	<u>111.0</u>	<u>(129.5)</u>
Beginning net position, as restated	860.3	926.3	533.9	597.4	1,394.2	1,523.7
Ending net position	<u>\$ 934.5</u>	<u>860.3</u>	<u>570.7</u>	<u>533.9</u>	<u>1,505.2</u>	<u>1,394.2</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 increased by \$74.2 million, or 8.6%. Analysis of revenues and expenses are discussed below and on the following pages.

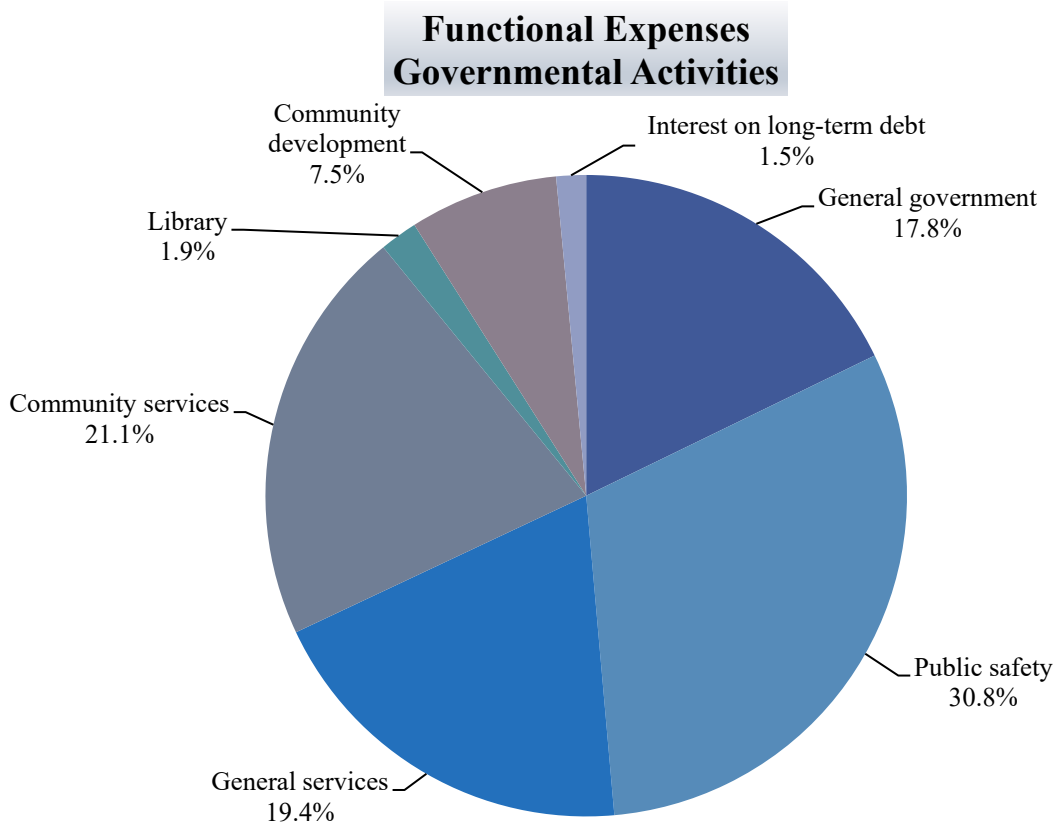
Revenue Sources: Governmental Activities. As shown in the chart below, the largest category of revenue for governmental activities is charges for services, which represents 24.3% of total governmental activities revenue. The category totaled \$124.4 million in FY 2021-22, compared to \$106.4 million in FY 2020-21, which is an increase of \$18.0 million or 16.9% due to rebounding parking and parking citations revenue as the City began to recover from the COVID-19 pandemic as well as a large one-time SB90 reimbursement from the State. The second largest category is sales and use taxes which represents 15.0% of total governmental activities revenue, which increased \$12.4 million or 19.3% from the prior fiscal year as businesses reopen after pandemic related closures, leading to the beginning of the City’s economic recovery. The third largest category is property taxes, which represent 14.8% of total governmental activities revenue. Property taxes increased \$0.7 million or 0.9% from the prior fiscal year. The increase was primarily due to a continued strong rise in the City’s assessed valuation partially offset by a reduction in RPTTF residuals. Transient Occupancy Taxes increased \$46.0 million from \$20.7 million to \$66.7 million or 222.3% as hotels reopened after pandemic closures and domestic tourism began to rebound, bolstered by special events such as the Super Bowl.



CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued
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Functional Expenses: Governmental Activities. As displayed in the chart below, general government, public safety, general services, community services, and community development accounted for 96.6% of total governmental activities expenses.

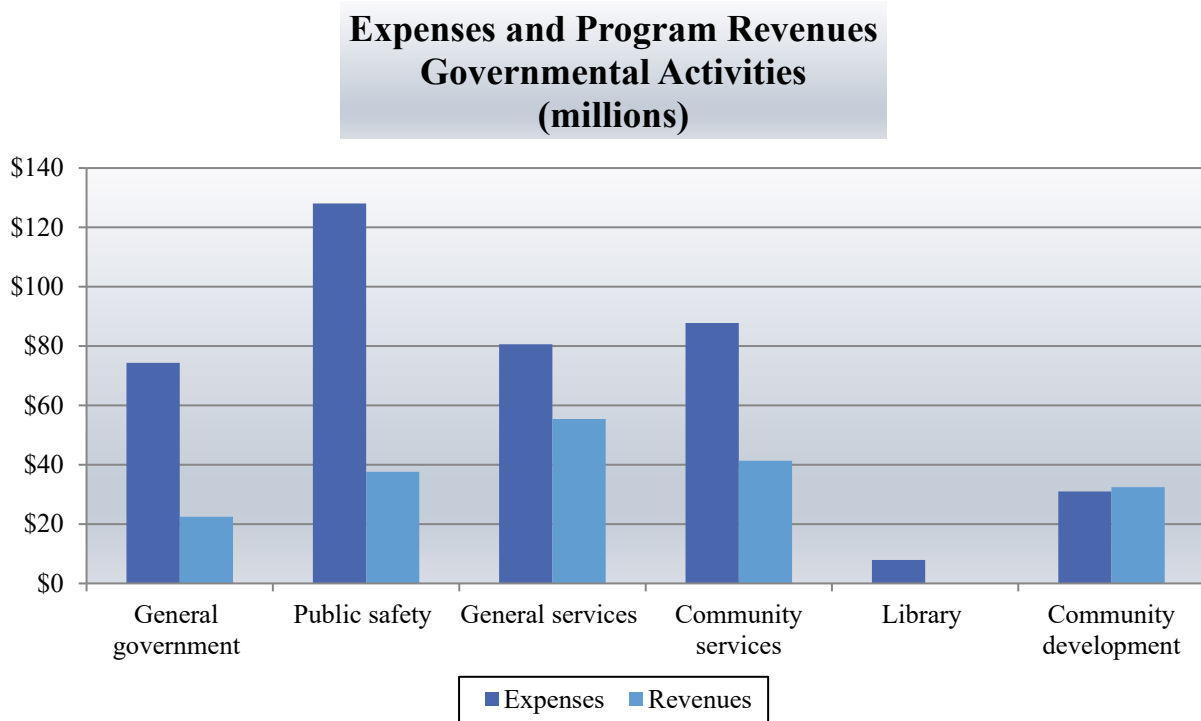


Total governmental activities expenses decreased \$86.4 million or 17.2% from the prior fiscal year. The three categories with the largest variance from the prior year were public safety, general government, and general services. Public safety decreased \$40.6 million or 24.1%, General government expenses decreased \$25.6 million or 25.6%. General services decreased \$18.2 million or 18.4%. Public safety and General services expenses declined due to reductions in pension expense as a result of the CalPERS 21.3% return on pension plan assets. The decrease in expenses in General government was primarily due to a decrease in pension expense from the greater than expected returns on the pension plan trust assets and settlement expenses from a \$54.9 million settlement that was accrued in FY 2020-21 offset by the FAA-directed write-off of advances to the Airport.

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 2021-22 is community development, which had expenses of \$31.0 million and program revenues of \$32.4 million, a ratio of 104.8%. This high percentage indicates that all the expenses in this category are financed by revenues generated by activities within the community development category.

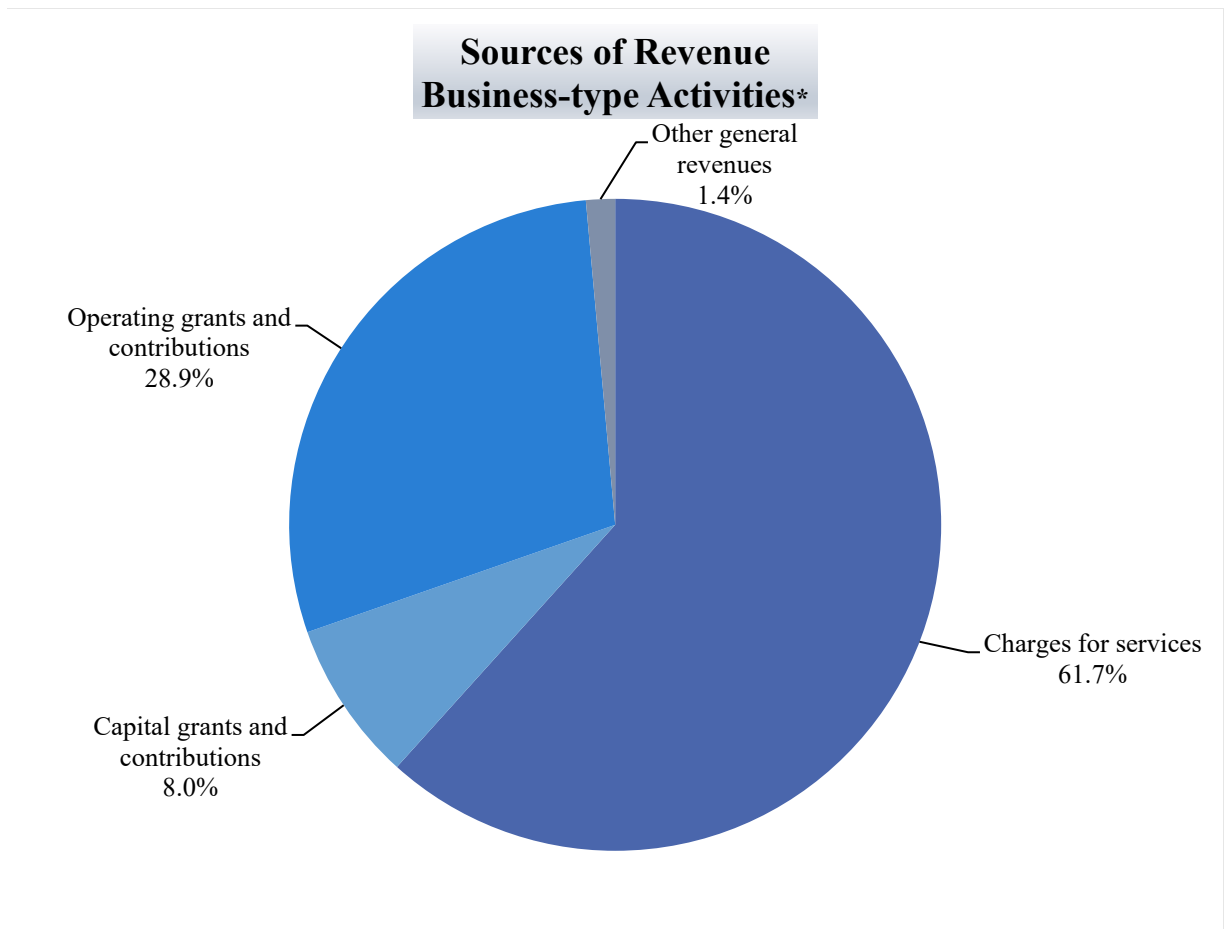
The function with the lowest percentage of program revenues to direct expenses in FY 2021-22 is the Library, which had expenses of \$7.9 million and program revenues of \$0.1 million, a ratio of 1.6%. This low percentage indicates that most of the expenses in this category are financed by the general revenues of the City.

CITY OF SANTA MONICA, CALIFORNIA

Management’s Discussion and Analysis, Continued
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Business-type Activities. The City’s business-type activities net position increased \$36.8 million or 6.9% from the prior fiscal year after restatement.

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 98.6% of the total business-type activities revenues of \$198.8 million.

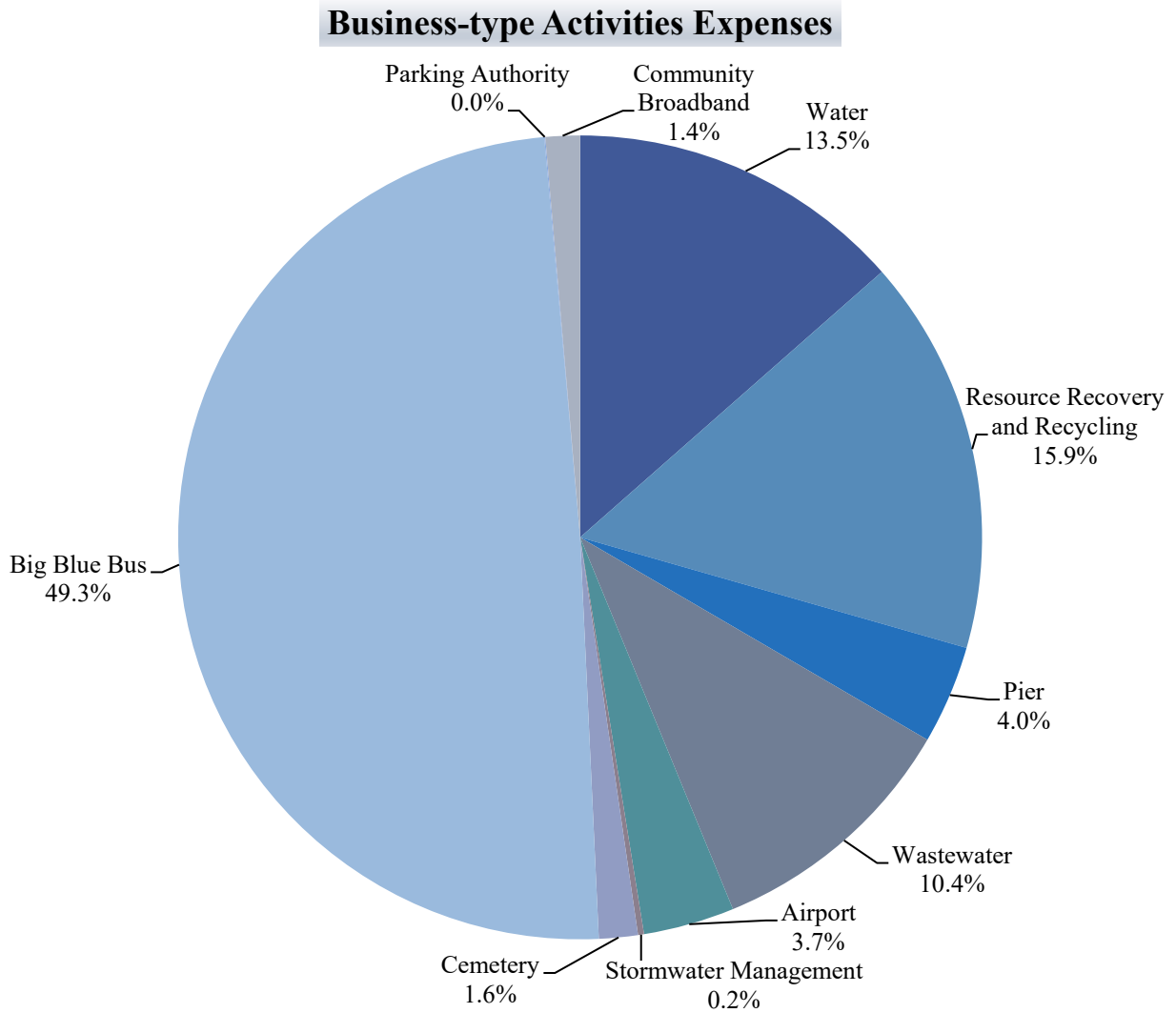


*Revenue is gross of the negative investment income.

CITY OF SANTA MONICA, CALIFORNIA

Management’s Discussion and Analysis, Continued
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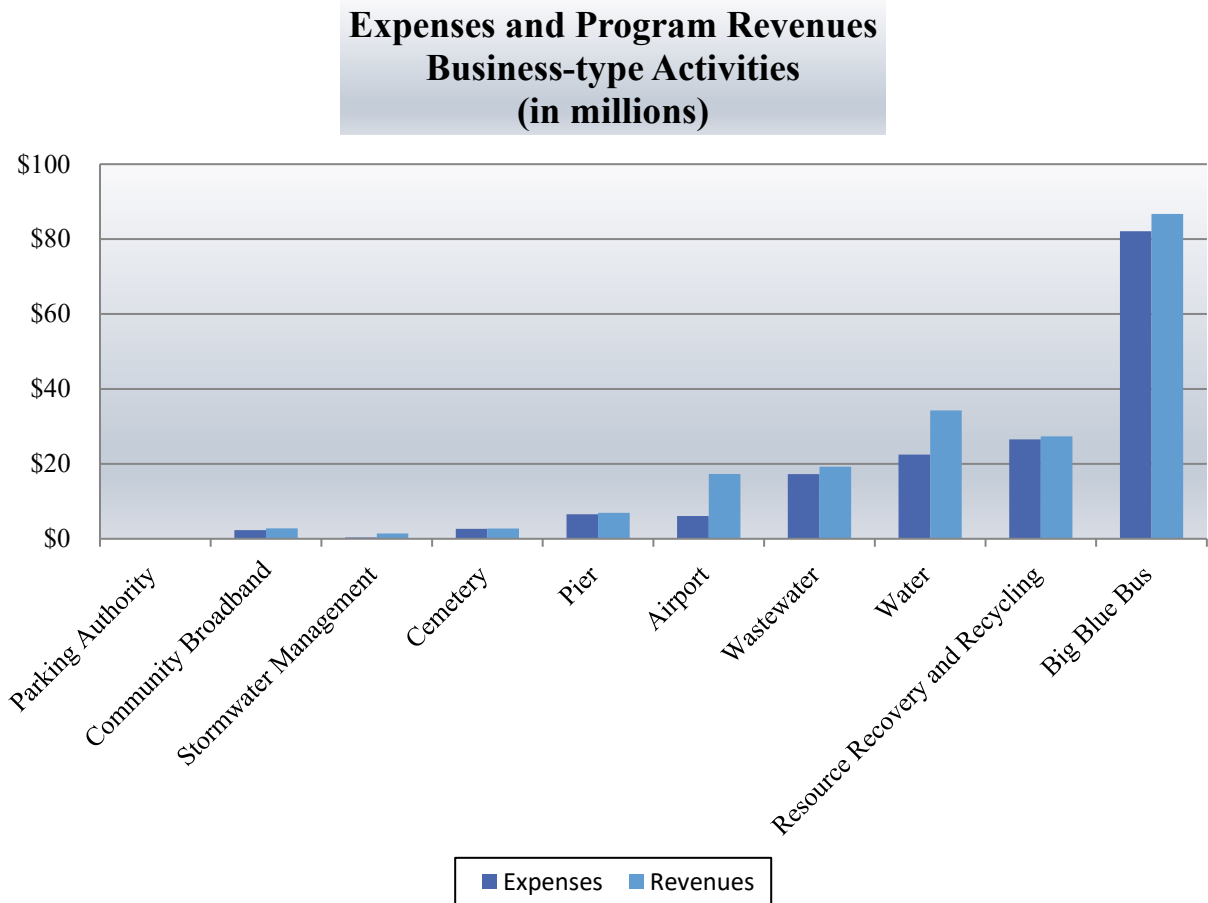
Expenses: Business-type Activities. The chart below displays individual business-type activities as a percentage of total business-type activity expenses. The Big Blue Bus, Water, Resource Recovery and Recycling, and Wastewater activities accounted for 89.1% of total business-type activity expenses. Other business-type activities of the City include the Airport, Pier, Cemetery, Stormwater Management, Parking Authority, and Community Broadband.



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 increased \$42.4 million, or 8.3% from the prior fiscal year, as restated. The primary reasons for the increase are discussed on the following pages.

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued
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General Fund

The General Fund is the chief operating fund of the City. Total fund balance in the General Fund increased \$28.7 million or 15.8% from the prior fiscal year.

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

1. Total General Fund revenues increased \$80.1 million or 24.6% from the prior fiscal year. The largest revenue source in the General Fund is sales and use taxes followed by property taxes, and finally transient occupancy taxes. Combined, these three categories represented 54.1% of total General Fund revenues for FY 2021-22. Sales and use taxes increased 19.3%, as businesses reopened after pandemic related closures, leading to the beginning of the City's economic recovery. Property taxes increased 0.9% from the previous year as strong assessed values increases occurred but were offset by reduced RPTTF residual revenues. Transient occupancy taxes increased 222.3% as a result of hotels reopening after pandemic related closures, increased domestic travel, and the impact of special local events like the Super Bowl. Licenses and permits increased by \$9.3 million or 35.5% from the prior year primarily due to a recovery in parking revenue, and investment income decreased by \$8.4 million or 1,972.6% due in part to \$9.2 million in unrealized losses on the City's investments, reflecting the dynamic in which the market value of fixed income investments moves in an inverse relationship to interest rates. As a result, the interest rate surges in FY 2021-22 reduced the overall market value of the portfolio. However, because the City typically holds investments to maturity, it is unlikely that these losses will be realized.
2. Total General Fund expenditures increased \$17.5 million or 4.8% from the prior fiscal year. This increase was due primarily to an increase in general government expenditures of \$4.1 million or 6.7%, an increase in general services expenditures of \$8.2 million or 11.1% and an increase in public safety expenditures of \$1.5 million or 1.0%. These three expenditure line items represent the largest expense categories of the General Fund which account for 78.7% of all General Fund expenditures for FY 2021-22. Increases in all categories reflected facility and program reopening once restrictions were lifted, in addition to a small rebuilding of the capital program in the General Government category and to additional parking costs being incurred as parking revenues began to rebound in the General Services category.
3. To comply with an order by the FAA, the General Fund wrote off \$5.4 million of advances to the Airport. This was reported as an extraordinary item in Note 21.

Special Revenue Source Fund

Total fund balance in the Special Revenue Source Fund increased \$11.3 million or 5.9% from the prior fiscal year primarily due to transfers in of affordable housing funds and developer fees. Total revenues increased \$3.2 million or 67.9%. The increase in revenues was primarily due to a \$3.8 million increase in developer fees offset by a decrease in investment income due to unrealized losses.

Low and Moderate Income Housing Asset Fund

Total fund balance in the Low and Moderate Income Housing Asset Fund decreased \$0.5 million or 0.7% from the prior fiscal year. The principal reason for the decrease in fund balance was due to the cessation of affordable housing transfers from the Parking Authority due to the completion of Successor

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued For the fiscal year ended June 30, 2022 (Unaudited)

Agency loan payments and negative investment income driven by unrealized losses in the City's investment portfolio.

Miscellaneous Grants Fund

Total fund balance in the Miscellaneous Grants Fund decreased by \$4.0 million or 266.7%. The main reason for the decrease is the timing of grant reimbursements after allowable grant expenditures have been incurred. These reimbursements were not received within the City's accrual period and are reported as unavailable revenue on the balance sheet.

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

The total net position of all the City's enterprise funds increased \$31.7 million, or 6.4% from the prior fiscal year.

Some proprietary funds revenues may not be spent in the year they are recognized, instead they are held for futures capital purposes. Fee increases include both an operating and capital component.

Water Fund

The total net position of the Water Fund increased \$2.6 million, or 4.3% from the prior fiscal year after restatement. Revenues reflect a \$4.6 million increase in water service charges primarily from a 14% water rate increase and increase in customer water usage due to economic recovery as workers returned to offices and tourism rebounded.

Wastewater Fund

The total net position of the Wastewater Fund increased \$1.6 million, or 0.8% from the prior fiscal year. The primary reason for the increase was a decrease in contractual services due to an additional \$2.0 million true up payment made to the City of Los Angeles for the use of the amalgamated sewer system in FY 2020-21 as well as a \$1.9 million increase in revenue due to a rate increase and economic upturn offset by a \$1.3 million increase in unrealized loss on investments.

Resource Recovery and Recycling Fund

The total net position of the Resource Recovery and Recycling Fund increased \$0.3 million or 4.0% after a prior period adjustment of \$2.4 million.

The decrease was primarily related to a decrease in investment income of \$1.0 million due to accounting for unrealized losses. A rate study is anticipated with new rates being implemented possibly by August 2023. The study was delayed during the pandemic, resulting in the use of reserves pending the upcoming proposed rate increases.

Big Blue Bus Fund

The total net position of the Big Blue Bus Fund increased \$6.0 million, or 3.6% from the prior fiscal year after restatement. The primary reason was the increases in charges for services of \$6.0 million due to the reinstatement of fares in February 2021, restoration of 80% of BBB service levels, and a reduction

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued For the fiscal year ended June 30, 2022 (Unaudited)

in pension expense due to CalPERS' 21.3% return on the pension plan assets. At June 30, 2022, the Big Blue Bus has unearned income of \$43.5 million that can be used to fund future operations.

General Fund Budgetary Variances

Revenue Original Budget to Final Amended Budget. The final revenue budget of \$384.1 million for the General Fund was \$30.7 million (8.7%) greater than the original budget of \$353.4 million. Revenue budget changes are approved by the City Council. The primary components of the variance were increased budgets for transient occupancy taxes (\$13.6 million), sales and use taxes (\$9.2 million), licenses and permits reflecting less parking revenues (\$2.8 million), and other taxes (\$2.7 million).

Revenue Final Amended Budget to Actuals. Actual General Fund revenues of \$405.5 million were \$21.4 million (5.6%) more than the final budget of \$384.1 as the City's economy has recovered in some areas faster than originally anticipated. The primary components of the variance were Transient Occupancy Taxes, with actual revenues exceeding the final budgeted amount by \$10.0 million or 17.6%, and greater than anticipated revenues from other local taxes (\$6.1 million), charges for services (\$4.0 million), and licenses and permits (\$3.2 million). These were offset by investment income which came in \$9.1 million lower than budget due to rising interest rates, causing a large unrealized loss to be reported. Since the City typically holds investments to maturity, it is unlikely the losses will be realized.

Expenditure Original Budget to Final Amended Budget. The final General Fund expenditure budget is greater than the original budget by \$65.2 million, or 18.3%. 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 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 the Fire Training Facility, City Yards Modernization and the City Services Building at \$4.8 million, \$13.3 million and \$0.9 million, respectively.

Expenditure Final Amended Budget to Actuals. Actual expenditures (budgetary basis) for the General Fund totaled \$407.7 million, while the final budget totaled \$421.1 million, a variance of \$13.4 million or 3.2%. Almost all the variance is due to capital improvement expenditures, which had actual expenditures of \$48.9 million, compared to the final budget of \$62.3 million, a variance of \$13.4 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 2022-23 to continue work on projects that have not yet been completed. Actual operating expenditures totaled \$358.8 million, compared to the final budget of \$358.8 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City's capital assets (net of accumulated depreciation) as of June 30, 2022 amounted to \$1,421.4 million, an increase of \$30.8 million from the prior fiscal year after restatement. The increase was primarily due to the continued construction of large projects such as various clean water projects and the City Yards Modernization project.

CITY OF SANTA MONICA, CALIFORNIA

Management’s Discussion and Analysis, Continued
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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)**

	Governmental activities		Business-type activities		Total	
	6/30/22	6/30/21	6/30/22	6/30/21	6/30/22	6/30/21
			As restated		As restated	
Land	\$ 200.3	200.3	53.4	53.4	253.7	253.7
Land held under easement	72.4	72.4	—	—	72.4	72.4
Construction in progress	105.3	81.1	86.3	56.3	191.6	137.4
Buildings	453.7	454.2	150.1	150.1	603.8	604.3
Improvements other than buildings	218.4	218.4	29.9	29.8	248.3	248.2
Machinery and equipment	60.3	60.2	241.3	225.0	301.6	285.2
Infrastructure	376.6	376.6	263.6	254.4	640.2	631.0
Utility systems	1.8	1.8	—	—	1.8	1.8
Intangibles	4.9	0.7	120.1	116.8	125.0	117.5
Less accumulated depreciation	(578.0)	(549.6)	(439.0)	(411.3)	(1,017.0)	(960.9)
Capital assets, net	<u>\$ 915.7</u>	<u>916.1</u>	<u>505.7</u>	<u>474.5</u>	<u>1,421.4</u>	<u>1,390.6</u>

Some of the City’s major capital asset events in FY 2021-22 were:

Governmental Activities:

1. Major projects included \$4.5 million for grant funded Water Infrastructure Projects, \$5.5 million for the construction of the new bond funded City Services Building and \$10.2 million for the design and construction of the bond funded City Yards Modernization project.

Business-Type Activities:

1. Major projects included \$24.9 million for Water Infrastructure Projects, \$5.0 million for pier improvements and a \$3.4 million payment for wastewater improvements including a \$3.4 payment to the City of Los Angeles for capital improvements to the Amalgamated Sewer System. The Big Blue Bus purchased 12 new electric buses and chargers totaling \$12.5 million.

Additional information on the City’s capital assets can be found in note 5 to the basic financial statements.

As of June 30, 2022, the City had \$27.1 million in construction commitments. For additional information on commitments see note 15.

CITY OF SANTA MONICA, CALIFORNIA

Management’s Discussion and Analysis, Continued
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Long-term Debt. At the end of the current fiscal year, the City’s total long-term debt outstanding (excluding issuance premiums) was \$331.4 million, an increase from the prior year of \$155.4 million or 88.3%. This increase was due to \$135.3 million in debt issuance, \$4.1 million in revenue bond debt service and \$1.1 million for general obligation bonds debt service, offset by draws on the State Water Resources Control Board loans of \$25.3 million.

**CITY OF SANTA MONICA
Outstanding Debt
(in millions)**

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>6/30/22</u>	<u>6/30/21</u>	<u>6/30/22</u>	<u>6/30/21</u>	<u>6/30/22</u>	<u>6/30/21</u>
General obligation bonds (backed by the City)	\$ 1.1	2.1	—	—	1.1	2.1
Revenue bonds (backed by specific tax, fee and lease revenues)	206.5	143.5	70.5	2.3	277.0	145.8
Notes and loans	-	-	53.3	28.1	53.3	28.1
Total	<u>\$ 207.6</u>	<u>145.6</u>	<u>123.8</u>	<u>30.4</u>	<u>331.4</u>	<u>176.0</u>

On August 4, 2021, the Santa Monica Public Financing Authority issued \$64,780,000 in Santa Monica Public Financing Authority Lease Revenue Bonds (City Yards Modernization project) Series 2021, bearing interest from 2.125% to 5.00% with a final maturity of July 1, 2051.

On August 25, 2021, the City issued \$70,525,000 of City of Santa Monica Water Enterprise Revenue Bonds Series 2021, bearing interest from 2.25% to 5.00% with a final maturity of August 1, 2051.

The City of Santa Monica maintains a “AAA” rating from both Standard and Poor’s and Fitch, and a “Aaa” rating from Moody’s which were reaffirmed in June 2022. There were no changes to any bond ratings during FY 2021-22.

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

ECONOMIC FACTORS AND BIENNIAL BUDGET

The City’s adopted General Fund budget for FY 2022-23 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 losses required significant adjustments in the budget compared to pre-pandemic years. As such, management made difficult decisions to assure the 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 2022-23, many factors were taken into consideration:

- Community priorities:
 - Addressing Homelessness
 - Clean and Safe Santa Monica

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued
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- Equitable and Inclusive Economic Recovery
- Restoration of certain priority services going forward despite the overall fiscal challenges precipitated by the COVID-19 pandemic.
- Focus on no cost operational adjustments to improve service delivery for the community.
- Streamlining operations to provide core services on which the community relies.
- Significant cost increases resulting from high inflation, market disruptions from the war in Ukraine, and supply chain issues due to the COVID-19 pandemic.
- Resumption of additional pension and OPEB contributions.
- Funding for the Directed Action Response Team (DaRT), formerly known as the Pier Vending Task Force, for another year.
- The launch of a supervised afterschool playtime program at all seven SMMUSD elementary schoolyards through one-time funds.
- The restoration of sports fields at Clover Park, Memorial Park, and Los Amigos Park using one-time savings.
- Expanded library hours of service using one-time funds.
- A Paid Parental Leave Program for City staff effective July 1, 2022, that will provide for six weeks of leave at 100% of an employee's salary.
- Cost of living adjustments to compensation negotiated in labor agreements with 9 bargaining units.

These restorations are supported by one-time funds and will require additional revenue streams in the future.

The Adopted Capital budget includes:

- Initiate a community process to plan for the future of the Santa Monica Airport in preparation for local control in 2029.
- Upgrade community facilities like the Virginia Avenue Park fitness room and planned maintenance for the swim facilities at the Swim Center and Annenberg Community Beach House.
- Improve the City's parks and open spaces including Douglas Park playground reconstruction, Beach Park #1 playground equipment replacement, additional beach volleyball courts and lights, Palisades Park pathway and drainage improvements,

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued
For the fiscal year ended June 30, 2022
(Unaudited)

- Marine Park parking lot resurfacing, and the urban forest renewal program. Improve vehicles and pedestrian safety and connections to bus service at seven high crash intersections on Wilshire Boulevard.
- Significant investments in water projects that will move the City towards its goal of water self-sufficiency including new groundwater recharge wells, water main replacements, and improvements to the safety and operations of Santa Monica's water treatment plants and groundwater reservoirs.
- Develop Phase 1 of the Beach Master Plan to prepare the Santa Monica State Beach for future major events like the 2028 Olympics.

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, 2022

BASIC FINANCIAL STATEMENTS

CITY OF SANTA MONICA, CALIFORNIA

Statement of Net Position

June 30, 2022

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (note 2)	\$ 394,515,359	207,855,409	602,370,768
Receivables (net of allowances for uncollectibles):			
Accounts	7,434,148	20,881,228	28,315,376
Interest	1,054,091	521,467	1,575,558
Taxes	26,609,781	8,821	26,618,602
Leases (note 3)	36,242,322	47,419,301	83,661,623
Notes (note 4)	208,651,085	-	208,651,085
Other governments	15,802,603	29,034,913	44,837,516
Internal balances	(7,421,966)	7,421,966	-
Inventory	-	3,544,088	3,544,088
Deposits	3,258	-	3,258
Prepays	2,536,855	113,539	2,650,394
Restricted cash and investments (note 2)	24,119,582	37,743,586	61,863,168
Restricted cash with fiscal agent (note 2)	43,802,047	75,464,422	119,266,469
Capital assets (note 5):			
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	105,313,584	86,279,101	191,592,685
Capital assets being depreciated:			
Buildings	453,729,134	150,050,361	603,779,495
Improvements other than buildings	218,413,200	29,856,305	248,269,505
Utility systems	1,742,913	-	1,742,913
Machinery and equipment	60,274,190	241,320,949	301,595,139
Infrastructure	376,593,979	263,605,818	640,199,797
Intangibles	4,880,800	120,138,394	125,019,194
Less accumulated depreciation	(577,929,322)	(438,934,917)	(1,016,864,239)
Total capital assets, net	915,726,425	505,696,761	1,421,423,186
TOTAL ASSETS	1,669,075,590	935,705,501	2,604,781,091
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from pensions (note 11)	62,107,878	12,943,970	75,051,848
Deferred outflows from OPEB (note 11)	11,010,504	1,065,077	12,075,581
TOTAL DEFERRED OUTFLOWS OF RESOURCES	73,118,382	14,009,047	87,127,429
LIABILITIES			
Accounts payable	28,232,687	13,529,835	41,762,522
Accrued liabilities	5,893,316	2,760,571	8,653,887
Accrued interest payable	4,132,750	2,045,049	6,177,799
Contracts payable (retained percentage)	3,760,057	4,187,142	7,947,199
Unearned revenue (note 6)	28,788,015	43,534,508	72,322,523
Deposits payable from restricted assets	926,850	18,423,693	19,350,543
Long-term liabilities:			
Compensated absences due within one year (note 7)	7,583,961	2,407,975	9,991,936
Compensated absences due in more than one year (note 7)	6,521,809	1,128,243	7,650,052
Claims payable due within one year (note 8)	20,928,432	2,177,393	23,105,825
Claims payable due in more than one year (note 8)	53,393,779	2,142,079	55,535,858
Loans and bonds payable due within one year (note 9)	4,390,000	-	4,390,000
Loans and bonds payable due in more than one year (note 9)	225,550,218	131,521,529	357,071,747
Pollution remediation obligation due within one year (note 10)	352,448	8,947,683	9,300,131
Pollution remediation obligation due in more than one year (note 10)	1,306,020	23,148,749	24,454,769
Net OPEB liability due in more than one year (note 11)	28,726,726	2,778,818	31,505,544
Net pension liability due in more than one year (note 11)	195,720,888	35,189,453	230,910,341
TOTAL LIABILITIES	616,207,956	293,922,720	910,130,676
DEFERRED INFLOWS OF RESOURCES			
Deferred gain on refunding	573,081	-	573,081
Deferred inflows leases	34,659,530	43,888,006	78,547,536
Deferred inflows from pensions (note 11)	145,572,013	40,163,890	185,735,903
Deferred inflows from OPEB (note 11)	10,734,808	1,038,408	11,773,216
TOTAL DEFERRED INFLOWS OF RESOURCES	191,539,432	85,090,304	276,629,736
NET POSITION			
Net investment in capital assets	703,702,731	449,639,654	1,153,342,385
Restricted for (note 14):			
Community development	163,990,463	-	163,990,463
Community services	7,287,282	-	7,287,282
Transportation	37,172,777	-	37,172,777
Clean beaches and ocean parcel tax	10,770,846	-	10,770,846
Debt service	8,508,206	2,298,946	10,807,152
Other	4,891,277	-	4,891,277
Perpetual care - nonexpendable	16,901,605	-	16,901,605
Prop 1B	-	10,169,682	10,169,682
Unrestricted	(18,778,603)	108,593,242	89,814,639
TOTAL NET POSITION	\$ 934,446,584	570,701,524	1,505,148,108

CITY OF SANTA MONICA, CALIFORNIA
Statement of Activities
For the fiscal year ended June 30, 2022

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	\$ 74,357,887	18,739,301	3,729,855	20,482	(51,868,249)	-	(51,868,249)
Public safety	128,036,677	20,418,346	17,179,164	124	(90,439,043)	-	(90,439,043)
General services	80,590,295	40,579,634	12,222,617	2,619,156	(25,168,888)	-	(25,168,888)
Community services	87,796,120	13,398,797	27,967,150	-	(46,430,173)	-	(46,430,173)
Library	7,932,667	22,037	106,672	-	(7,803,958)	-	(7,803,958)
Community development	30,964,869	31,204,393	1,231,693	-	1,471,217	-	1,471,217
Interest on long-term debt	6,232,438	-	-	-	(6,232,438)	-	(6,232,438)
Total governmental activities	415,910,953	124,362,508	62,437,151	2,639,762	(226,471,532)	-	(226,471,532)
Business-Type Activities:							
Water	22,488,694	34,281,775	-	-	-	11,793,081	11,793,081
Resource recovery and recycling	26,523,962	27,347,038	-	-	-	823,076	823,076
Community broadband	2,318,193	2,779,595	-	-	-	461,402	461,402
Pier	6,544,111	6,909,894	-	-	-	365,783	365,783
Wastewater	17,254,412	19,249,781	-	-	-	1,995,369	1,995,369
Airport	6,095,503	17,306,908	-	-	-	11,211,405	11,211,405
Stormwater management	361,328	1,419,613	-	-	-	1,058,285	1,058,285
Cemetery	2,640,281	2,763,983	-	-	-	123,702	123,702
Big Blue Bus	82,123,817	12,320,388	58,306,953	16,080,850	-	4,584,374	4,584,374
Parking authority	73,733	-	-	-	-	(73,733)	(73,733)
Total business-type activities	166,424,034	124,378,975	58,306,953	16,080,850	-	32,342,744	32,342,744
Total Primary Government	\$ 582,334,987	248,741,483	120,744,104	18,720,612	(226,471,532)	32,342,744	(194,128,788)
General revenues:							
Taxes:							
Property					75,980,972	-	75,980,972
Sales and use					76,698,693	-	76,698,693
Transient occupancy					66,684,095	-	66,684,095
Utility users					33,613,985	-	33,613,985
Business license					29,120,949	-	29,120,949
Parking facility					9,966,669	-	9,966,669
Real property transfer					17,845,968	-	17,845,968
Other					3,670,376	-	3,670,376
Other revenue					8,833,338	2,850,537	11,683,875
Investment income					(13,385,275)	(6,796,320)	(20,181,595)
Transfers					(8,444,909)	8,444,909	-
Total general revenues and transfers					300,584,861	4,499,126	305,083,987
Change in net position					74,113,329	36,841,870	110,955,199
Net position at beginning of year, as restated (note 20)					860,333,255	533,859,654	1,394,192,909
Net position at end of year					\$ 934,446,584	570,701,524	1,505,148,108

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 those 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.

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

CITY OF SANTA MONICA, CALIFORNIA
Balance Sheet
Governmental Funds
June 30, 2022

	Special Revenue Funds					Nonmajor governmental funds	Total governmental funds
	General Fund	Special Revenue Source Fund	Low and Moderate Income Housing Asset Fund	Miscellaneous Grants Fund			
ASSETS							
Cash and investments (note 2)	\$ 183,109,879	86,495,304	12,945,576	-	26,705,054	309,255,813	
Restricted cash and investments (note 2)	426,036	-	-	-	23,693,546	24,119,582	
Receivables (net, where applicable, of allowances for uncollectibles):							
Accounts	6,219,271	3,500	-	-	913,204	7,135,975	
Notes (note 4)	-	132,828,521	53,541,185	6,041,411	16,239,968	208,651,085	
Taxes	26,462,040	-	-	-	147,741	26,609,781	
Leases (note 3)	23,545,756	-	-	-	12,696,566	36,242,322	
Interest	654,991	35,569	30,741	298	157,176	878,775	
Other governments	39,177	-	-	14,435,651	1,327,775	15,802,603	
Due from other funds (note 17)	14,344,387	-	-	-	-	14,344,387	
Deposits	-	-	-	-	3,258	3,258	
Prepays	2,510,466	-	-	-	26,343	2,536,809	
Restricted cash with fiscal agent (note 2)	18,549,905	-	-	-	25,252,142	43,802,047	
Advances to other funds (note 17)	4,111,120	1,450,000	-	-	-	5,561,120	
Total assets	<u>\$ 279,973,028</u>	<u>220,812,894</u>	<u>66,517,502</u>	<u>20,477,360</u>	<u>107,162,773</u>	<u>694,943,557</u>	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 22,537,617	581,383	40	1,106,754	3,156,365	27,382,159	
Acerued liabilities	5,582,811	2	-	26,382	241,545	5,850,740	
Contracts payable (retained percentage)	883,928	127,666	-	460,549	2,282,303	3,754,446	
Due to other funds (note 17)	7,355,821	-	-	12,134,179	2,210,208	21,700,208	
Unearned revenue (note 6)	10,311,458	17,326,090	-	447,557	702,910	28,788,015	
Deposits payable	554,581	-	-	-	372,269	926,850	
Advances from other funds (note 17)	-	-	-	-	5,561,120	5,561,120	
Total liabilities	<u>47,226,216</u>	<u>18,035,141</u>	<u>40</u>	<u>14,175,421</u>	<u>14,526,720</u>	<u>93,963,538</u>	
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue (note 6)	-	-	-	11,855,706	189,275	12,044,981	
Deferred inflows leases	22,811,945	-	-	-	11,847,585	34,659,530	
Total deferred inflows of resources	<u>22,811,945</u>	<u>-</u>	<u>-</u>	<u>11,855,706</u>	<u>12,036,860</u>	<u>46,704,511</u>	
Fund balances (note 12)							
Nonspendable	6,621,586	-	-	-	16,927,948	23,549,534	
Restricted	20,275,914	80,170,137	66,517,462	17,615,298	65,446,523	250,025,334	
Committed	-	122,607,616	-	-	-	122,607,616	
Assigned	143,217,685	-	-	-	-	143,217,685	
Unassigned	39,819,682	-	-	(23,169,065)	(1,775,278)	14,875,339	
Total fund balances	<u>209,934,867</u>	<u>202,777,753</u>	<u>66,517,462</u>	<u>(5,553,767)</u>	<u>80,599,193</u>	<u>554,275,508</u>	
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 279,973,028</u>	<u>220,812,894</u>	<u>66,517,502</u>	<u>20,477,360</u>	<u>107,162,773</u>	<u>694,943,557</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, 2022

Fund balances - total governmental funds	\$	554,275,508
Amounts reported for governmental activities in the statement of net position are different because (Note 16):		
(1) Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the balance sheet.		915,666,125
(2) Differences in pension liability reporting under GASB 68 where net pension liability is reported in the Government Wide statements.		(82,799,887)
(3) Differences in OPEB reporting under GASB 75 where net OPEB liability is reported in the Government Wide statements.		274,986
(4) Deferred gain on refunding of debt is not a current financial resource and, therefore, is not reported in the balance sheet.		(573,081)
(5) Long-term liabilities and accrued interest are not due and payable in the current period and therefore are not reported in the balance sheet.		(473,187,014)
(6) 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.		12,044,981
(7) Internal service funds are used by management to charge the costs of vehicle management, information technology and risk management to individual funds. The assets and liabilities of the information technology and risk management (excluding bus) internal service funds are included in the governmental activities in the statement of net position.		8,744,966
Net position of governmental activities	<u>\$</u>	<u>934,446,584</u>

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, 2022

	<u>Special Revenue Funds</u>					<u>Total governmental funds</u>
	<u>General Fund</u>	<u>Special Revenue Source Fund</u>	<u>Low and Moderate Income Housing Asset Fund</u>	<u>Miscellaneous Grants Fund</u>	<u>Nonmajor governmental funds</u>	
Revenues:						
Property taxes	\$ 75,980,972	-	-	-	-	75,980,972
Sales and use taxes	76,698,693	-	-	-	-	76,698,693
Transient occupancy taxes	66,684,095	-	-	-	-	66,684,095
Utility user taxes	33,613,985	-	-	-	-	33,613,985
Business license taxes	29,120,949	-	-	-	-	29,120,949
Other taxes	27,980,038	-	-	-	3,502,975	31,483,013
Licenses and permits	35,338,164	-	-	-	129,630	35,467,794
Intergovernmental	1,490,717	-	-	22,052,956	42,779,880	66,323,553
Charges for services	43,092,119	826,748	-	-	19,713,891	63,632,758
Fines and forfeitures	12,262,875	-	-	-	-	12,262,875
Investment income	(7,993,536)	(551,643)	(478,372)	(5,137)	(2,123,347)	(11,152,035)
Rental income	6,905,686	-	-	-	1,715,386	8,621,072
Settlement income	28,456	-	-	-	-	28,456
Other revenue	4,292,277	7,531,732	366,367	3,000	1,527,016	13,720,392
Total revenues	<u>405,495,490</u>	<u>7,806,837</u>	<u>(112,005)</u>	<u>22,050,819</u>	<u>67,245,431</u>	<u>502,486,572</u>
Expenditures:						
Current:						
General government	64,873,971	-	-	439,419	310,767	65,624,157
Public safety	152,854,088	138,528	-	2,097,688	156,487	155,246,791
General services	81,992,446	1,133,343	-	6,772,018	14,304,558	104,202,365
Community services	54,462,550	3,111,973	-	874,016	31,113,368	89,561,907
Library	8,676,797	-	-	41,366	-	8,718,163
Community development	17,622,752	62,296	112	146,809	13,682,787	31,514,756
Debt service expenditures:						
Principal	-	-	-	-	2,895,000	2,895,000
Interest	-	-	-	-	5,387,582	5,387,582
Bond issuance costs	498,057	-	-	-	-	498,057
Total expenditures	<u>380,980,661</u>	<u>4,446,140</u>	<u>112</u>	<u>10,371,316</u>	<u>67,850,549</u>	<u>463,648,778</u>
Excess (deficiency) of revenues over (under) expenditures	<u>24,514,829</u>	<u>3,360,697</u>	<u>(112,117)</u>	<u>11,679,503</u>	<u>(605,118)</u>	<u>38,837,794</u>
Other financing sources (uses):						
Transfers in	24,772,407	8,948,023	-	-	12,770,307	46,490,737
Transfers out	(32,825,789)	(1,031,051)	(362,715)	(15,710,877)	(5,182,579)	(55,113,011)
Bonds issued	64,780,000	-	-	-	-	64,780,000
Premium on debt issued	7,714,767	-	-	-	-	7,714,767
Total other financing sources (uses)	<u>64,441,385</u>	<u>7,916,972</u>	<u>(362,715)</u>	<u>(15,710,877)</u>	<u>7,587,728</u>	<u>63,872,493</u>
Special item (note 21)	(54,900,000)	-	-	-	-	(54,900,000)
Extraordinary item (note 21)	(5,376,172)	-	-	-	-	(5,376,172)
Net change in fund balances	28,680,042	11,277,669	(474,832)	(4,031,374)	6,982,610	42,434,115
Fund balances at beginning of year, as restated (note 20)	181,254,825	191,500,084	66,992,294	(1,522,393)	73,616,583	511,841,393
Fund balances at end of year	<u>\$ 209,934,867</u>	<u>202,777,753</u>	<u>66,517,462</u>	<u>(5,553,767)</u>	<u>80,599,193</u>	<u>554,275,508</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, 2022

Net change in fund balances – total governmental funds	\$	42,434,115
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.		28,529,675
2) The cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense in the statement of activities.		(28,835,721)
Measurement focus:		
3) Interest expense accrued when obligated not when paid.		(2,182,653)
4) Bond proceeds from issuance of new debt are reporting as other financing sources in the statement of revenues expenditures and changes in fund balance but are reported as an increase in liabilities on the statement of net position.		(64,780,000)
5) Bond premium received from issuance of new debt is reported as revenue in the statement of revenues expenditures and changes in fund balance but as an increase in liabilities on the statement of net position.		(7,714,767)
6) Principal payments on long-term obligations use current financial resources but have no effect on net position.		2,895,000
7) Bond premiums are recorded as other financing sources in the fund statements but are amortized in the statement of activities.		1,280,994
8) Deferred gain and loss on refunding is amortized in the statement of activities.		56,802
9) The decrease in compensated absences liability does not use current financial resources but is recorded as an increase in expense in the statement of activities		555,257
10) Interest income related to airport advances are recorded as revenue in the statement of activities but are reported as deferred inflows of resources in the fund statements.		(163,285)
11) Grant revenue previously recognized in the statement of activities is recorded as revenue in the fund statements.		(13,189,311)
12) Grant revenue earned but not yet available being recorded on the statement of activities that are not recorded on the fund statements.		12,044,981
13) Pollution remediation expense activity was recorded in the fund statements and reduced the liability in the statement of activities.		342,183
14) OPEB expense is the cost of benefits earned during the year instead of contributions paid.		(1,310,700)
15) Pension expense is the cost of benefits earned during the year instead of contributions paid.		50,894,915
Internal service funds:		
16) 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.		53,255,844
Change in net position (statement of activities, governmental activities)	<u>\$</u>	<u>74,113,329</u>

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, 2022

	Business-Type Activities - Enterprise Funds						
	Water	Wastewater	Resource Recovery and Recycling	Big Blue Bus	Nonmajor enterprise funds	Total enterprise funds	Total internal service funds
ASSETS							
Current assets:							
Cash and investments (note 2)	\$ 42,348,420	34,158,512	16,871,349	39,124,061	40,989,149	173,491,491	119,623,464
Restricted cash and investments (note 2)	355,474	2,298,946	-	13,834,099	9,574,037	26,062,556	-
Receivables (net, where applicable, of allowances for uncollectibles):							
Accounts	7,162,626	4,193,213	5,778,892	2,026,752	1,442,548	20,604,031	575,370
Interest	152,291	82,838	61,819	58,360	99,660	454,968	241,815
Leases (note 3)	3,150,477	-	-	9,505,438	34,763,386	47,419,301	-
Taxes	-	-	-	-	8,821	8,821	-
Due from other funds	-	-	-	-	7,355,821	7,355,821	-
Due from other governments	-	-	-	29,034,913	-	29,034,913	-
Inventory	-	-	-	3,531,115	-	3,531,115	12,973
Prepays	51,148	-	-	62,346	27	113,521	-
Total current assets	53,220,436	40,733,509	22,712,060	97,177,084	94,233,449	308,076,538	120,453,622
Noncurrent assets:							
Restricted cash and investments (note 2)	474,892	847,363	10,358,775	-	-	11,681,030	-
Restricted cash with fiscal agent	75,464,422	-	-	-	-	75,464,422	-
Capital assets (note 5):							
Land	21,006	3,189,132	-	48,807,900	1,362,712	53,380,750	-
Construction in progress	19,926,729	54,486,806	-	449,148	11,416,418	86,279,101	60,300
Buildings	1,532,511	251,447	314,223	131,604,733	16,347,447	150,050,361	-
Improvements other than buildings	2,008,072	297,592	99,731	15,312,973	12,137,937	29,856,305	-
Machinery and equipment	3,778,029	1,649,296	246,078	188,886,784	3,403,384	197,963,571	44,889,068
Infrastructure	69,615,224	165,868,182	-	-	28,122,412	263,605,818	-
Intangibles	3,575,000	116,563,394	-	-	-	120,138,394	-
Less: accumulated depreciation	(36,901,722)	(125,014,078)	(561,410)	(209,675,244)	(38,211,826)	(410,364,280)	(30,102,327)
Net capital assets	63,554,849	217,291,771	98,622	175,386,294	34,578,484	490,910,020	14,847,041
Total noncurrent assets	139,494,163	218,139,134	10,457,397	175,386,294	34,578,484	578,055,472	14,847,041
TOTAL ASSETS	192,714,599	258,872,643	33,169,457	272,563,378	128,811,933	886,132,010	135,300,663
DEFERRED OUTFLOWS OF RESOURCES							
Deferred outflows from pensions	1,321,036	455,785	1,638,583	7,957,785	1,028,710	12,401,899	857,911
Deferred outflows from OPEB	76,889	22,573	187,663	572,533	142,375	1,002,033	91,384
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,397,925	478,358	1,826,246	8,530,318	1,171,085	13,403,932	949,295
LIABILITIES							
Current liabilities:							
Accounts payable	6,653,231	2,029,425	833,898	1,198,946	2,340,735	13,056,235	1,324,128
Accrued liabilities	168,201	57,232	238,744	2,101,318	137,617	2,703,112	100,035
Contracts payable (retained percentage)	1,441,176	2,164,792	-	25,767	555,407	4,187,142	5,611
Compensated absences due within one year (note 7)	245,154	85,043	313,609	1,501,637	181,483	2,326,926	131,254
Claims payable due within one year (note 8)	-	-	-	-	-	-	23,105,825
Unearned revenue (note 6)	-	-	-	43,534,508	-	43,534,508	-
Accrued interest payable	917,536	1,127,513	-	-	-	2,045,049	-
Liabilities payable from restricted assets - deposits	774,820	-	15,682,852	129,649	1,836,372	18,423,693	-
Pollution remediation obligation due within one year (note 10)	8,947,683	-	-	-	-	8,947,683	-
Total current liabilities	19,147,801	5,464,005	17,069,103	48,491,825	5,051,614	95,224,348	24,666,853
Long-term liabilities:							
Compensated absences due in more than one year (note 7)	230,819	76,508	147,758	360,462	198,902	1,014,449	228,812
Claims payable due in more than one year (note 8)	-	-	-	-	-	-	55,535,858
Loans and bonds payable due in more than one year (note 9)	78,191,500	53,330,029	-	-	-	131,521,529	-
Pollution remediation obligation due in more than one year (note 10)	23,148,749	-	-	-	-	23,148,749	-
Net OPEB liability due in more than one year (note 11)	200,607	58,894	489,619	1,493,755	371,460	2,614,335	238,423
Net pension liability due in more than one year (note 11)	3,591,366	1,239,096	4,454,649	21,634,019	2,796,650	33,715,780	2,332,316
Total long-term liabilities	105,363,041	54,704,527	5,092,026	23,488,236	3,367,012	192,014,842	58,335,409
TOTAL LIABILITIES	124,510,842	60,168,532	22,161,129	71,980,061	8,418,626	287,239,190	83,002,262
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows from pensions	4,099,047	1,414,257	5,084,366	24,692,238	3,191,988	38,481,896	2,662,017
Deferred inflows from OPEB	74,964	22,008	182,964	558,197	138,810	976,943	89,095
Deferred inflows from leases	2,080,387	-	-	8,628,069	33,179,550	43,888,006	-
TOTAL DEFERRED INFLOWS OF RESOURCES	6,254,398	1,436,265	5,267,330	33,878,504	36,510,348	83,346,845	2,751,112
NET POSITION							
Net investment in capital assets	60,827,771	163,961,742	98,622	175,386,294	34,578,484	434,852,913	14,847,041
Restricted for Prop 1B (note 14)	-	-	-	10,169,682	-	10,169,682	-
Restricted for debt service	-	2,298,946	-	-	-	2,298,946	-
Unrestricted	2,519,513	31,485,516	7,468,622	(10,320,845)	50,475,560	81,628,366	35,649,543
TOTAL NET POSITION	\$ 63,347,284	197,746,204	7,567,244	175,235,131	85,054,044	528,949,907	50,496,584
Net position, business-type activities - internal service funds						41,685,454	
Net adjustment to reflect the allocation of the internal service funds net income						66,163	
Net position of business-type activities						<u>\$570,701,524</u>	

CITY OF SANTA MONICA, CALIFORNIA
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the fiscal year ended June 30, 2022

	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	\$ 34,259,154	19,249,781	27,347,038	8,949,470	29,961,068	119,766,511	54,933,456
Total operating revenues	<u>34,259,154</u>	<u>19,249,781</u>	<u>27,347,038</u>	<u>8,949,470</u>	<u>29,961,068</u>	<u>119,766,511</u>	<u>54,933,456</u>
Operating expenses							
Personnel services	6,519,232	2,072,471	8,085,383	43,414,192	5,041,598	65,132,876	3,606,943
Administrative indirect	1,628,966	747,911	1,276,612	4,921,405	1,923,706	10,498,600	1,276,586
Contractual services	2,240,502	4,028,380	4,394,206	3,396,569	4,532,868	18,592,525	1,426,187
Repairs and maintenance	1,220,346	1,204,178	3,592,822	1,121,570	1,565,579	8,704,495	1,997,566
Materials and supplies	3,510,658	829,971	7,965,827	6,044,544	4,680,654	23,031,654	3,259,403
Utilities	2,306,738	29,376	92,790	811,580	1,364,517	4,605,001	95,717
Water purchases	6,594,978	-	-	-	-	6,594,978	-
Casualty property and liability costs	523,464	348,827	392,841	5,563,056	1,303,806	8,131,994	258,639
Claims expense net of claims reserve adjustment	-	-	-	-	-	-	17,175,489
Insurance and bonds	-	-	-	-	-	-	10,510,163
Miscellaneous fees and costs	15,770	-	-	107,113	4,283	127,166	3,157,839
Depreciation and amortization	1,567,058	5,986,191	4,897	16,432,829	1,261,260	25,252,235	4,555,681
Other	1,287,992	1,274,408	718,584	309,743	1,894,335	5,485,062	323,188
Total operating expenses	<u>27,415,704</u>	<u>16,521,713</u>	<u>26,523,962</u>	<u>82,122,601</u>	<u>23,572,606</u>	<u>176,156,586</u>	<u>47,643,401</u>
Operating income (loss)	<u>6,843,450</u>	<u>2,728,068</u>	<u>823,076</u>	<u>(73,173,131)</u>	<u>6,388,462</u>	<u>(56,390,075)</u>	<u>7,290,055</u>
Nonoperating revenues (expenses)							
Operating grants	-	-	-	22,247,777	-	22,247,777	-
Shared sales tax proceeds	-	-	-	37,048,344	-	37,048,344	-
Investment income	(2,868,001)	(1,295,193)	(956,418)	(932,671)	(1,545,607)	(7,597,890)	(3,749,785)
Interest expense	(1,631,625)	(732,699)	-	-	(15,354)	(2,379,678)	-
Gain on disposal of capital assets	-	-	-	13,229	-	13,229	156,819
Other nonoperating revenues	698,394	382,892	698,161	4,236,092	2,277,414	8,292,953	8,024
Total nonoperating revenues (expenses) net	<u>(3,801,232)</u>	<u>(1,645,000)</u>	<u>(258,257)</u>	<u>62,612,771</u>	<u>716,453</u>	<u>57,624,735</u>	<u>(3,584,942)</u>
Income (loss) before capital contributions and transfers	<u>3,042,218</u>	<u>1,083,068</u>	<u>564,819</u>	<u>(10,560,360)</u>	<u>7,104,915</u>	<u>1,234,660</u>	<u>3,705,113</u>
Capital contributions	-	-	-	16,080,850	-	16,080,850	-
Transfers in (note 17)	907,044	1,385,913	506	900,006	11,904,176	15,097,645	2,059,268
Transfers out (note 17)	(1,335,052)	(833,676)	(272,818)	(397,084)	(3,411,016)	(6,249,646)	(2,284,993)
Special item (note 21)	-	-	-	-	-	-	54,900,000
Extraordinary item (note 21)	-	-	-	-	5,554,811	5,554,811	-
Change in net position	<u>2,614,210</u>	<u>1,635,305</u>	<u>292,507</u>	<u>6,023,412</u>	<u>21,152,886</u>	<u>31,718,320</u>	<u>58,379,388</u>
Net position at beginning of year, as restated (note 20)	<u>60,733,074</u>	<u>196,110,899</u>	<u>7,274,737</u>	<u>169,211,719</u>	<u>63,901,158</u>	<u>497,231,587</u>	<u>(7,882,804)</u>
Net position at end of year	<u>\$ 63,347,284</u>	<u>197,746,204</u>	<u>7,567,244</u>	<u>175,235,131</u>	<u>85,054,044</u>	<u>528,949,907</u>	<u>50,496,584</u>
Change in net position						\$ 31,718,320	
Net adjustment to reflect the consolidation of internal service fund activities related to enterprise funds						<u>5,123,550</u>	
Change in net position of business-type activities						<u>\$ 36,841,870</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, 2022

Business-type activities - Enterprise Funds

	Water	Wastewater	Resource Recovery and Recycling	Big Blue Bus	Nonmajor enterprise funds	Total enterprise funds	Total internal service funds
Cash flows from operating activities:							
Cash received from customers	\$ 34,963,092	19,575,793	30,050,094	7,796,334	33,608,830	125,994,143	109,684,915
Cash payments for materials and services	(39,959,673)	(9,118,152)	(18,539,222)	(22,536,465)	(16,187,403)	(106,340,915)	(22,045,093)
Cash payments to employees for services	(7,317,660)	(2,494,919)	(11,073,763)	(52,749,154)	(5,997,788)	(79,633,284)	(4,650,263)
Cash paid for claims and related services	—	—	—	—	—	—	(74,085,989)
Other revenue received	675,773	382,892	698,161	3,323,498	2,091,620	7,171,944	8,024
Net cash provided by (used in) operating activities	(11,638,468)	8,345,614	1,135,270	(64,165,787)	13,515,259	(52,808,112)	8,911,594
Cash flows from noncapital financing activities:							
Sales tax proceeds	—	—	—	60,216,178	—	60,216,178	—
Other operating grants	—	—	—	16,988,018	—	16,988,018	—
Advances received from other funds	—	—	—	—	12,289	12,289	—
Repayment of advances from other funds	—	—	—	—	(515,731)	(515,731)	—
Transfers in	907,044	1,385,913	506	900,006	4,548,356	7,741,825	—
Transfers out	(1,335,052)	(833,676)	(272,818)	(397,084)	(3,411,016)	(6,249,646)	(225,725)
Net cash provided by (used in) noncapital financing activities	(428,008)	552,237	(272,312)	77,707,118	633,898	78,192,933	(225,725)
Cash flows from capital and related financing activities:							
Capital contributions received	—	—	—	2,971,965	—	2,971,965	—
Acquisition and construction of capital assets	(10,008,655)	(26,361,603)	—	(16,012,780)	(5,755,574)	(58,138,612)	(990,412)
Proceeds from sale of capital assets	—	—	—	14,447	—	14,447	214,668
Proceeds from long-term obligations	78,191,500	25,250,325	—	—	—	103,441,825	—
Payments on long-term obligations	—	(2,340,000)	—	—	—	(2,340,000)	—
Interest paid on long-term obligations	(714,089)	(46,800)	—	—	—	(760,889)	—
Net cash provided by (used in) capital and related financing activities	67,468,756	(3,498,078)	—	(13,026,368)	(5,755,574)	45,188,736	(775,744)
Cash flows from investing activities							
Investments income	134,302	334,064	248,506	221,776	390,103	1,328,751	944,771
Net cash provided by investing activities	134,302	334,064	248,506	221,776	390,103	1,328,751	944,771
Net increase (decrease) in cash and cash equivalents	55,536,582	5,733,837	1,111,464	736,739	8,783,686	71,902,308	8,854,896
Cash and cash equivalents at beginning of year	66,116,603	33,208,251	27,340,482	53,374,874	43,749,225	223,789,435	115,547,934
Effect of unrealized loss	(3,009,977)	(1,637,267)	(1,221,822)	(1,153,453)	(1,969,725)	(8,992,244)	(4,779,366)
Cash and cash equivalents at end of year	\$ 118,643,208	37,304,821	27,230,124	52,958,160	50,563,186	286,699,499	119,623,464
Cash and investments							
Cash and investments	\$ 42,348,420	34,158,512	16,871,349	39,124,061	40,989,149	173,491,491	119,623,464
Restricted cash and investments	76,294,788	3,146,309	10,358,775	13,834,099	9,574,037	113,208,008	—
Total cash and cash equivalents	\$ 118,643,208	37,304,821	27,230,124	52,958,160	50,563,186	286,699,499	119,623,464

(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, 2022

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>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:							
Operating income (loss)	\$ 6,843,450	2,728,068	823,076	(73,173,131)	6,388,462	(56,390,075)	62,190,055
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Add depreciation	1,567,058	5,986,191	4,897	16,432,829	1,261,260	25,252,235	4,555,681
Add allowance for doubtful accounts	—	—	—	(403,368)	(637,193)	(1,040,561)	—
Other revenue received	675,773	382,892	698,161	3,323,498	2,091,620	7,171,944	8,024
Change in assets and liabilities and deferred outflows and inflows of resources:							
(Increase) decrease in accounts receivable	143,691	326,012	547,148	65,009	4,111,007	5,192,867	(424,718)
(Increase) in due from other governments	—	—	—	(907,199)	—	(907,199)	—
(Increase) in prepaids	(50,520)	—	—	(50,661)	(27)	(101,208)	—
(Increase) in inventory	—	—	—	(114,508)	—	(114,508)	(6,021)
Increase (Decrease) in accounts payable	981,357	(1,657,845)	(105,540)	(116,226)	832,476	(65,778)	266,181
Increase (decrease) in accrued liabilities	(4,434)	(9,687)	(38,409)	15,097	(17,771)	(55,204)	(18,583)
Increase in contracts payable	1,038,172	1,015,884	—	20,510	249,896	2,324,462	—
(Decrease) in unearned revenue	—	(13,140)	—	—	(18,285)	(31,425)	—
Increase in deposits payable from restricted assets	560,247	—	2,155,908	81,674	192,233	2,990,062	—
Increase (decrease) in compensated absences payable	69,469	13,237	(51,011)	(139,940)	8,640	(99,605)	17,073
(Decrease) in claims payable	—	—	—	—	—	—	(56,634,323)
(Decrease) in pollution remediation obligation	(22,599,268)	—	—	—	—	(22,599,268)	—
Net OPEB liability and related changes in deferred outflows and inflows of resources	(205,892)	(22,921)	(720,367)	(621,353)	(188,674)	(1,759,207)	23,551
Net pension liability and related changes in deferred outflows and inflows of resources	(657,571)	(403,077)	(2,178,593)	(8,578,018)	(758,385)	(12,575,644)	(1,065,326)
Total adjustments	(18,481,918)	5,617,546	312,194	9,007,344	7,126,797	3,581,963	(53,278,461)
Net cash provided by (used in) operating activities	\$ (11,638,468)	8,345,614	1,135,270	(64,165,787)	13,515,259	(52,808,112)	8,911,594
Schedule of non-cash capital and related financing activities:							
Capital assets acquired through accounts payable	\$ 1,244,689	619,234	—	26,454	2,775	1,893,152	—

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, 2022

	Total Private-Purpose Trust Fund	Total Custodial Fund
	<u> </u>	<u> </u>
ASSETS		
Restricted cash (note 2)	\$ 5,703,737	1,564,881
Money market funds with fiscal agent(note 2)	7,175,322	-
Accounts receivable	<u> -</u>	<u> 104,588</u>
Total assets	<u> 12,879,059</u>	<u> 1,669,469</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on refunding	<u> 1,156,937</u>	
LIABILITIES		
Loans and bonds payable, due within one year (note 18)	6,961,916	-
Loans and bonds payable, due in more than one year (note 18)	119,503,939	-
Accrued interest payable, due in more than one year	<u> 3,204,420</u>	<u> -</u>
Total liabilities	<u> 129,670,275</u>	<u> -</u>
NET POSITION		
Restricted for the dissolution of the Former Redevelopment Agency	\$ (115,634,279)	-
Restricted for other governments, organizations and individuals	<u> -</u>	<u> 1,669,469</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, 2022

	<u>Private-purpose Trust Fund</u>	<u>Custodial Fund</u>
Additions:		
Property tax distribution	\$ 13,443,390	-
Investment income	1,311	-
Held for others	-	200,002
Other revenue	176	-
Fees collected for other governments	-	2,658,298
Total additions	<u>13,444,877</u>	<u>2,858,300</u>
Deductions:		
Project expenses	267,195	-
Interest expense	6,585,390	-
Payments to other governments	-	2,892,579
Payments to organizations and individuals	-	248,433
Total deductions	<u>6,852,585</u>	<u>3,141,012</u>
Change in net position	6,592,292	(282,712)
Net position at beginning of year	<u>(122,226,571)</u>	<u>1,952,181</u>
Net position at end of year	<u>\$ (115,634,279)</u>	<u>1,669,469</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, 2022

(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, 2022

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.

No separate financial statements are available for the blended component units listed above.

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,

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2022

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

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

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

For the year ended June 30, 2022, the City implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, "Leases." Statement No. 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.

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 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.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements For the fiscal year ended June 30, 2022

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

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.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2022

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** was 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 fees collected on behalf of other governmental agencies and 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.

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

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2022

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 appropriate fund balance classification, rather than nonspendable fund balance.

All trade receivables are shown net of an allowance for uncollectible accounts and estimated refunds

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements For the fiscal year ended June 30, 2022

due. As of June 30, 2022, the allowance for uncollectible accounts for governmental and business-type activities is \$1,092,601 and \$1,221,874 respectively.

Unbilled service receivables are accrued at year-end.

With the implementation of GASB Statement No. 87, the City as a lessor will recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term. The lease receivable is measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources is measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods. The City will recognize interest revenue on the lease receivable and an inflow of resources from the deferred inflows of resources in a systematic and rational manner over the term of the lease.

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,

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2022

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

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

Capital Assets

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

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

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2022

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

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

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

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2022

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 assets that applies to future periods 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 assets that applies to future periods 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

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

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

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 11 for a detailed discussion of deferred outflows and inflows related to pensions and OPEB.

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

Deferred inflows from leases represents inflows of resources based on the payment provisions of the contract.

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, 2022

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, 2022, 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, 2022

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, 2022

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

Use of Estimates

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

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2022

(2) CASH AND INVESTMENTS

Cash and investments as of June 30, 2022 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 602,370,768
Restricted cash and investments	61,863,168
Restricted cash with fiscal agent	119,266,469
Fiduciary funds:	
Restricted cash and investments	7,268,618
Restricted cash with fiscal agent	7,175,322
Total cash and investments	<u>\$ 797,944,345</u>

Cash and investments as of June 30, 2022 consist of the following:

Cash on hand	\$ 25,514
Deposits with financial institutions	46,282,198
Investments	751,636,633
Total cash and investments	<u>\$ 797,944,345</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 \$344,123 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	15 years	None	None
U.S. agency securities/obligations	Yes	15 years	None	50%
State Obligations-California and Others	Yes	5 years	None	None
CA Local Agency obligations	Yes	5 years	None	None
Banker's acceptances	Yes	180 days	40%	10%

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2022

Investment types authorized by state law	Authorized by investment policy	*Maximum maturity	*Maximum percentage of portfolio	*Maximum Investment in one issuer
Commercial paper-Pooled funds	Yes	270 days	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, generally, whichever is more restrictive. However, per State law, the City Council on February 22, 2022 authorized investment of up to 15% of the portfolio in maturities between five and fifteen years in U.S. Treasury Obligations and/or U.S. agency securities/obligations.

Investments Authorized by Debt Agreements

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

Authorized investment type	Maximum maturity	Maximum percentage allowed	Maximum Investment in one issuer
U.S. Treasury obligations	None	None	None
Federal Housing Administration debentures	None	None	None
U.S. agency securities	None	None	None
Time deposits	None	None	None
Unsecured certificates of deposit	180 days	None	None
Banker's acceptances	180 days	None	None
State obligations	None	None	None

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2022

Authorized investment type	Maximum maturity	Maximum percentage allowed	Maximum Investment in one issuer
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 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

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2022

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	\$ 352,668,776	71,521,420	83,611,547	194,969,909	2,565,900	—
Treasury Bills	—	—	—	—	—	—
Corporate medium term notes	109,749,287	35,930,381	15,468,740	58,350,166	—	—
Municipal bonds	62,137,359	10,193,100	23,060,422	28,883,837	—	—
Commercial Paper	—	—	—	—	—	—
Supranationals	26,848,981	6,946,760	—	19,902,221	—	—
State investment pool	74,871,637	74,871,637	—	—	—	—
Held by others:						
Treasury notes/bonds	50,161,082	41,189,153	6,211,621	1,035,422	1,724,886	—
Corporate medium term notes	3,209,836	270,616	166,095	2,207,713	565,412	—
Municipal Bonds	123,542	—	123,542	—	—	—
Common stock	10,150,684	—	—	—	—	10,150,684
Money market funds	61,715,449	61,715,449	—	—	—	—
Total	\$ 751,636,633	302,638,516	128,641,967	305,349,268	4,856,198	10,150,684

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City’s investments as of June 30, 2022 (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, 2022

Disclosures Relating to Credit Risk

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

Investment type	Amount	Minimum legal rating**	Actual ratings - Standard & Poor's***										
			AAA/A+1	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	Not rated
Held by City:													
Corporate medium term notes	\$ 109,749,287	A	10,573,112	23,281,989	1,426,035	29,781,484	20,246,577	22,488,930	1,951,160	—	—	—	—
Municipal bonds	62,137,359	N/A	7,491,694	10,253,503	10,269,118	20,962,255	4,900,910	8,259,879	—	—	—	—	—
Commercial Paper	—	A+1	—	—	—	—	—	—	—	—	—	—	—
Supranationals	26,848,981	AA	26,848,981	—	—	—	—	—	—	—	—	—	—
State investment pool	74,871,637	N / A	—	—	—	—	—	—	—	—	—	—	74,871,637
	<u>273,607,264</u>												
Held by others:													
Municipal Bonds	123,542	N / A	—	—	123,542	—	—	—	—	—	—	—	—
Corporate medium term notes	3,209,836	N / A	107,130	—	—	—	—	166,095	127,688	379,229	1,505,565	924,129	—
Common stock	10,150,684		—	—	—	—	—	—	—	—	—	—	10,150,684
Money market funds	61,715,449	*	61,567,777	—	—	—	—	—	—	—	—	—	147,672
	<u>\$ 348,806,775</u>		<u>106,588,694</u>	<u>33,535,492</u>	<u>11,818,695</u>	<u>50,743,739</u>	<u>25,147,487</u>	<u>30,914,904</u>	<u>2,078,848</u>	<u>379,229</u>	<u>1,505,565</u>	<u>924,129</u>	<u>85,169,993</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

Treasury notes/bonds and Federal Agency securities are excluded from this table as they are not subject to credit risk disclosures.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2022

As of June 30, 2022, 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 bond issued by Merck Corp with a book value of \$0.5 million (about 0.1% of total invested funds) that was downgraded by S&P from AA- to A+ in June 2021. The bond has a relatively short remaining maturity (less than one year) and essentially no default risk. Given this and the fact that the City would likely realize a loss of approximately \$34,000 if the bond were sold, it will continue to be held at this time.
- The portfolio holds one Pfizer Inc bond (book value of \$6.4 million or about 1.0% of total invested funds) that was downgraded by S&P from AA- to A+ in November 2020. The bond has a short remaining maturity (less than one year) with essentially no default risk, and the City would likely realize a loss of approximately \$416,000 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 total book value of \$13.1 million (about 2.0% 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 \$1,300,000 less than the book value. The default risk ranges from about 1% to about 5% depending on the remaining maturity of the bonds, which is higher than preferable. However, due to the underlying strength of the company and the loss that would be realized if the bonds were sold, the bonds will continue to be held at this time. Staff continues to monitor the financial condition of the company.

Concentration of Credit Risk

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

<u>Issuer</u>	<u>Investment type</u>	<u>Reported amount</u>	<u>% of Investments</u>
Federal Home Loan Bank	Federal agency securities	\$ 165,159,894	26.4 %
Federal Agricultural Mortgage Assoc.	Federal agency securities	54,297,795	8.7
FHLMC (Freddie Mac)	Federal agency securities	52,900,810	8.4
FNMA (Fannie Mae)	Federal agency securities	45,863,365	7.3

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2022

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, 2022.

As of June 30, 2022, 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, 2022, \$74,870,762 was invested in the City's account and \$875 was invested in the SA account. The total amount invested by all public agencies in LAIF at that date was \$35.8 billion. The LAIF is part of the State's Pooled Money Investment Account (PMIA). As of June 30, 2022, the investments in the PMIA totaled \$232.4 billion (exclusive of demand bank account balances), nearly all of which is invested in non-derivative financial products. The weighted average of PMIA investments was 311 days as of June 30, 2022. 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.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2022

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, 2022:

Investment Type	Totals	Level			Uncategorized
		1	2	3	
Federal agency securities	\$ 352,668,776	—	352,668,776	—	—
Treasury bills	—	—	—	—	—
Corporate medium term notes	109,749,287	—	109,749,287	—	—
Municipal bonds	62,137,359	—	62,137,359	—	—
Supranationals	26,848,981	—	26,848,981	—	—
Local Agency Investment Fund	74,871,637	—	—	—	74,871,637
Held by Others:					
Treasury notes/bonds	50,161,082	50,161,082	—	—	—
Corporate medium term notes	3,209,836	—	3,209,836	—	—
Municipal bonds	123,542	—	123,542	—	—
Common stock	10,150,684	10,150,684	—	—	—
Money market mutual funds	61,715,449	-	-	—	61,715,449
Investments at Fair Value	<u>\$ 751,636,633</u>	<u>60,311,766</u>	<u>554,737,781</u>	<u>—</u>	<u>136,587,086</u>

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

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2022

(3) LEASES

A. Change in accounting principles and restatement

For the year ended June 30, 2022, the City 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. 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. These changes were incorporated in the City’s financial statements and had an effect on the beginning net position or fund balance of the General Fund, Beach Fund, Water Fund, Pier Fund, Airport Fund, and Big Blue Bus Fund. Please refer to Note 20 “Prior Period Adjustments” for the restatements.

B. Leases receivables and deferred inflows of resources

The City leases land and buildings to various companies and individuals. An initial lease receivable was recorded as of July 1, 2021 in the amount of \$97,404,597 and the deferred inflow of resources was \$93,213,817. As of June 30, 2022, the value of the leases receivable is \$83,661,623. The City reported lease revenue of \$14,666,280 and interest revenue of \$3,597,348 related to lease payments received. These leases are summarized as follows:

Fund	Lease Receivable as of July 1, 2021	Lease Receivable as of June 30, 2022	Lease Revenue	Lease Interest Revenue
General	\$ 26,054,432	23,545,756	2,835,484	1,077,284
Beach	13,406,129	12,696,566	988,255	641,399
Water	3,193,089	3,150,477	65,233	158,623
Pier	11,784,206	10,142,848	1,824,021	544,384
Airport	32,365,483	24,620,538	7,748,046	684,683
Big Blue Bus	10,601,258	9,505,438	1,205,241	490,975
Total	<u>\$ 97,404,597</u>	<u>83,661,623</u>	<u>14,666,280</u>	<u>3,597,348</u>

General Fund Leases – There are a variety of leases including restaurants and business. The most significant lease agreement is with Viceroy Hotel, which began on September 25, 2000, and the City is receiving monthly payments for sixty-five years through 2065.

Beach Fund Leases – The lease types are mostly easements. The most significant lease agreement is with The Beach Club, which began on January 1, 1990, and the City is receiving annual payments for sixty-one years through 2050.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements For the fiscal year ended June 30, 2022

Water Fund Leases – There are only two current leases. On July 1, 1994, the City entered into a sixty-one year lease agreement with Windward School for the sports facility and classrooms above the City’s underground wells. Based on the agreement, the City is receiving monthly payments through 2055. There are no renewal options included in this lease agreement. The second lease agreement is with Rudy Eisler Enterprises, which began on April 30, 2000 and ended on January 31, 2022.

Pier Fund Leases – There are a variety of leases including restaurant and retail. The most significant lease agreement is with Santa Monica Amusements, LLC, which began on May 26, 1996, and the City is receiving monthly payments for thirty years through 2026.

Airport Fund Leases – There are a variety of leases for offices, artists, hangars, and tiedowns. The most significant lease agreement is with Snapchat, Inc., which began on October 1, 2016, and the City is receiving monthly payments for nine years through 2026.

Big Blue Bus Leases – A majority of the leases are at the Bergamot 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 2022. The most significant lease agreement is with Kite Pharma, Inc., which began on May 1, 2018, and the City is receiving monthly payments for fourteen years through 2032.

The principal and interest payments that are expected to maturity are as follows:

Fiscal Year	Governmental Activities		
	Principal Payments	Interest Payments	Total Payments
2023	\$ 3,082,064	1,742,797	4,824,861
2024	3,317,931	1,584,740	4,902,671
2025	3,491,455	1,414,906	4,906,361
2026	2,767,490	1,244,644	4,012,134
2027	958,849	1,158,969	2,117,818
2028 - 2032	3,818,799	5,111,277	8,930,076
2033 - 2037	1,857,317	4,487,781	6,345,098
2038 - 2042	2,383,604	3,961,494	6,345,098
2043 - 2047	3,059,018	3,286,080	6,345,098
2048 - 2052	3,669,171	2,411,731	6,080,902
2053 - 2057	2,369,946	1,680,152	4,050,098
2058 - 2062	3,041,491	1,008,607	4,050,098
2063 - 2067	2,425,138	207,426	2,632,564
2068 - 2072	-	14	14
2073 - 2077	49	7	56
Total	\$ 36,242,322	29,300,625	65,542,947

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2022

Fiscal Year	Business-Type Activities		
	Principal Payments	Interest Payments	Total Payments
2023	\$ 10,179,480	2,124,830	12,304,310
2024	8,998,413	1,647,439	10,645,852
2025	8,911,832	1,203,795	10,115,627
2026	6,774,043	776,238	7,550,281
2027	1,919,179	581,861	2,501,040
2028 - 2032	7,426,006	1,709,783	9,135,789
2033 - 2037	897,436	632,650	1,530,086
2038 - 2042	450,433	525,200	975,633
2043 - 2047	578,067	397,566	975,633
2048 - 2052	741,867	233,766	975,633
2053 - 2057	542,545	42,835	585,380
Total	\$ 47,419,301	9,875,963	57,295,264

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2022

(4) NOTES RECEIVABLE

Notes receivable related to governmental activities total \$208,651,085 as follows:

	Balance at June 30, 2021	Transfers	Increases	Decreases	Balance at June 30, 2022
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)	11,400,000	-	-	-	11,400,000
Community Corporation of Santa Monica (l)	429,965	-	-	-	429,965
Community Corporation of Santa Monica (m)	9,547,656	-	-	-	9,547,656
Community Corporation of Santa Monica (n)	11,186,848	-	2,161,209	-	13,348,057
Community Corporation of Santa Monica (o)	16,759,859	-	3,890,141	-	20,650,000
EAH, Inc (p)	1,645,205	-	-	-	1,645,205
Community Corporation of Santa Monica (q)	13,901,565	-	293,377	-	14,194,942
Total Special Revenue Source Fund	<u>126,483,794</u>	<u>-</u>	<u>6,344,727</u>	<u>-</u>	<u>132,828,521</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)	5,949,089	-	583,958	-	6,533,047
Total Low and Moderate Income Housing Asset Fund	<u>52,957,227</u>	<u>-</u>	<u>583,958</u>	<u>-</u>	<u>53,541,185</u>
Miscellaneous Grants Fund					
Ocean Park Community Center (dd)	800,000	-	-	-	800,000
Step Up (ee)	1,300,000	-	-	-	1,300,000
MERL Program (ff)	4,010,205	-	-	68,794	3,941,411
Total Miscellaneous Grants Fund	<u>6,110,205</u>	<u>-</u>	<u>-</u>	<u>68,794</u>	<u>6,041,411</u>
Nonmajor Governmental Funds					
Ocean Park Community Center (gg)	400,000	-	-	-	400,000
Community Corporation of Santa Monica (hh)	6,345,807	-	-	-	6,345,807
Community Corporation of Santa Monica (ii)	841,600	-	-	-	841,600
Community Corporation of Santa Monica (jj)	1,691,965	-	-	-	1,691,965
Community Corporation of Santa Monica (kk)	669,456	-	-	-	669,456
Low- and moderate-income housing (ll)	676,719	-	-	-	676,719
MERL Program (mm)	5,687,899	-	-	73,478	5,614,421
Total nonmajor governmental funds	<u>16,313,446</u>	<u>-</u>	<u>-</u>	<u>73,478</u>	<u>16,239,968</u>
Total notes receivable	<u>\$ 201,864,672</u>	<u>-</u>	<u>6,928,685</u>	<u>142,272</u>	<u>208,651,085</u>

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2022

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, 2022, \$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, 2022, \$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, 2022, \$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, 2022, \$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, 2022, \$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, 2022, \$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, 2022

- 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, 2022, \$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, 2022, \$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, 2022, \$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, 2022, \$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, 2022, \$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, 2022, \$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, 2022, \$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, 2022

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, 2022, \$13,348,057 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, 2022, \$20,650,000 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, 2022, \$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, 2022, \$14,194,942 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, 2022, 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, 2022, \$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, 2022

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, 2022, 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, 2022, \$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, 2022, \$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, 2022, \$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, 2022, \$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, 2022, \$5,408,035 had been disbursed to the borrower. This was disbursed from the Low and Moderate Income Housing Asset Fund. See item “jj” 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, 2022, \$5,870,000 had been disbursed to the borrower. This was disbursed from the Low

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Notes to Basic Financial Statements For the fiscal year ended June 30, 2022

and Moderate Income Housing Asset Fund. See item “ee” 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, 2022, 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, 2022, \$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, 2022, \$6,533,047 had been disbursed to the borrower. A part of this balance was transferred from the Special Revenue Source Fund. See item "p" above.

Miscellaneous Grants Fund

- 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, 2022, \$800,000 had been disbursed to the borrower. This was disbursed from the Miscellaneous Grants Fund. See item “gg” below for the amount disbursed from the TORCA Fund.
- ee. 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, 2022, \$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.
- ff. 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

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Notes to Basic Financial Statements For the fiscal year ended June 30, 2022

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, 2022, the Miscellaneous Grants Fund outstanding balance is \$3,941,411. See item “mm” below for the amount disbursed from the CDBG fund.

Nonmajor Governmental Funds

- gg. A promissory note dated September 30, 2003 in the amount of \$1,200,000 was executed with Ocean Park Community Center for congregate housing and emergency shelter for very low-income use, located at 1751 Cloverfield Boulevard. This loan is for the acquisition and rehabilitation of the site. This is a 55-year loan with 5.98% interest rate per annum with a two-year deferral period. Payments are to be made from residual receipts. As of June 30, 2022, \$400,000 had been disbursed to the borrower. This was disbursed from the TORCA Fund. See item “dd” above for the amount disbursed from the Miscellaneous Grants Fund.
- hh. 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, 2022, \$6,345,807 had been disbursed to the borrower. This was disbursed from the TORCA Fund.
- ii. 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, 2022, \$841,600 had been disbursed to the borrower. This was disbursed from the CDBG Fund.
- jj. 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, 2022, \$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.
- kk. 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, 2022, the outstanding balance is \$669,456.

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Notes to Basic Financial Statements For the fiscal year ended June 30, 2022

- ll. 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, 2022, the outstanding balances of such loans total \$676,719.

- 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, 2022, the CDBG Program Emergency Supplemental Fund outstanding balance is \$5,614,421. See item “ff” above for the amount disbursed from the Miscellaneous Grants Fund.

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Notes to Basic Financial Statements
For the fiscal year ended June 30, 2022

(5) CAPITAL ASSETS

Capital assets activity for the primary government for fiscal year ended June 30, 2022 is as follows:

	Balance at July 1, 2021, as restated	Increases	Decreases	Transfers	Balance at June 30, 2022
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 200,323,024	—	—	—	200,323,024
Land held under easement	72,384,923	—	—	—	72,384,923
Construction in progress	81,135,414	28,363,260	—	(4,185,090)	105,313,584
Total capital assets, not being depreciated	<u>353,843,361</u>	<u>28,363,260</u>	<u>—</u>	<u>(4,185,090)</u>	<u>378,021,531</u>
Capital assets, being depreciated:					
Buildings	454,186,102	—	(456,968)	—	453,729,134
Improvements other than buildings	218,377,457	35,743	—	—	218,413,200
Utility systems	1,742,913	—	—	—	1,742,913
Machinery and equipment	60,233,213	130,672	(89,695)	—	60,274,190
Infrastructure	376,593,979	—	—	—	376,593,979
Intangibles	695,710	—	—	4,185,090	4,880,800
Total capital assets being depreciated	<u>1,111,829,374</u>	<u>166,415</u>	<u>(546,663)</u>	<u>4,185,090</u>	<u>1,115,634,216</u>
Less accumulated depreciation for:					
Buildings	(143,251,857)	(9,820,161)	456,968	—	(152,615,050)
Improvements other than buildings	(106,202,379)	(7,339,790)	—	—	(113,542,169)
Utility systems	(1,742,917)	—	—	—	(1,742,917)
Machinery and equipment	(39,017,767)	(2,800,298)	89,695	—	(41,728,370)
Infrastructure	(259,095,217)	(8,671,145)	—	—	(267,766,362)
Intangibles	(283,759)	(250,695)	—	—	(534,454)
Total accumulated depreciation	<u>(549,593,896)</u>	<u>(28,882,089)</u>	<u>546,663</u>	<u>—</u>	<u>(577,929,322)</u>
Total capital assets, being depreciated, net	<u>562,235,478</u>	<u>(28,715,674)</u>	<u>—</u>	<u>4,185,090</u>	<u>537,704,894</u>
Subtotal governmental activities	<u>916,078,839</u>	<u>(352,414)</u>	<u>—</u>	<u>—</u>	<u>915,726,425</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	53,380,750	—	—	—	53,380,750
Construction in progress	56,297,408	33,159,688	—	(3,177,995)	86,279,101
Total capital assets, not being depreciated	<u>109,678,158</u>	<u>33,159,688</u>	<u>—</u>	<u>(3,177,995)</u>	<u>139,659,851</u>
Capital assets, being depreciated:					
Buildings	150,067,491	—	(17,130)	—	150,050,361
Improvements other than buildings	29,857,989	—	(1,684)	—	29,856,305
Machinery and equipment	225,061,611	16,580,499	(2,171,933)	1,850,772	241,320,949
Infrastructure	254,369,876	7,908,719	—	1,327,223	263,605,818
Intangibles	116,765,123	3,373,271	—	—	120,138,394
Total capital assets being depreciated	<u>776,122,090</u>	<u>27,862,489</u>	<u>(2,190,747)</u>	<u>3,177,995</u>	<u>804,971,827</u>
Less accumulated depreciation for:					
Buildings	(75,648,831)	(3,728,594)	15,914	—	(79,361,511)
Improvements other than buildings	(19,970,724)	(1,119,999)	1,684	—	(21,089,039)
Machinery and equipment	(154,828,809)	(16,857,331)	2,114,083	—	(169,572,057)
Infrastructure	(116,779,719)	(5,039,216)	—	—	(121,818,935)
Intangibles	(44,076,967)	(3,016,408)	—	—	(47,093,375)
Total accumulated depreciation	<u>(411,305,050)</u>	<u>(29,761,548)</u>	<u>2,131,681</u>	<u>—</u>	<u>(438,934,917)</u>
Total capital assets, being depreciated, net	<u>364,817,040</u>	<u>(1,899,059)</u>	<u>(59,066)</u>	<u>3,177,995</u>	<u>366,036,910</u>
Subtotal business-type activities	<u>474,495,198</u>	<u>31,260,629</u>	<u>(59,066)</u>	<u>—</u>	<u>505,696,761</u>
Total	<u>\$ 1,390,574,037</u>	<u>30,908,215</u>	<u>(59,066)</u>	<u>—</u>	<u>1,421,423,186</u>

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2022

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

Governmental activities:	
General government	\$ 594,026
Public safety	3,527,461
General services	14,784,153
Community services	4,276,729
Library	1,273,460
Community development	4,379,892
Capital assets held by the government's internal service funds are charged to the various functions based on their assets' usage	46,368
Total depreciation and amortization expense - governmental activities	<u>\$ 28,882,089</u>
Business-type activities:	
Water	\$ 1,567,058
Resource Recovery and Recycling	4,897
Broadband	97,768
Pier	477,254
Wastewater	5,986,191
Airport	302,444
Stormwater management	324,607
Cemetery	42,924
Big Blue Bus	16,432,829
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	4,509,313
Total depreciation and amortization expense - business-type activities	<u>\$ 29,761,548</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, 2022

(6) UNEARNED REVENUE AND DEFERRED INFLOWS OF RESOURCES

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

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

The components of unearned revenue are as follows:

Governmental funds:	
General Fund:	
Unearned user fees	\$ 1,511,904
Business license tax	8,799,554
Total General Fund	<u>10,311,458</u>
Special Revenue Source Fund:	
Civic Center Village advanced lease payments	17,326,090
Total Special Revenue Source Fund	<u>17,326,090</u>
Miscellaneous Grants Fund:	
Grants received prior to meeting all eligibility requirements	447,557
Total Miscellaneous Grants Fund	<u>447,557</u>
Nonmajor governmental funds:	
Grants received prior to meeting all eligibility requirements	175,195
Unearned user fees	527,715
Total nonmajor governmental funds:	<u>702,910</u>
Total governmental funds	<u>28,788,015</u>
Enterprise funds:	
Big Blue Bus Fund:	
Unearned developer fees	185,000
Unearned rent	526
Grant and other funds received prior to meeting all eligibility requirements	43,348,982
Total Big Blue Bus Fund	<u>43,534,508</u>
Total enterprise funds	<u>43,534,508</u>
Total unearned revenue	<u>\$ 72,322,523</u>

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2022

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

	<u>Fund financial statements</u>	<u>Recognized in government- wide financials</u>	<u>Government- wide financial statements</u>
Governmental funds:			
Miscellaneous Grants Fund			
Grants receivable	\$ 11,855,706	(11,855,706)	—
Total Miscellanours Grants fund	<u>11,855,706</u>	<u>(11,855,706)</u>	<u>—</u>
Nonmajor governmental funds:			
Grants receivable	169,079	(169,079)	—
Fees	20,196	(20,196)	—
Total Nonmajor governmental funds	<u>189,275</u>	<u>(189,275)</u>	<u>—</u>
Total deferred inflows of resources	<u>\$ 12,044,981</u>	<u>(12,044,981)</u>	<u>—</u>

CITY OF SANTA MONICA, CALIFORNIA

Notes to Required Supplementary Information
For the fiscal year ended June 30, 2022

(7) 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, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2022</u>	<u>Due within one year</u>	<u>Due beyond one year</u>
Governmental Activities (1)	14,650,750	7,337,049	7,882,029	14,105,770	7,583,961	6,521,809
Business-type activities	3,629,029	2,414,908	2,507,719	3,536,218	2,407,975	1,128,243
Total	<u>\$ 18,279,779</u>	<u>9,751,957</u>	<u>10,389,748</u>	<u>17,641,988</u>	<u>9,991,936</u>	<u>7,650,052</u>

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

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2022

(8) 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-sized 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 \$10,000,000 and purchases excess liability insurance to cover losses over \$10,000,000 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, 2022 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 (\$1,082,354) meaning the City's reserves and IBNR exceeded premiums and interest earned. Accel's total net reserves and IBNR was (\$2,950,279). Total assets of ACCEL at June 30, 2022 were \$61,198,842. 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, 2022, 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.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2022

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, 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	<u>\$ 95,707,575</u>	<u>71,643,650</u>	<u>(36,444,713)</u>	<u>130,906,512</u>	<u>73,783,753</u>
Business-type activities:					
Bus	\$ 5,170,678	1,648,825	(2,450,009)	4,369,494	2,478,793
Total Business-type activities	<u>\$ 5,170,678</u>	<u>1,648,825</u>	<u>(2,450,009)</u>	<u>4,369,494</u>	<u>2,478,793</u>
June 30, 2022:					
Governmental activities:					
General Liability and Automobile	\$ 73,301,884	6,210,185	(61,642,039)	20,970,030	11,120,846
Workers' Compensation	57,604,628	7,311,753	(11,564,200)	53,352,181	9,807,586
Total Governmental activities	<u>\$ 130,906,512</u>	<u>13,521,938</u>	<u>(73,206,239)</u>	<u>74,322,211</u>	<u>20,928,432</u>
Business-type activities:					
Bus	4,369,494	3,443	(53,465)	4,319,472	2,177,393
Total Business-type activities	<u>\$ 4,369,494</u>	<u>3,443</u>	<u>(53,465)</u>	<u>4,319,472</u>	<u>2,177,393</u>

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2022

(9) LONG-TERM DEBT

Changes in long-term debt:

Long-term debt activity for the fiscal year ended June 30, 2022, was as follows:

	Balance at July 1, 2021	Additions	Reductions	Balance at June 30, 2022	Due within one year	Due beyond one year
Governmental Activities:						
Lease Revenue bonds	143,495,000	64,780,000	1,820,000	206,455,000	3,330,000	203,125,000
General obligation bonds	2,135,000	—	1,075,000	1,060,000	1,060,000	—
Plus deferred amounts:						
For issuance premiums	15,991,447	7,714,767	1,280,996	22,425,218	—	22,425,218
Total loans and bonds payable	<u>161,621,447</u>	<u>72,494,767</u>	<u>4,175,996</u>	<u>229,940,218</u>	<u>4,390,000</u>	<u>225,550,218</u>
Business-type activities:						
Loans payable						
from direct borrowings	28,079,704	25,250,325	—	53,330,029	—	53,330,029
Revenue bonds	2,340,000	70,525,000	2,340,000	70,525,000	—	70,525,000
Plus deferred amounts:						
For issuance premiums	49,951	7,930,862	314,313	7,666,500	—	7,666,500
Total loans and bonds payable	<u>30,469,655</u>	<u>103,706,187</u>	<u>2,654,313</u>	<u>131,521,529</u>	<u>—</u>	<u>131,521,529</u>
Total	<u>\$ 192,091,102</u>	<u>176,200,954</u>	<u>6,830,309</u>	<u>361,461,747</u>	<u>4,390,000</u>	<u>357,071,747</u>

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2022

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, 2022</u>
Governmental activities:					
Lease Revenue bonds (1):					
Public Finance Authority 2021	August 4, 2021	\$ 64,780,000	July 1, 2051	2.125-5.00%	\$ 64,780,000
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%	19,785,000
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%	33,625,000
Subtotal lease revenue bonds - governmental activities					<u>206,455,000</u>
General obligation bonds (1):					
Main Library Improvements 2012	May 30, 2012	11,325,000	July 1, 2022	0.20-4.00%	1,060,000
Subtotal general obligation bonds - governmental activities					<u>1,060,000</u>
Subtotal governmental activities					<u>207,515,000</u>
Business-type activities:					
Loans payable from direct borrowings (2):					
State Water Resources Control Board Construction Installment Sale Agreement	Sep 21, 2017	75,885,903	Dec 31, 2052	1.80%	53,330,029
Revenue bonds (2):					
Water enterprise revenue bonds 2021	Aug 25, 2021	70,525,000	Aug 01, 2051	2.25-5.00%	70,525,000
Subtotal business-type activities					<u>123,855,029</u>
Total					<u>\$ 331,370,029</u>

- (1) For construction of City facilities.
(2) To fund various water projects.

Management believes it is in compliance with all debt covenants. See Note 18.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2022

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
2023	\$ 3,330,000	8,110,102	1,060,000	21,200	4,390,000	8,131,302
2024	5,340,000	7,936,592	—	—	5,340,000	7,936,592
2025	6,840,000	7,700,582	—	—	6,840,000	7,700,582
2026	7,150,000	7,386,157	—	—	7,150,000	7,386,157
2027	7,490,000	7,040,707	—	—	7,490,000	7,040,707
2028-2032	42,815,000	29,848,320	—	—	42,815,000	29,848,320
2033-2037	31,925,000	21,570,976	—	—	31,925,000	21,570,976
2038-2042	34,675,000	14,709,213	—	—	34,675,000	14,709,213
2043-2047	42,450,000	7,017,826	—	—	42,450,000	7,017,826
2048-2052	24,440,000	1,155,081	—	—	24,440,000	1,155,081
	<u>\$ 206,455,000</u>	<u>112,475,556</u>	<u>1,060,000</u>	<u>21,200</u>	<u>207,515,000</u>	<u>112,496,756</u>

Business-type activities						
Fiscal year ending June 30,	Loan payable from direct borrowings		Revenue bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ —	—	—	2,202,088	—	2,202,088
2024	1,828,161	1,293,946	1,380,000	2,174,488	3,208,161	3,468,434
2025	1,861,068	1,261,039	1,435,000	2,118,188	3,296,068	3,379,227
2026	1,894,568	1,227,540	1,495,000	2,059,588	3,389,568	3,287,128
2027	1,928,670	1,193,438	1,555,000	1,998,588	3,483,670	3,192,026
2028-2032	10,176,757	5,433,781	8,835,000	8,919,250	19,011,757	14,353,031
2033-2037	11,126,237	4,484,301	10,990,000	6,775,313	22,116,237	11,259,614
2038-2042	12,164,302	3,446,236	13,075,000	4,684,238	25,239,302	8,130,474
2043-2047	12,350,266	2,311,321	14,955,000	2,802,338	27,305,266	5,113,659
2048-2052	—	—	16,805,000	962,381	16,805,000	962,381
	<u>\$ 53,330,029</u>	<u>20,651,602</u>	<u>70,525,000</u>	<u>34,696,460</u>	<u>123,855,029</u>	<u>55,348,062</u>

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2022

Bonds issued

On August 4, 2021, the Santa Monica Public Financing Authority issued \$64,780,000 in Santa Monica Public Financing Authority Lease Revenue Bonds (City Yards Modernization project) Series 2021, bearing interest from 2.125% to 5.00% with a final maturity of July 1, 2051. The bonds were issued to fund improvements to the City Yards.

On August 25, 2021, the City issued \$70,525,000 of City of Santa Monica Water Enterprise Revenue Bonds Series 2021, bearing interest from 2.25% to 5.00% with a final maturity of August 1, 2051. The bonds were issued to fund the construction of various water projects.

The City’s outstanding balance of a construction installment sale agreement from direct borrowings related to business type activities of \$53,330,029 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.

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 2021	\$ 1,994,019	1,994,019	100%	98,426,329
Public Finance Authority Refunding 2021	831,908	831,908	100%	23,781,320
Public Finance Authority Refunding 2015	2,051,944	2,051,944	100%	22,575,844
Public Finance Authority 2017	4,411,600	4,411,600	100%	110,895,500
Public Finance Authority 2018	1,554,387	1,554,387	100%	57,970,020
Library bond tax revenue				
Main Library Improvements Refunding 2012	1,056,675	1,056,675	100%	-
Wastewater charges for services				
Hyperion Project Revenue Refunding 2012	2,386,800	2,386,800	100%	-
Water charges for services				
Water enterprise revenue bonds 2021	954,237	954,237	100%	105,221,456

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2022

(10) POLLUTION REMEDIATION

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

On December 1, 2006, the City amended a settlement agreement that it had entered into in 2003 with a consortium of oil companies in relation to methyl tertiary butyl ether (“MTBE”) contamination that had occurred at the City’s Charnock Well Field. The Charnock Well Field is used to supply drinking water to the City. The amended 2006 agreement called for the oil companies to pay the City \$131.0 million in exchange for the City’s agreement to treat to applicable drinking water standards any water produced from the Charnock Well Field, which contains MTBE, tertiary butyl alcohol (“TBA”) and related petroleum hydrocarbons. Prior to this amended 2006 agreement and under the terms of other settlement agreements with other companies, the City received an additional \$122.1 million also related to MTBE contamination of the City’s Charnock Well Field. Of this amount, \$18.0 million was deposited into an escrow account specifically to be used for the design and building of a remediation plant. The account was to be replenished by the consortium of oil companies once exhausted until the remediation construction was complete. The City has received all the proceeds from each of these agreements, including the amended 2006 agreement.

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

On November 13, 2009, the City entered into a settlement and release agreement with The Gillette Company (Gillette), guaranteed by The Procter & Gamble Company, in relation to groundwater contamination of the City’s Olympic Well Field. The Olympic Well Field is used to supply drinking water to the City. The agreement calls for Gillette to make payments to the City ranging from \$150,000 to \$11,183,175 annually, totaling \$64.8 million over 30 years which included the City receiving title to property valued at \$3.2 million. Under the agreement, the City has agreed to construct and operate facilities for treatment of certain contaminants and treat to applicable drinking water standards any water that it produces from the Olympic Well Field. At the end of FY 2016-17, the City had received cash payments of \$42,895,400. During FY 2017-18, the City and Gillette agreed to modify their agreement whereby a lump sum payment of \$10,415,000 was made by Gillette in exchange for a release from any and all future liabilities.

On May 15, 2012, the City entered into a settlement and release agreement with The Boeing Company (Boeing) also in relation to groundwater contamination of the City’s Olympic Well Field. The agreement calls for Boeing to make payments to the City ranging from \$150,000 to \$5,000,000 annually over a ten-year period, totaling \$39,500,000. On December 12, 2012, the agreement was modified with \$21,000,000 being due from Boeing in January 2013 and payments of \$3,670,000 being due from Boeing annually beginning in 2017 through 2021. The City received all of Boeing’s payments under the agreement. In return, 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, 2022

Using the expected cash flow technique utilizing present value, the City has measured the potential water treatment liability under the agreements by the anticipated cost of construction/remediation/operating contracts, which include a contingency of 10% for unforeseen costs. During FY 2020-21, the City revised its pollution remediation liability for both the Charnock and Olympic Well restoration projects estimate based on more current information. 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. The primary reason for the increase was the refinement of the remediation process based on more current reports from the City's consultants which estimated higher costs and longer periods of remediation than originally determined. The City believes it has sufficient funds from the Gillette/Boeing settlement to fund current and future estimated remediation costs.

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

The balance of the pollution remediation liability is \$1,658,468 in the governmental activities of which \$352,448 is due within one year and \$32,096,432 in the business-type activities, of which \$8,947,683 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, Continued
For the fiscal year ended June 30, 2022

(11) 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	26.16%	26.16%	26.16%

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2022

	Police	
	Prior to December 31, 2012	On or after January 1, 2013
Hire Date		
Benefit formula	3.00% @ 50	2.70% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefits payments	monthly for life	monthly for life
Retirement age	50	50-57
Monthly benefits, as a % of eligible compensation	3.00%	2.00% - 2.70%
Cost of living adjustment	2.00%	2.00%
Required employee contribution rate	9.00%	13.00%
Required employer contribution rate	59.14%	59.14%

	Fire	
	Prior to December 31, 2012	On or after January 1, 2013
Hire Date		
Benefit formula	3.00% @ 55	2.70% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefits payments	monthly for life	monthly for life
Retirement age	50-55	50-57
Monthly benefits, as a % of eligible compensation	2.40% - 3.00%	2.00% - 2.70%
Cost of living adjustment	2.00%	2.00%
Required employee contribution rate	9.00%	10.00%
Required employer contribution rate	48.31%	48.31%

As of June 30, 2022, the City had 1,761 active members of which 894 were considered “classic” members (hired prior to 12/31/2012) and 867 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 2021-22, the City paid CalPERS \$23,904,923, \$10,867,817 and \$5,862,365 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.

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.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2022

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. As such, the City contributes 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%. Starting July 1, 2022, Fire safety members contribution will be reduced to 1.0%.

Employees' share of pension costs totaled \$17,360,165 for FY 2021-22.

Employees Covered

At June 30, 2020, 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	1,584	334	153
Inactive employees entitled to but not yet receiving benefits	220	11	0
Active members	1,616	212	110
Total	3,420	557	263

Note: Information derived from 2020 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, 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 net pension liability is shown below.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2022

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2021 (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, 2020	June 30, 2020	June 30, 2020
Measurement date	June 30, 2021	June 30, 2021	June 30, 2021
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, 2022

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 follows:

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.

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

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2022

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	Plan Fiduciary	Net Pension
	Liability	Net Position	Liability/(Asset)
	(a)	(b)	(c)=(a)-(b)
Balance at 6/30/2020 (VD) ¹	\$ 1,257,394,164	990,945,634	266,448,530
Changes recognized for the measurement period			
Service cost	23,008,107	—	23,008,107
Interest on total pension liability	88,117,804	—	88,117,804
Differences between expected and actual experience	(6,035,074)	—	(6,035,074)
Contribution - employer	—	35,463,537	(35,463,537)
Contribution - employee	—	9,089,233	(9,089,233)
Net investment income	—	223,034,645	(223,034,645)
Benefit payments, includes employee contribution refunds	(60,892,615)	(60,892,615)	—
Administrative expense	—	(989,856)	989,856
Net changes	44,198,222	205,704,944	(161,506,722)
Balance at 6/30/2021 (MD)	\$ 1,301,592,386	1,196,650,578	104,941,808

¹ VD = Valuation Date

² MD = Measurement Date

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2022

Public Safety - Police:

	Increase (Decrease)		
	Total Pension	Plan Fiduciary	Net Pension
	Liability (a)	Net Position (b)	Liability/(Asset) (c)=(a)-(b)
Balance at 6/30/2020 (VD) ¹	\$ 523,450,972	390,501,641	132,949,331
Changes recognized for the measurement period			
Service cost	10,894,969	—	10,894,969
Interest on total pension liability	36,994,605	—	36,994,605
Differences between expected and actual experience	1,492,957	—	1,492,957
Contribution - employer	—	19,121,459	(19,121,459)
Contribution - employee	—	3,832,845	(3,832,845)
Net investment income	—	88,656,069	(88,656,069)
Benefit payments, includes employee contribution refunds	(25,968,665)	(25,968,665)	-
Administrative expense	—	(390,087)	390,087
Net changes	<u>23,413,866</u>	<u>85,251,621</u>	<u>(61,837,755)</u>
Balance at 6/30/2021 (MD)	<u>\$ 546,864,838</u>	<u>475,753,262</u>	<u>71,111,576</u>

¹ VD = Valuation Date

² MD = Measurement Date

Public Safety - Fire:

	Increase (Decrease)		
	Total Pension	Plan Fiduciary	Net Pension
	Liability (a)	Net Position (b)	Liability/(Asset) (c)=(a)-(b)
Balance at 6/30/2020 (VD) ¹	\$ 269,787,190	188,020,088	81,767,102
Changes recognized for the measurement period			
Service cost	4,961,970	—	4,961,970
Interest on total pension liability	19,058,867	—	19,058,867
Differences between expected and actual experience	1,566,296	—	1,566,296
Contribution - employer	—	8,636,700	(8,636,700)
Contribution - employee	—	1,752,072	(1,752,072)
Net investment income	—	42,296,327	(42,296,327)
Benefit payments, includes employee contribution refunds	(14,553,773)	(14,553,773)	—
Administrative expense	—	(187,821)	187,821
Net changes	<u>11,033,360</u>	<u>37,943,505</u>	<u>(26,910,145)</u>
Balance at 6/30/2021 (MD)	<u>\$ 280,820,550</u>	<u>225,963,593</u>	<u>54,856,957</u>

¹ VD = Valuation Date

² MD = Measurement Date

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2022

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

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

Discount Rate	Plan		
	Miscellaneous	Safety - Police	Safety - Fire
1% Decrease	6.15%	6.15%	6.15%
Net Pension Liability	\$ 276,744,560	144,983,919	91,807,517
Current Discount Rate	7.15%	7.15%	7.15%
Net Pension Liability	\$ 104,941,808	71,111,576	54,856,957
1% Increase	8.15%	8.15%	8.15%
Net Pension Liability	\$ (37,145,786)	10,453,897	24,341,024

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, 2022, the City recognized pension expense as follows:

Plan	Pension Expense
Miscellaneous	\$ (6,927,759)
Safety - Police	5,290,335
Safety - Fire	3,435,518
Total	<u>\$ 1,798,094</u>

Due to CalPERS greater than expected returns of 21.3%, pension expense decreased even became negative for miscellaneous members.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2022

As of June 30, 2022, the City had deferred outflows and deferred inflows of resources related to pensions as follows:

	Miscellaneous	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ —	(216,985)
Difference between expected and actual experience	1,697,046	(8,130,003)
Net difference between projected and actual earnings on pension plan investments	—	(111,429,562)
Employer contributions subsequent to the measurement date	36,904,394	—
 Total	 \$ 38,601,440	 (119,776,550)

	Safety - Police	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ —	—
Difference between expected and actual experience	1,970,257	(240,937)
Net difference between projected and actual earnings on pension plan investments	—	(44,148,990)
Employer contributions subsequent to the measurement date	20,117,871	—
 Total	 \$ 22,088,128	 (44,389,927)

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2022

	Safety - Fire	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 1,416,267	(428,254)
Difference between expected and actual experience	3,641,110	(101,051)
Net difference between projected and actual earnings on pension plan investments	—	(21,040,121)
Employer contributions subsequent to the measurement date	9,304,903	—
Total	\$ 14,362,280	(21,569,426)

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

Contributions of \$66,327,168 that were made by the 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, 2023, 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
2022	\$ (30,678,672)	(10,389,346)	(3,164,905)
2023	(29,288,377)	(9,452,148)	(4,028,666)
2024	(27,535,774)	(10,401,817)	(4,220,917)
2025	(30,576,681)	(12,176,359)	(5,343,387)
2026	—	—	245,826

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2022

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.

In FY2020-21, the FRM was triggered because investment returns of 21.3% exceeded the current target rate of return (the 7% discount rate) by more than 2 percentage points, thus lowering the discount rate from 7.0% to 6.8%. The maximum amount the discount rate can be lowered in any one year is 0.25%. This will make for a higher contribution rate in future years compared to the rate that would have been used prior to the adoption of the FRM.

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, 2022, the total employee contributions were \$12,656,572.

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, 2022, the total employee contributions were \$958,795.

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, 2022, the combined employee/employer contributions were \$178,042.

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.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2022

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 public agency service equals or exceeds 70. Under the terms of a MOU between the City and a coalition of the various non-sworn bargaining units (Coalition), all non-sworn permanent retirees are allowed to continue participating in one of the City's health plans at the same rate as active employees. As with other MOU's, this benefit is subject to bargaining between the City and the Coalition. The City also maintains minimum benefits for public safety employees provided by the City's contract with its healthcare provider CalPERS. The City pays for OPEB through employer only contributions to a qualified OPEB trust, with no contribution required from employees. The Plan does not issue a stand-alone financial statement.

Employees Covered

As of the June 30, 2021 actuarial valuation date, the following current and former employees were covered by the benefit terms under the OPEB plan:

Active employees	1,829
Inactive employees or beneficiaries receiving benefits	241
Inactive employees entitled to, but not receiving benefits	<u>124</u>
Total	<u><u>2,194</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.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2022

Net OPEB Liability

The City'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 dated June 30, 2021 based on the following assumptions:

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 the CalPERS 2021 experience study, using data from 2000 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	5.8% 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 of 2.4% per year in years 1 through 5 and 2.3% in years 6 and beyond.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2022

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 1-5</u>	<u>Real Return % Years 6+</u>
Global equity	34%	4.40%	4.50%
Fixed Income	41%	-1.00%	2.20%
Global real estate	17%	3.00%	3.90%
Treasury Inflation Protected Securities	5%	-1.80%	1.30%
Commodities	4%	0.80%	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 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. The City resumed contributions in 2021-22 depositing \$3,156,420 into its CERBT account. This allowed for the use of a higher discount rate of 3.05% for the calculation of the OPEB liability. If the City continues to contribute at or above the recommended level to the plan, the discount rate should continue to improve up to the assumed rate of return of trust assets (currently 5.5%).

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2022

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 6/30/2020 (valuation date)	\$ 46,761,797	6,528,517	40,233,280
Changes recognized for the measurement period			
Investment experience	—	1,042,413	(1,042,413)
Service cost	2,114,167	—	2,114,167
Interest on total OPEB liability	1,366,059	—	1,366,059
Changes of assumptions	(3,248,646)	—	(3,248,646)
Differences between expected and actual experience	(7,573,209)	—	(7,573,209)
Net investment income	—	346,159	(346,159)
Benefit payments	(1,888,159)	(1,888,159)	—
Administrative expense	—	(2,465)	2,465
Net changes	<u>(9,229,788)</u>	<u>(502,052)</u>	<u>(8,727,736)</u>
Balance at 6/30/2021 (measurement date)	<u>\$ 37,532,009</u>	<u>6,026,465</u>	<u>31,505,544</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
	(2.05%)	(3.05%)	(4.05%)
Net OPEB Liability	<u>\$ 36,754,930</u>	<u>31,505,544</u>	<u>27,207,251</u>

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, 2021.

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
	(3.7% decreasing to 2.9%)	(4.7% decreasing to 3.9%)	(5.7% decreasing to 4.9%)
Net OPEB Liability	<u>\$ 26,619,872</u>	<u>31,505,544</u>	<u>37,607,329</u>

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2022

OPEB Plan Fiduciary Net Position

CalPERS issues publicly available financial statements 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 year ended June 30, 2022 the City recognized OPEB expense of \$2,731,471. As of fiscal year ended June 30, 2022, 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	\$ 8,919,161	(3,063,939)
Differences between expected and actual experience	-	(7,736,657)
Net difference between projected and actual earnings on investments	-	(972,620)
OPEB contributions subsequent to measurement date	3,156,420	-
	\$ 12,075,581	(11,773,216)

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2022

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

Measurement Year Ending June 30	Recognized Deferred Outflows(Inflows) of Resources
2022	\$ (383,006)
2023	(364,048)
2024	(303,623)
2025	(303,996)
2026	69,587
Thereafter	(1,568,969)

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, 2022, the City contributed \$3,083,191 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, 2022

(12) 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, 2022 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	Miscellaneous Grants Fund	Nonmajor governmental funds	Total governmental funds
<u>Nonspendable</u>						
Prepays	\$ 2,510,466	—	—	—	26,343	2,536,809
Advances to Beach	3,842,973	—	—	—	—	3,842,973
Advances to Rent Control	268,147	—	—	—	—	268,147
Perpetual care	—	—	—	—	16,901,605	16,901,605
Total nonspendable	<u>\$ 6,621,586</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>16,927,948</u>	<u>23,549,534</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 City Services Building Bonds, 2018 Fire Station 1 Bonds and the 2021 City Yards Modernization Project 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. Overnight accommodations funds are to be used for development of low-cost lodging accommodations in the Santa Monica Coastal Zone and for the development, redevelopment, expansion, replacement, repair, operation or use of affordable overnight accommodations within the City of Santa Monica. Childcare programs are designed to assist eligible residents with childcare needs, as well as for the construction of new childcare facilities. Advances to the

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Beach Fund were made with funds that will be restricted upon repayment. Finally, debt service represents amounts held by trustees for the future repayment of outstanding City obligations.

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

	General Fund	Special Revenue Source Fund	Low and Moderate Income Housing Asset Fund	Miscellaneous Grants Fund	Nonmajor governmental funds	Total governmental funds
Restricted						
2017 City Services Building Bonds	\$ 587,368	—	—	—	—	587,368
2018 Fire Station 1 Bonds	4,652,671	—	—	—	—	4,652,671
2021 City Yards Bonds	12,353,719	—	—	—	—	12,353,719
Affordable housing	—	46,453,308	66,517,462	6,981,949	22,495,112	142,447,831
Advances to Beach	—	1,450,000	—	—	—	1,450,000
Childcare programs	—	3,266,827	—	—	—	3,266,827
Clean beaches and ocean parcel tax	—	—	—	—	10,770,846	10,770,846
Consumer protection	2,253,730	—	—	—	—	2,253,730
Cultural and recreation services	—	7,287,282	—	234,435	—	7,521,717
Debt service	—	—	—	—	8,508,206	8,508,206
Disability	428,426	—	—	—	—	428,426
Miscellaneous	—	1,633,264	—	953,652	3,258,013	5,844,929
Mobility	—	—	—	2,758,562	—	2,758,562
Overnight accommodations	—	3,321,025	—	—	—	3,321,025
Parking	—	1,114,186	—	—	—	1,114,186
Roads	—	44,853	—	—	4,537,360	4,582,213
Traffic	—	2,748,260	—	—	—	2,748,260
Transportation	—	12,851,132	—	—	15,876,986	28,728,118
Water	—	—	—	6,686,700	—	6,686,700
Total restricted	\$ 20,275,914	80,170,137	66,517,462	17,615,298	65,446,523	250,025,334

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 consists of affordable housing funds received from settlement proceeds, the sale of City-owned properties, funds received from the Successor Agency, and one quarter of the City's Transaction and Use Tax revenue, which are committed to ensuring the affordability of housing in the City. Most affordable housing funds are already obligated or loaned to affordable housing developers for eligible projects.

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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	Miscellaneous Grants Fund	Nonmajor governmental funds	Total governmental funds
<u>Committed</u>						
Affordable housing	\$ —	122,607,616	—	—	—	122,607,616
Total committed	\$ —	122,607,616	—	—	—	122,607,616

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 other purposes which represent funds set aside to respond to contingent liabilities and other unanticipated costs. Working capital/operational continuity funds represent funds set aside to allow for the continued delivery of essential General Fund operations during continued COVID-19-related revenue losses and to cover contractual labor obligations. Funds remaining for continuing capital projects represent funds that are dedicated to completing multiyear capital improvement throughout the City, while Yearend CIP savings have been re-appropriated by Council to new projects in the Adopted FY 2022-23 CIP Budget. Other funds are assigned for compensated absences, encumbrances and reappropriation of open contracts and purchase orders, and other key initiatives required for the health and safety of the City and its assets.

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

	General Fund	Special Revenue Source Fund	Low and Moderate Income Housing Asset Fund	Miscellaneous Grants Fund	Nonmajor governmental funds	Total governmental funds
<u>Assigned</u>						
Compensated absences	\$ 13,343,353	—	—	—	—	13,343,353
Continuing capital projects	12,235,787	—	—	—	—	12,235,787
Economic recovery fund	290,184	—	—	—	—	290,184
Encumbrances and reappropriations	12,124,701	—	—	—	—	12,124,701
Other purposes	66,627,849	—	—	—	—	66,627,849
Racial justice fund	14,854	—	—	—	—	14,854
Leases-GASB 87	733,811	—	—	—	—	733,811
Yearend CIP savings	2,847,146	—	—	—	—	2,847,146
Working Capital/Operational Continuity	35,000,000	—	—	—	—	35,000,000
Total assigned	\$ 143,217,685	—	—	—	—	143,217,685

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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 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. The City will begin increasing its reserves by 0.5 percentage points each year beginning in FY 2022-23, reaching its original 15% level in FY 2026-27. 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.

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	Miscellaneous Grants Fund	Nonmajor governmental funds	Total governmental funds
<u>Unassigned</u>						
Contingency	\$ 50,047,846	—	—	—	—	50,047,846
Unrealized loss	(10,228,164)	—	—	—	—	(10,228,164)
Other unassigned	—	—	—	(23,169,065)	(1,775,278)	(24,944,343)
Total unassigned	\$ 39,819,682	—	—	(23,169,065)	(1,775,278)	14,875,339

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(13) FUND DEFICITS

Governmental Funds

A negative fund balance of \$1,653,339 exists in the Beach Recreation fund primarily due to the prior year's parking revenue declines due to the pandemic and capital expenditures for projects such as the beach bike path. The fund deficit decreased from the prior year due to increased revenue and reduced expenditures. It is anticipated that the fund deficit will be eliminated through increased future revenues and reduced future capital projects expenditures.

A negative fund balance of \$5,553,767 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.

A negative fund balance of \$121,939 exists in the Parks and Recreation fund primarily due to capital expenditures for projects such as the Tongva Park landscape improvements and repurposing of Palisades Park's petanque courts. Both projects are complete and the negative fund balance may be reduced next year.

Internal Service Funds

A net deficit of \$7,382,772 exists in the Self-Insurance General Liability Fund primarily due to the prior year's settlement of claims related to the Santa Monica Police Activities League and this year's payment into the qualified settlement fund. Management reduced the deficit in FY 2021-22 through a one-time \$54.9 million contribution to the Fund and will fund future contributions as necessary.

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For the fiscal year ended June 30, 2022

(14) 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, 2022 is as follows:

Community development	
General Fund	\$ 2,682,156
Low and moderate income housing funds	66,517,462
Special revenue source funds	54,491,160
Tenant Ownership Rights Charter Amendment (TORCA) funds	10,203,661
Community Development Block Grant (CDBG) funds	8,925,257
Miscellaneous grant funds	17,615,298
Rent control funds	1,387,280
Housing authority funds	2,168,189
Total Community development	<u>163,990,463</u>
Community services	
Special revenue source funds	7,287,282
Total Community services	<u>7,287,282</u>
Transportation	
Special revenue source funds - traffic	2,748,260
Special revenue source funds - parking	1,114,186
Special revenue source funds - roads	44,853
Special revenue source funds - transit	12,851,132
Local return funds	15,876,986
Gas tax funds	4,537,360
Total transportation	<u>37,172,777</u>
Clean beaches and ocean parcel tax	10,770,846
Debt service	8,508,206
Miscellaneous	4,891,277
Perpetual care - nonexpendable	16,901,605
Total governmental restricted net position	<u>\$ 249,522,456</u>

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For the fiscal year ended June 30, 2022

Restricted net position for business-type activities at June 30, 2022 is as follows:

Prop 1B	\$ 10,169,682
Debt service	<u>2,298,946</u>
Total business-type restricted net position	<u>\$ 12,468,628</u>

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Notes to Basic Financial Statements
For the fiscal year ended June 30, 2022

(15) 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. On July 30, 2021 (\$2.4 million) and October 7, 2021 (\$162,500) the City made additional settlement payments and as of June 30, 2022 only \$3,100,000 remains outstanding.

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.

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A global mediation took place on November 14, 2022 and there is another pending mediation for 131 plaintiffs that has yet to occur. No settlement in these cases have been reached as of the date of these financial statements.

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 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.

The City initiated coverage action against Insurance Co. of the State of Pennsylvania, Insurance Co. of the West, Lexington Insurance Co., Axis Surplus Insurance Co., Arch Specialty Insurance Co. and TIG Insurance Co. for all the settlements to the victims, legal expenses, and damages in the amount sufficient to "deter similar bad faith behavior by the defendants in the future." The suit is ongoing.

(c) California Business Roundtable v. City of Santa Monica, Santa Monica-Malibu Unified School District, and All Persons Interested in the Matter of Measure GS, Case Number 23-SMCV-00111

Plaintiff, the California Business Roundtable, has filed a reverse validation action that seeks to invalidate Measure GS. Measure GS is a successful citizen's initiative that obtained support from 53.49% of the voters at the November 8, 2022 General Election. Measure GS increased the City's real estate transfer tax on properties of \$8,000,000 or more from \$6.00 per \$1,000 to \$56.00 per \$1,000. Measure GS is a special tax that is estimated to bring in \$49,000,000 in additional annual revenue toward public schools, affordable housing, rent relief, and homelessness prevention. Measure GS established two new funds: (1) a Homelessness Prevention and Affordable Housing Fund ("HPAH Fund"); and (2) a School Fund. Measure GS dedicates the first \$10,000,000 in increased annual tax revenue to the School Fund and the next \$40,000,000 in annual revenue to the HPAH Fund. Measure GS does not contain specific limitations on the uses of the funds in the School Fund. The HPAH Fund, however, is subject to a number minimum and maximum expenditures limits for different categories of services. The lawsuit alleges that Measure GS is invalid because it violates the "single-subject" rule in the California Constitution, which prohibits initiative measures from "embracing" more than one subject, because it provides funding for "general K-12 public education" and also for "a new comprehensive affordable housing program." See California Constitution, art. II, § 8(d). The Lawsuit seeks to: (1) invalidate Measure GS as unconstitutional under the single-subject rule; (2) obtain a declaratory judgment that Measure GS is unconstitutional; and (3) obtain attorneys' fees and costs pursuant to Code of Civil Procedure §1021.5.

Invalidating Measure GS would result in the City being unable to utilize the \$49,000,000 in estimated annual revenue, subject to the expenditure limitations in Measure GS.

The City's initial response is due on or about February 15, 2023. In addition, the proponents of Measure GS may seek to intervene in the lawsuit. Because there is no pending request to stay the implementation of the tax, the tax will go into effect in March 2023. The lawsuit may take several months to resolve. Therefore any tax collected and spent by the City should be considered a contingent liability until resolution of this lawsuit.

CITY OF SANTA MONICA, CALIFORNIA

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For the fiscal year ended June 30, 2022

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 2017-18, and completed the removal of runway and taxiway pavement rendered unnecessary by the shortening in FY 2018-19.

On November 8, 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.

On July 15, 2022 the Associate Administrator for Airports issued a decision that all of the previously made loans between the General and the Airport Funds should be voided as inconsistent with federal law and required that the City write off loans and accrued interest in the amount of \$5,554,811 and repay the Airport \$7,355,821. The City is currently in negotiations to enter into a payment plan over the next five years when the Airport closes. It is expected that all of the Airport assets will revert to the City at that time.

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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, 2021 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 \$27.1 million will be payable upon future performance under these contracts.

Other Commitments

In 1999 the City entered into a thirty-year agreement with the City of Los Angeles for the conveyance, treatment, and disposal of wastewater. The Amalgamated System Sewerage System Charge (ASSSC) from this agreement is based on the City of Los Angeles' estimated costs and actual flows and strengths of wastewater in 2020-21. As of the date of these financial statements, the City of Los Angeles had not issued the bill with the amounts due under the agreement for FY2022-23. In FY2021-22 the City paid \$6.49 million and is expecting to pay a similar amount in FY2022-23. 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, 2022, \$321,944 remains to be disbursed.

Encumbrances

The City uses "encumbrances" to control expenditure commitments for the year. Encumbrances represent commitments related to contracts not yet performed and purchase orders not yet filled. Commitments for such expenditures are encumbered to reserve applicable appropriations. As of June 30, 2022, total encumbrances for the governmental funds are reported as follows:

General Fund	\$ 26,724,288
Special Revenue Fund	1,847,519
Low and Moderate Income Housing Asset Fund	—
Miscellaneous Grants Fund	10,646,151
Nonmajor governmental funds	6,456,917
Total	<u>\$ 45,674,875</u>

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Notes to Basic Financial Statements
For the fiscal year ended June 30, 2022

(16) 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	\$ 309,255,813	—	85,259,546	—	394,515,359
Restricted cash and investments	24,119,582	—	—	—	24,119,582
Receivables (net, where applicable, of allowances for uncollectibles):					
Accounts	7,135,975	—	298,173	—	7,434,148
Notes	208,651,085	—	—	—	208,651,085
Taxes	26,609,781	—	—	—	26,609,781
Leases	36,242,322	—	—	—	36,242,322
Interest	878,775	—	175,316	—	1,054,091
Other governments	15,802,603	—	—	—	15,802,603
Internal balances	—	—	(66,163)	(7,355,803)	(7,421,966)
Due from other funds	14,344,387	—	—	(14,344,387)	—
Deposits	3,258	—	—	—	3,258
Prepays	2,536,809	—	-	46	2,536,855
Restricted cash and investments with fiscal agent	43,802,047	—	—	—	43,802,047
Advances to other funds	5,561,120	—	—	(5,561,120)	—
Capital assets, net	—	915,666,125	60,300	—	915,726,425
Total assets	694,943,557	915,666,125	85,727,172	(27,261,264)	1,669,075,590
Deferred Outflows of Resources					
Deferred outflows from pensions	—	61,792,038	315,840	—	62,107,878
Deferred outflows from OPEB	—	10,982,164	28,340	—	11,010,504
Total deferred outflow of resources	—	72,774,202	344,180	—	73,118,382
Liabilities, Deferred Inflows of Resources and Fund Balances/Net Position					
Liabilities:					
Accounts payable	27,382,159	—	850,529	—	28,232,687
Accrued liabilities	5,850,740	—	42,576	—	5,893,316
Accrued interest payable	—	4,132,750	—	—	4,132,750
Contracts payable (retained percentage)	3,754,446	—	5,611	—	3,760,057
Due to other funds	21,700,208	—	—	(21,700,208)	—
Unearned revenue	28,788,015	—	—	—	28,788,015
Deposits payable from restricted assets	926,850	—	—	—	926,850
Advances from other funds	5,561,120	—	—	(5,561,120)	—
Compensated absences due within one year	—	7,533,756	50,205	—	7,583,961
Compensated absences due in more than one year	—	6,406,791	115,018	—	6,521,809
Claims payable due within one year	—	—	20,928,432	—	20,928,432
Claims payable due in more than one year	—	—	53,393,779	—	53,393,779
Loans and bonds payable due within one year	—	4,390,000	—	—	4,390,000
Loans and bonds payable due in more than one year	—	225,550,218	—	—	225,550,218
Pollution remediation obligation due within one year	—	352,448	—	—	352,448
Pollution remediation obligation due in more than one year	—	1,306,020	—	—	1,306,020
Net OPEB liability	—	28,652,786	73,940	—	28,726,726
Net pension liability	—	194,862,245	858,643	—	195,720,888
Total liabilities	93,963,538	473,187,014	76,318,733	(27,261,328)	616,207,956
Deferred Inflows of Resources					
Unavailable revenue	12,044,981	—	—	(12,044,981)	—
Deferred gain on refunding	—	573,081	—	—	573,081
Deferred inflows leases	34,659,530	—	—	—	34,659,530
Deferred inflows from pensions	—	144,591,990	980,023	—	145,572,013
Deferred inflows from OPEB	—	10,707,178	27,630	—	10,734,808
Total deferred inflows of resources	46,704,511	155,872,249	1,007,653	(12,044,981)	191,539,432
Total fund balances/net position	\$ 554,275,508	359,381,064	8,744,966	12,045,045	934,446,584

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<p>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 \$60,300 net of accumulated depreciation, are not included in this amount.</p>	<p>\$ 1,493,595,447 (577,929,322) <u>\$ 915,666,125</u></p>
<p style="padding-left: 40px;">Less accumulated depreciation/amortization</p>	
<p>Deferred inflows on refunding</p>	<p>\$ (573,081)</p>
<p>Deferred outflows from pension</p>	<p>61,792,038</p>
<p>Deferred inflows from pension</p>	<p>(144,591,990) <u>\$ (82,799,952)</u></p>
<p>Deferred outflows from OPEB</p>	<p>10,982,164</p>
<p>Deferred inflows from OPEB</p>	<p>(10,707,178) <u>\$ 274,986</u></p>
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the balance sheet.</p>	
<p style="padding-left: 40px;">General obligation bonds</p>	<p>(1,060,000)</p>
<p style="padding-left: 40px;">Revenue bonds</p>	<p>(206,455,000)</p>
<p style="padding-left: 40px;">Accrued interest on long-term debt</p>	<p>(4,132,750)</p>
<p style="padding-left: 40px;">Unamortized premium on long-term debt</p>	<p>(22,425,218)</p>
<p style="padding-left: 40px;">Employee compensated absences</p>	<p>(13,940,547)</p>
<p style="padding-left: 40px;">Accrued pollution remediation costs</p>	<p>(1,658,468)</p>
<p style="padding-left: 40px;">Net OPEB liability</p>	<p>(28,652,786)</p>
<p style="padding-left: 40px;">Net pension liability</p>	<p>(194,862,245)</p>
<p style="padding-left: 80px;">Total long-term liabilities</p>	<p><u>\$ (473,187,014)</u></p>
<p>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.</p>	
	<p>\$ 8,811,129</p>
<p>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.</p>	
	<p>(66,163) <u>\$ 8,744,966</u></p>

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements For the fiscal year ended June 30, 2022

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	\$173,491,491	34,363,918	—	207,855,409
Receivables (net, where applicable, of allowances for uncollectibles):				
Accounts	20,604,031	277,197	—	20,881,228
Leases	47,419,301			47,419,301
Interest	454,968	66,499	—	521,467
Taxes	8,821	—	—	8,821
Due from other funds	7,355,821		(7,355,821)	-
Due from other governments	29,034,913	—		29,034,913
Internal balances	—	66,163	7,355,803	7,421,966
Inventory	3,531,115	12,973	—	3,544,088
Prepays	113,521	—	18	113,539
Restricted cash and investments	37,743,586	—	—	37,743,586
Restricted cash and investments with fiscal agent	75,464,422	—	—	75,464,422
Capital assets, net	490,910,020	14,786,741	—	505,696,761
Total assets	<u>886,132,010</u>	<u>49,573,491</u>	<u>-</u>	<u>935,705,501</u>
Deferred Outflows of Resources				
Deferred outflows from pensions	12,401,899	542,071	—	12,943,970
Deferred outflows from OPEB	1,002,033	63,044	—	1,065,077
Total deferred outflows of resources	<u>13,403,932</u>	<u>605,115</u>	<u>—</u>	<u>14,009,047</u>
Liabilities				
Accounts payable	13,056,235	473,600	—	13,529,835
Accrued liabilities	2,703,112	57,459	—	2,760,571
Accrued interest payable	2,045,049	—	—	2,045,049
Contracts payable (retained percentage)	4,187,142	—	—	4,187,142
Unearned revenue	43,534,508	—	—	43,534,508
Liabilities payable from restricted assets	18,423,693	—	—	18,423,693
Compensated absences due within one year	2,326,926	81,049	—	2,407,975
Compensated absences due in more than one year	1,014,449	113,794	—	1,128,243
Claims payable due within one year	—	2,177,393	—	2,177,393
Claims payable due in more than one year	—	2,142,079	—	2,142,079
Loans and bonds payable due within one year	—	—	—	-
Loans and bonds payable due in more than one year	131,521,529	—	—	131,521,529
Pollution remediation obligation due within one year	8,947,683	—	—	8,947,683
Pollution remediation obligation due in more than one year	23,148,749	—	—	23,148,749
Net OPEB liability due in more than one year	2,614,335	164,483	—	2,778,818
Net pension liability due in more than one year	33,715,780	1,473,673	—	35,189,453
Total liabilities	<u>287,239,190</u>	<u>6,683,530</u>	<u>—</u>	<u>293,922,720</u>
Deferred Inflows of Resources				
Deferred inflows from leases	43,888,006			43,888,006
Deferred inflows from pensions	38,481,896	1,681,994	—	40,163,890
Deferred inflows from OPEB	976,943	61,465	—	1,038,408
Total deferred inflows of resources	<u>83,346,845</u>	<u>1,743,459</u>	<u>—</u>	<u>85,090,304</u>
Total Net Position	<u>\$528,949,907</u>	<u>41,751,617</u>	<u>—</u>	<u>570,701,524</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.

\$ 41,685,454

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.

\$ 66,163

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2022

(17) 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, 2022.

Advances to/from

Advances to/from other funds at June 30, 2022 are as follows:

<u>Advances to (receivable fund)</u>	<u>Advances from (payable fund)</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	\$ 4,111,120
	Total General Fund	<u>4,111,120</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><u>\$ 5,561,120</u></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, 2022 are as follows:

<u>Due From (receivable fund)</u>	<u>Due to (payable fund)</u>	<u>Amount</u>
General Fund	Miscellaneous Grants Fund	\$ 12,134,179
	Nonmajor governmental funds	<u>2,210,208</u>
	Total General Fund	14,344,387
Airport Fund	General Fund	<u>7,355,821</u>
	Total Airport Fund	7,355,821
	Total due to/from	<u><u>\$ 21,700,208</u></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, 2022

Transfers

Transfers to/from other funds for the fiscal year ended June 30, 2022 are as follows:

<u>Transfer in</u> <u>(receivable fund)</u>	<u>Transfer out</u> <u>(payable fund)</u>	<u>Amount</u>
General Fund	Special Revenue Source Fund	1,031,051 (1)
	Miscellaneous Grants Fund	15,025,590 (2)
	Nonmajor governmental funds	3,511,933 (3)
	Water Fund	1,328,647 (4)
	Big Blue Bus Fund	397,084 (5)
	Low/Mod Housing Fund	362,715 (6)
	Wastewater Fund	650,302 (7)
	Resource Recovery and Recycling Fund	272,818 (8)
	Nonmajor enterprise funds	1,966,542 (9)
	Internal service funds	225,725 (10)
	<u>Total General Fund</u>	<u>24,772,407</u>
Special Revenue Source Fund	General Fund	8,948,023 (11)
	<u>Total Special Revenue Source Fund</u>	<u>8,948,023</u>
Nonmajor governmental funds	General Fund	12,611,016 (12)
	Miscellaneous Grants Fund	92,355 (13)
	Nonmajor enterprise funds	66,936 (14)
	<u>Total Nonmajor governmental funds</u>	<u>12,770,307</u>
Water Fund	General Fund	132,229 (15)
	Miscellaneous Grants Fund	591,441 (16)
	Wastewater Fund	183,374 (17)
	<u>Total Water Fund</u>	<u>907,044</u>
Resource Recovery and Recycling Fund	Miscellaneous Grants Fund	506 (8)
	<u>Total Resource Recovery and Recycling Fund</u>	<u>506</u>
Wastewater Fund	General Fund	22,702 (15)
	Nonmajor enterprise funds	1,363,211 (18)
	<u>Total Wastewater Fund</u>	<u>1,385,913</u>
Big Blue Bus Fund	General Fund	216,642 (19)
	Nonmajor governmental funds	683,364 (20)
	<u>Total Big Blue Bus Fund</u>	<u>900,006</u>
Nonmajor enterprise funds	General Fund	10,895,177 (21)
	Miscellaneous Grants Fund	985 (22)
	Nonmajor governmental funds	987,282 (23)
	Water Fund	6,405 (24)
	Nonmajor enterprise funds	14,327 (13)
	<u>Total Nonmajor enterprise funds</u>	<u>11,904,176</u>
Internal service funds	Internal service funds	2,059,268 (25)
	<u>Total Internal service funds</u>	<u>2,059,268</u>
	<u>Total transfers</u>	<u>63,647,650</u>

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2022

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

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2022

(18) 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, 2022 are classified in the accompanying financial statements as follows:

Statement of Fiduciary Net Position:	
Restricted cash and investments	\$ 5,703,737
Restricted cash and investments with fiscal agent	<u>7,175,322</u>
Total cash and investments	<u>\$ 12,879,059</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, see Note 2.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2022

SUCCESSOR AGENCY LONG-TERM LIABILITIES

Changes in long-term liabilities:

Long-term liability activity for the fiscal year ended June 30, 2022 was as follows:

	Balance at June 30, 2021	Additions	Reductions	Balance at June 30, 2022	Due within one year	Due beyond one year
Loans and notes payable						
from direct borrowings	\$ 37,120,176	—	769,174	36,351,002	821,613	35,529,389
Term loan from direct borrowings	22,727,261	—	3,030,303	19,696,958	3,030,303	16,666,655
Tax allocation bonds	73,190,000	—	2,975,000	70,215,000	3,110,000	67,105,000
Less deferred amounts:						
For issuance discounts	(64,665)	—	(8,084)	(56,581)	—	(56,581)
For issuance premiums	273,132	—	13,656	259,476	—	259,476
Total loans, notes and bonds payable	<u>\$ 133,245,904</u>	<u>—</u>	<u>6,780,049</u>	<u>126,465,855</u>	<u>6,961,916</u>	<u>119,503,939</u>

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, 2022
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%	29,165,000
Subtotal tax allocation bonds					<u>70,215,000</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%	19,696,958
Promissory notes payable to others(2)*	Nov 1, 2010	42,500,000	Jan 1, 2042	6.82%	36,351,002
Subtotal loans and notes					<u>56,047,960</u>
Total					<u>\$ 126,262,960</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, 2022

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
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	3,907,916	2,750,647	7,152,916	6,141,955
2025	3,390,000	3,242,020	3,967,770	2,629,029	7,357,770	5,871,049
2026	3,545,000	3,085,983	4,031,687	2,501,788	7,576,687	5,587,771
2027	3,705,000	2,922,858	4,099,960	2,370,960	7,804,960	5,293,818
2028-2032	14,425,000	11,967,979	11,413,257	10,166,473	25,838,257	22,134,452
2033-2037	13,145,000	8,307,200	10,123,762	7,176,237	23,268,762	15,483,437
2038-2042	17,315,000	3,789,319	11,281,470	2,918,529	28,596,470	6,707,848
2043-2044	8,335,000	117,456	3,370,221	229,779	11,705,221	347,235
	<u>\$ 70,215,000</u>	<u>40,358,418</u>	<u>56,047,960</u>	<u>33,612,660</u>	<u>126,262,960</u>	<u>73,971,078</u>

The Successor Agency’s outstanding loan of \$19,696,958 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 \$70,215,000 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 \$36,351,002 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.

Bank of America Term Loan

The Successor Agency has a term loan from Bank of America. Interest on the loan is LIBOR + 1.25%. In light of the discontinuation of the publication of USD LIBOR, the Successor Agency was notified by Bank of America that as of July 1, 2023, the interest rate on the term loan will reset to the Fed Funds rate + 1.7%, following the USD LIBOR cessation expected on June 30, 2023.

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

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2022

pledged gross revenue (net of certain expenses where so specified in debt covenants) will always be 100%. These percentages also approximate the relationship of debt service to pledged revenue for the remainder of the term of the commitment.

Description of pledged revenue/debt:	Annual amount of pledged revenue (net of expenses, where required)	Annual debt service payments (of all debt secured by this revenue)	Debt service as a percentage of pledged revenue	Future amount of pledged revenue
Tax increment				
Earthquake Recovery Project Refunding 2006	\$ 4,451,857	4,451,857	100%	\$ 31,182,638
Earthquake Recovery Project 2011	2,262,413	2,262,413	100%	74,528,643
Note Payable to Others	3,300,000	3,300,000	100%	68,400,000
Bank of America Term Loan	3,396,422	3,396,422	100%	19,403,246

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2022

(19) COVID 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 awarded the Housing Authority \$244,968 and in August of 2020 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 and in FY 2021-22, \$127,470, against its State Unemployment Insurance payment.

In FY 2021-22, the City received \$17,731 of ARPA funds to offset the cost of terminated employees' health insurance costs. In addition, the City also received \$591,441 of ARPA funds that was passed through the State Water Resources Control Board under the California Water and Wastewater Arrearage program. The funds were allocated as bill credits to customers' unpaid accounts.

On March 22, 2020, FEMA announced that federal emergency aid has been made available for the State of California to supplement state, tribal and local recovery efforts in the areas affected by the Coronavirus Disease 2019 (COVID-19) pandemic beginning on January 20, 2020, and continuing. In FY 2021-22, the City received \$251,002 of FEMA reimbursement for various projects. Total reimbursement received as of June 30, 2022 was \$544,023.

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. In FY 2020-21 the Big Blue Bus was awarded but had not received \$22,247,777 in Coronavirus Response and Relief Supplemental Appropriations Act funds. That revenue was recognized in FY 2021-22 with \$16,988,018 received in the current fiscal year and the remaining \$5,259,759 received in FY 2022-23.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2022

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
- 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 was 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

Year ended June 30, 2022

(20) PRIOR PERIOD ADJUSTMENTS

The accompanying financial statements reflect adjustments resulting from a restatement of fund balance and net position as of June 30, 2022 as follows:

Restatement on Government-wide Statements:

	Governmental Activities	Business-Type Activities
Beginning Net Position, as previously reported	\$ 859,355,964	526,711,056
Restatements:		
Recycling revenue not recognized in the correct period	—	2,378,610
Record capital asset, previously expensed	—	1,556,499
Implementation of GASB 87	977,291	3,213,489
Beginning Net Position, as restated	<u>\$ 860,333,255</u>	<u>533,859,654</u>

Restatement on Fund Statements, Governmental Funds:

	General Fund	Nonmajor governmental funds
Beginning Net Position, as previously reported	\$ 180,847,822	71,523,902
Restatements:		
Implementation of GASB 87	407,003	570,288
Beginning Fund Balance, as restated	<u>\$ 181,254,825</u>	<u>72,094,190</u>

Restatement on Fund Statements, Enterprise Funds:

	Water Fund	Resource, Recovery and Recycling Fund	Big Blue Bus Fund	Nonmajor enterprise funds
Beginning Net Position, as previously reported	\$ 59,685,605	4,896,127	168,443,771	60,946,617
Restatements:				
Recycling revenue incorrectly recognized	—	2,378,610	—	—
Record asset, previously expensed	—	—	—	1,556,499
Implementation of GASB 87	1,047,469	—	767,948	1,398,042
Beginning Fund Balance, as restated	<u>\$ 60,733,074</u>	<u>7,274,737</u>	<u>169,211,719</u>	<u>63,901,158</u>

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2022

(21) SPECIAL AND EXTRAORDINARY ITEMS

Extraordinary items are unusual and infrequent in nature and not within the control of management.

The following transaction is reported as an extraordinary item:

- The FAA ruled that transactions that the City had previously reported as loans between the General and the Airport Funds should be voided as inconsistent with federal law. To comply with the FAA's decision, the General Fund wrote off loans and accrued interest in the amount of \$5,554,811 and will repay the Airport fund \$7,355,821 of previously made loan payments which the FAA disallowed. Because a portion of the General Fund loan balance was unearned interest, the amount of the loan write off was \$5,376,172. These funds are expected to remain in the Airport Fund until its closure in 2028 when they will revert to the City. See note 15.

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

- The City settled additional legal claims related to an alleged incident of sexual assault of minors in the amount of \$54.9 million paid by the City's General Fund which is reported as a special item. See note 15.

City of Santa Monica, California
Year Ended June 30, 2022

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, 2022

	<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:						
Property taxes	\$ 75,443,566	75,693,173	75,980,972	-	75,980,972	287,799
Sales and use taxes	65,100,000	74,280,000	76,698,693	-	76,698,693	2,418,693
Transient occupancy taxes	43,100,000	56,700,000	66,684,095	-	66,684,095	9,984,095
Utility user taxes	29,950,000	31,430,000	33,613,985	-	33,613,985	2,183,985
Business license taxes	29,617,000	29,335,000	29,120,949	-	29,120,949	(214,051)
Other taxes	19,179,000	21,849,000	27,980,038	-	27,980,038	6,131,038
Licenses and permits	29,388,615	32,136,237	35,338,164	-	35,338,164	3,201,927
Intergovernmental	1,249,461	1,406,912	1,490,717	-	1,490,717	83,805
Charges for services	38,021,851	39,112,450	43,092,119	-	43,092,119	3,979,669
Fines and forfeitures	11,291,195	11,441,892	12,262,875	-	12,262,875	820,983
Investment income	1,400,000	1,100,000	(7,993,536)	-	(7,993,536)	(9,093,536)
Rental income	5,792,364	5,667,961	6,905,686	-	6,905,686	1,237,725
Settlement income	-	-	28,456	-	28,456	28,456
Other revenue	3,822,996	3,906,511	4,292,277	-	4,292,277	385,766
Total revenues	<u>353,356,048</u>	<u>384,059,136</u>	<u>405,495,490</u>	<u>-</u>	<u>405,495,490</u>	<u>21,436,354</u>
Expenditures:						
General government:						
City council	766,447	994,158	805,103	2,500	807,603	186,555
City manager	5,281,094	5,763,643	5,038,079	137,486	5,175,565	588,078
Record and election services	2,579,467	2,579,467	2,517,552	-	2,517,552	61,915
Finance	11,181,286	12,032,471	11,127,935	326,097	11,454,032	578,439
City attorney	10,985,926	11,075,097	11,875,745	1,787	11,877,532	(802,435)
Human resources	5,121,387	5,552,720	4,950,670	186,254	5,136,924	415,796
Information services	9,053,189	9,188,227	8,935,339	125,304	9,060,643	127,584
Public Works	2,238,138	2,337,169	1,962,531	138,976	2,101,507	235,662
Other	9,990,801	12,074,146	10,673,440	231,976	10,905,416	1,168,730
Capital improvement	4,296,500	12,578,474	6,987,577	2,811,812	9,799,389	2,779,085
Total general government	<u>61,494,235</u>	<u>74,175,572</u>	<u>64,873,971</u>	<u>3,962,192</u>	<u>68,836,163</u>	<u>5,339,409</u>
Public safety:						
City Manager	5,334,629	5,565,683	6,073,132	97,922	6,171,054	(605,371)
Police	95,651,701	96,132,941	96,096,815	474,945	96,571,760	(438,819)
Fire	44,535,959	44,601,007	48,479,257	51,441	48,530,698	(3,929,691)
Capital improvement	3,570,000	14,334,953	2,204,884	5,909,393	8,114,277	6,220,676
Total public safety	<u>149,092,289</u>	<u>160,634,584</u>	<u>152,854,088</u>	<u>6,533,701</u>	<u>159,387,789</u>	<u>1,246,795</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, 2022

	<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>
General services:						
Public works	41,786,282	42,602,986	43,289,779	508,523	43,798,302	(1,195,316)
Mobility	23,173,469	24,054,034	22,766,227	151,997	22,918,224	1,135,810
Capital improvement	400,000	32,926,938	15,936,440	14,276,284	30,212,724	2,714,214
Total general services	<u>65,359,751</u>	<u>99,583,958</u>	<u>81,992,446</u>	<u>14,936,804</u>	<u>96,929,250</u>	<u>2,654,708</u>
Community services:						
Community services	26,975,807	28,379,174	25,734,331	714,884	26,449,215	1,929,959
Other	24,573,059	26,730,559	28,162,742	-	28,162,742	(1,432,183)
Capital improvement	550,000	2,133,221	565,477	119,857	685,334	1,447,887
Total community services	<u>52,098,866</u>	<u>57,242,954</u>	<u>54,462,550</u>	<u>834,741</u>	<u>55,297,291</u>	<u>1,945,663</u>
Library:						
Library	8,950,590	9,200,403	8,673,547	218,059	8,891,606	308,797
Capital improvement	-	3,806	3,250	556	3,806	-
Total library	<u>8,950,590</u>	<u>9,204,209</u>	<u>8,676,797</u>	<u>218,615</u>	<u>8,895,412</u>	<u>308,797</u>
Community development:						
Community development	17,751,003	18,541,139	16,718,585	237,872	16,956,457	1,584,682
Other	850,782	850,782	788,011	363	788,374	62,408
Capital improvement	300,000	313,899	116,156	-	116,156	197,743
Total community development	<u>18,901,785</u>	<u>19,705,820</u>	<u>17,622,752</u>	<u>238,235</u>	<u>17,860,987</u>	<u>1,844,833</u>
Bond issuance costs	-	500,748	498,057	-	498,057	2,691
Total expenditures	<u>355,897,516</u>	<u>421,047,845</u>	<u>380,980,661</u>	<u>26,724,288</u>	<u>407,704,949</u>	<u>13,342,896</u>
Excess (deficiency) of revenues over (under) expenditures	(2,541,468)	(36,988,709)	24,514,829	(26,724,288)	(2,209,459)	34,779,250
Other financing sources (uses):						
Transfers in	27,520,221	25,929,038	24,772,407	-	24,772,407	(1,156,631)
Transfers out	(23,288,546)	(24,611,693)	(32,825,789)	-	(32,825,789)	(8,214,096)
Bonds issued	-	-	64,780,000	-	64,780,000	64,780,000
Premium on debt issued	-	-	7,714,767	-	7,714,767	7,714,767
Total other financing sources (uses)	<u>4,231,675</u>	<u>1,317,345</u>	<u>64,441,385</u>	<u>-</u>	<u>64,441,385</u>	<u>63,124,040</u>
Special item:						
Special item (note 21)	-	(54,900,000)	(54,900,000)	-	(54,900,000)	-
Extraordinary item (note 21)	-	-	(5,376,172)	-	(5,376,172)	(5,376,172)
Total special item	<u>-</u>	<u>(54,900,000)</u>	<u>(60,276,172)</u>	<u>-</u>	<u>(60,276,172)</u>	<u>(5,376,172)</u>
Net change in fund balance	1,690,207	(90,571,364)	28,680,042	(26,724,288)	1,955,754	92,527,118
Fund balance at beginning of year, as restated	<u>181,254,825</u>	<u>181,254,825</u>	<u>181,254,825</u>	<u>-</u>	<u>181,254,825</u>	<u>-</u>
Fund balance at end of year	<u>\$ 182,945,032</u>	<u>90,683,461</u>	<u>209,934,867</u>	<u>(26,724,288)</u>	<u>183,210,579</u>	<u>92,527,118</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, 2022

	<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:						
Intergovernmental	\$ 684,395	684,395	-	-	-	(684,395)
Charges for services	678,107	678,107	826,748	-	826,748	148,641
Investment income	200,000	200,000	(551,643)	-	(551,643)	(751,643)
Other	1,248,048	1,248,048	7,531,732	-	7,531,732	6,283,684
Total revenues	<u>2,810,550</u>	<u>2,810,550</u>	<u>7,806,837</u>	<u>-</u>	<u>7,806,837</u>	<u>4,996,287</u>
Expenditures:						
General government:						
Capital improvement	290,630	420,630	-	-	-	420,630
Total general government	<u>290,630</u>	<u>420,630</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>420,630</u>
Public safety:						
Police	4,287	573,088	96,955	16,413	113,368	459,720
Fire	15,000	19,903	11,752	-	11,752	8,151
Capital improvement	-	58,412	29,821	-	29,821	28,591
Total public safety	<u>19,287</u>	<u>651,403</u>	<u>138,528</u>	<u>16,413</u>	<u>154,941</u>	<u>496,462</u>
General services:						
Mobility	170,066	420,536	203,793	-	203,793	216,743
Capital improvement	1,850,000	7,751,453	929,550	1,431,117	2,360,667	5,390,786
Total general services	<u>2,020,066</u>	<u>8,171,989</u>	<u>1,133,343</u>	<u>1,431,117</u>	<u>2,564,460</u>	<u>5,607,529</u>
Community services:						
Community services	3,202,333	3,662,459	2,170,515	162,801	2,333,316	1,329,143
Other	-	-	19,476	-	19,476	(19,476)
Capital improvement	200,000	1,909,423	921,982	232,095	1,154,077	755,346
Total community services	<u>3,402,333</u>	<u>5,571,882</u>	<u>3,111,973</u>	<u>394,896</u>	<u>3,506,869</u>	<u>2,065,013</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	-	-	62,296	5,093	67,389	(67,389)
Capital improvement	-	255,000	-	-	-	255,000
Total community development	<u>-</u>	<u>255,000</u>	<u>62,296</u>	<u>5,093</u>	<u>67,389</u>	<u>187,611</u>
Total expenditures	<u>5,732,316</u>	<u>15,154,136</u>	<u>4,446,140</u>	<u>1,847,519</u>	<u>6,293,659</u>	<u>8,860,477</u>
Excess (deficiency) of revenues over (under) expenditures	(2,921,766)	(12,343,586)	3,360,697	(1,847,519)	1,513,178	13,856,764
Other financing sources (uses):						
Transfers in	1,000,000	8,353,750	8,948,023	-	8,948,023	594,273
Transfers out	(2,505,060)	(1,710,425)	(1,031,051)	-	(1,031,051)	679,374
Total other financing sources (uses)	<u>(1,505,060)</u>	<u>6,643,325</u>	<u>7,916,972</u>	<u>-</u>	<u>7,916,972</u>	<u>1,273,647</u>
Net change in fund balance	(4,426,826)	(5,700,261)	11,277,669	(1,847,519)	9,430,150	15,130,411
Fund balance at beginning of year	191,500,084	191,500,084	191,500,084	-	191,500,084	-
Fund balance at end of year	<u>\$ 187,073,258</u>	<u>185,799,823</u>	<u>202,777,753</u>	<u>(1,847,519)</u>	<u>200,930,234</u>	<u>15,130,411</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, 2022

	<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	(478,372)	-	(478,372)	(578,372)
Other	400,000	400,000	366,367	-	366,367	(33,633)
Total revenues	<u>500,000</u>	<u>500,000</u>	<u>(112,005)</u>	<u>-</u>	<u>(112,005)</u>	<u>(612,005)</u>
Expenditures:						
Community development:						
Other	-	-	112	-	112	(112)
Community development	-	-	112	-	112	(112)
Total expenditures	-	-	112	-	112	(112)
Excess (deficiency) of revenues over (under) expenditures	500,000	500,000	(112,117)	-	(112,117)	(612,117)
Other financing sources (uses):						
Transfers out	-	(372,657)	(362,715)	-	(362,715)	9,942
Total other financing sources (uses)	<u>-</u>	<u>(372,657)</u>	<u>(362,715)</u>	<u>-</u>	<u>(362,715)</u>	<u>9,942</u>
Net change in fund balance	500,000	127,343	(474,832)	-	(474,832)	(602,175)
Fund balance at beginning of year	66,992,294	66,992,294	66,992,294	-	66,992,294	-
Fund balance at end of year	<u>\$ 67,492,294</u>	<u>67,119,637</u>	<u>66,517,462</u>	<u>-</u>	<u>66,517,462</u>	<u>(602,175)</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
Miscellaneous Grants Fund
For the fiscal year ended June 30, 2022

	<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:						
Intergovernmental	\$ 16,923,498	45,543,689	22,052,956	-	22,052,956	(23,490,733)
Investment income	-	-	(5,137)	-	(5,137)	(5,137)
Other	-	-	3,000	-	3,000	3,000
Total revenues	<u>16,923,498</u>	<u>45,543,689</u>	<u>22,050,819</u>	<u>-</u>	<u>22,050,819</u>	<u>(23,492,870)</u>
Expenditures:						
General government:						
City manager	-	136,551	14	-	14	136,537
Other	-	1,107,985	439,405	199,611	639,016	468,969
Total general government	<u>-</u>	<u>1,244,536</u>	<u>439,419</u>	<u>199,611</u>	<u>639,030</u>	<u>605,506</u>
Public safety:						
Police	-	1,228,735	296,717	-	296,717	932,018
Fire	-	3,930,796	1,800,971	387,614	2,188,585	1,742,211
Total public safety	<u>-</u>	<u>5,159,531</u>	<u>2,097,688</u>	<u>387,614</u>	<u>2,485,302</u>	<u>2,674,229</u>
General services:						
Public works	121,347	403,753	55,741	264,006	319,747	84,006
Capital improvement	500,000	22,230,088	6,716,277	9,102,154	15,818,431	6,411,657
Total general services	<u>621,347</u>	<u>22,633,841</u>	<u>6,772,018</u>	<u>9,366,160</u>	<u>16,138,178</u>	<u>6,495,663</u>
Community services:						
Community services	527,100	711,515	828,175	14,732	842,907	(131,392)
Capital improvement	4,550,000	5,847,746	45,841	565,421	611,262	5,236,484
Total community services	<u>5,077,100</u>	<u>6,559,261</u>	<u>874,016</u>	<u>580,153</u>	<u>1,454,169</u>	<u>5,105,092</u>
Library:						
Library	58,926	129,334	41,366	-	41,366	87,968
Total library	<u>58,926</u>	<u>129,334</u>	<u>41,366</u>	<u>-</u>	<u>41,366</u>	<u>87,968</u>
Community development:						
Community development	-	-	47,685	-	47,685	(47,685)
Capital improvement	1,021,510	1,021,510	99,124	112,613	211,737	809,773
Total community development	<u>1,021,510</u>	<u>1,021,510</u>	<u>146,809</u>	<u>112,613</u>	<u>259,422</u>	<u>762,088</u>
Total expenditures	<u>6,778,883</u>	<u>36,748,013</u>	<u>10,371,316</u>	<u>10,646,151</u>	<u>21,017,467</u>	<u>15,730,546</u>
Excess (deficiency) of revenues over (under) expenditures	10,144,615	8,795,676	11,679,503	(10,646,151)	1,033,352	(7,762,324)
Other financing sources (uses):						
Transfers out	(14,442,206)	(14,442,206)	(15,710,877)	-	(15,710,877)	(1,268,671)
Total other financing sources (uses)	<u>(14,442,206)</u>	<u>(14,442,206)</u>	<u>(15,710,877)</u>	<u>-</u>	<u>(15,710,877)</u>	<u>(1,268,671)</u>
Net change in fund balance	(4,297,591)	(5,646,530)	(4,031,374)	(10,646,151)	(14,677,525)	(9,030,995)
Fund balance at beginning of year	<u>(1,522,393)</u>	<u>(1,522,393)</u>	<u>(1,522,393)</u>	<u>-</u>	<u>(1,522,393)</u>	<u>-</u>
Fund balance at end of year	<u>\$ (5,819,984)</u>	<u>(7,168,923)</u>	<u>(5,553,767)</u>	<u>(10,646,151)</u>	<u>(16,199,918)</u>	<u>(9,030,995)</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, 2022

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.

The overages in the Fire Department are due to 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 support (not reimbursed). The overages in the Public Works Department were primarily due to underbudgeting of pension contributions, which has been corrected for FY 2022-23. The overages in the City Attorney's Office were primarily due to Public Rights Unit expenses, which are covered by funds set aside in reserves and traditionally not budgeted until actual costs are determined. These departments were also impacted by the pay out of vacation accrual balances for employees that ended their employment with the City, these expenses were in assigned fund balance and traditionally not budgeted because they are difficult to predict.

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

	<u>2022</u>	<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	\$ 23,008,107	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	88,117,804	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	(6,035,074)	(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	(60,892,615)	(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>44,198,222</u>	<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>1,257,394,164</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>	<u>856,285,199</u>
Total pension liability - ending (a)	<u>\$ 1,301,592,386</u>	<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	\$ 35,463,537	39,789,326	32,912,163	29,338,109	56,350,053	28,154,218	28,349,184	27,433,064
Contribution - employee	9,089,233	11,287,483	11,502,697	11,221,260	11,398,672	11,256,065	10,754,206	11,418,160
Net investment income	223,034,645	48,650,608	58,848,094	70,094,677	82,395,628	3,759,440	15,956,734	104,724,175
Benefit payments	(60,892,615)	(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	(989,894)	(1,333,238)	(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>205,704,906</u>	<u>45,195,219</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>990,945,672</u>	<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>1,196,650,578</u>	<u>990,945,672</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>\$ 104,941,808</u>	<u>266,448,492</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	91.94%	78.81%	78.38%	78.24%	75.77%	73.06%	76.34%	76.44%
Covered payroll	\$ 121,619,165	152,120,397	154,765,955	149,416,791	147,371,283	142,942,436	137,199,170	138,199,596
Net pension liability as a percentage of covered-payroll	86.29%	175.16%	168.51%	166.06%	180.11%	186.25%	161.76%	155.51%

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 Eight Fiscal Years (Unaudited)

	<u>2022</u>	<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	\$ 10,894,969	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	36,994,605	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	1,492,957	2,033,685	(1,686,562)	587,060	(3,121,761)	(1,152,112)	(501,077)	-
Benefit payments, including refunds of employee contributions	(25,968,665)	(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	23,413,866	23,762,814	19,501,641	19,772,836	44,788,967	18,453,085	12,088,708	19,495,402
Total pension liability - beginning	523,450,972	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>\$ 546,864,838</u>	<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	\$ 19,121,459	19,904,356	15,926,339	13,774,479	26,559,693	12,697,470	13,033,273	12,515,162
Contribution - employee	3,832,845	3,493,416	3,118,363	3,021,783	2,827,317	2,753,594	2,695,506	3,372,358
Net investment income	88,656,069	18,812,931	23,179,043	28,113,907	32,951,701	1,516,091	6,513,781	43,315,499
Benefit payments	(25,968,665)	(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	(390,087)	(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	85,251,621	16,941,991	19,141,078	22,092,957	42,376,054	(1,977,828)	4,792,521	43,072,608
Plan fiduciary net position - beginning	390,501,641	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)	475,753,262	390,501,641	373,559,650	354,418,572	332,325,615	289,949,561	291,927,389	287,134,868
Net pension liability - ending (a)-(b)	<u>\$ 71,111,576</u>	<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	87.00%	74.60%	74.76%	73.81%	72.18%	69.76%	73.50%	74.56%
Covered payroll	\$ 33,740,999	34,111,685	31,286,093	31,769,364	30,592,273	29,176,438	28,791,622	28,470,873
Net pension liability as a percentage of covered-payroll	210.76%	389.75%	403.15%	395.88%	418.69%	430.74%	365.54%	344.03%

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 Eight Fiscal Years (Unaudited)

	<u>2022</u>	<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	\$ 4,961,970	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	19,058,867	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	1,566,296	923,359	2,419,289	1,380,602	(943,161)	(2,919,523)	(515,792)	-
Benefit payments, including refunds of employee contributions	(14,553,773)	(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	<u>11,033,360</u>	<u>9,984,639</u>	<u>11,806,005</u>	<u>9,197,232</u>	<u>21,259,132</u>	<u>5,180,303</u>	<u>4,206,904</u>	<u>8,625,211</u>
Total pension liability - beginning	<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>	<u>199,527,764</u>
Total pension liability - ending (a)	<u>\$ 280,820,550</u>	<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	\$ 8,636,700	10,703,394	7,213,925	6,276,049	10,375,991	5,320,402	5,142,818	4,954,271
Contribution - employee	1,752,072	1,752,804	1,690,559	1,661,415	1,565,941	1,479,400	1,375,301	1,421,733
Net investment income	42,296,327	9,068,546	11,434,835	13,896,417	16,797,654	706,789	3,458,100	23,479,329
Benefit payments	(14,553,773)	(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	(187,821)	(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	<u>37,943,505</u>	<u>6,969,233</u>	<u>6,996,947</u>	<u>8,562,255</u>	<u>16,705,958</u>	<u>(3,995,692)</u>	<u>(924,413)</u>	<u>19,769,339</u>
Plan fiduciary net position - beginning	<u>188,020,088</u>	<u>181,050,855</u>	<u>174,053,908</u>	<u>165,491,653</u>	<u>148,785,695</u>	<u>152,781,387</u>	<u>153,705,800</u>	<u>133,936,461</u>
Plan fiduciary net position - ending (b)	<u>225,963,593</u>	<u>188,020,088</u>	<u>181,050,855</u>	<u>174,053,908</u>	<u>165,491,653</u>	<u>148,785,695</u>	<u>152,781,387</u>	<u>153,705,800</u>
Net pension liability - ending (a)-(b)	<u>\$ 54,856,957</u>	<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	80.47%	69.69%	69.69%	70.18%	69.30%	68.39%	71.94%	73.84%
Covered payroll	\$ 18,953,091	19,108,351	18,795,618	17,748,610	16,861,345	15,701,959	15,565,558	15,733,733
Net pension liability as a percentage of covered-payroll	289.44%	427.91%	418.99%	416.61%	434.77%	437.87%	382.76%	346.05%

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 Eight Fiscal Years (Unaudited)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 41,185,704	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>(36,904,394)</u>	<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>\$ 4,281,310</u> (1)	<u>4,728,279</u> (1)	<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	\$ 121,534,739	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	30.37%	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	2.50%
Salary increases	Varies by entry age and service
Payroll Growth	2.50%
Investments Rate of Return	7.00%
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 Eight Fiscal Years (Unaudited)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 20,876,028	18,987,371	17,488,731	15,428,327	13,453,498	13,559,983	12,327,896
Contributions in relation to actuarially determined contributions	<u>(20,117,871)</u>	<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>
Contribution excess	<u>\$ 758,157 (1)</u>	<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>
Covered payroll	\$ 32,619,907	33,829,867	34,111,685	31,286,093	31,769,364	30,592,273	29,176,438
Contributions as a percentage of covered-payroll	61.67%	56.52%	58.35%	50.90%	43.36%	86.81%	43.52%

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	2.50%
Salary increases	Varies by entry age and service
Payroll Growth	2.50%
Investments Rate of Return	7.00%
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 Eight Fiscal Years (Unaudited)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 9,544,076	8,801,916	7,971,960	6,959,294	5,884,665	5,624,625	5,185,401
Contributions in relation to actuarially determined contributions	<u>(9,304,903)</u>	<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>
Contribution (excess) deficiency	<u><u>239,173</u></u> (1)	<u><u>165,216</u></u> (1)	<u><u>(2,731,435)</u></u>	<u><u>(252,133)</u></u>	<u><u>(391,383)</u></u>	<u><u>(4,747,722)</u></u>	<u><u>(135,001)</u></u>
Covered payroll	\$ 19,020,772	18,953,091	19,108,351	18,795,618	17,748,610	16,861,345	15,701,959
Contributions as a percentage of covered payroll	48.92%	45.57%	56.01%	38.37%	35.36%	61.52%	33.88%

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	2.50%
Salary increases	Varies by entry age and service
Payroll Growth	2.50%
Investments Rate of Return	7.00%
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 Five Fiscal Years (Unaudited)¹

Fiscal Yearend Measurement Date	<u>FYE 2022</u> <u>6/30/2021</u>	<u>FYE 2021</u> <u>6/30/2020</u>	<u>FYE 2020</u> <u>6/30/2019</u>	<u>FYE 2019</u> <u>6/30/2018</u>	<u>FYE 2018</u> <u>6/30/2017</u>
Total OPEB Liability					
Service Cost	\$ 2,114,167	1,707,389	1,207,816	1,073,506	1,017,718
Interest on the total OPEB liability	1,366,059	1,555,940	2,125,930	2,064,073	2,063,748
Changes in assumptions	(10,821,855)	4,391,134	6,467,787	1,443,660	(321,247)
Difference between expected and actual experience	(1,042,413)	-	(577,838)	-	(1,164,748)
Benefit payments, including refunds of employee contributions	(1,888,159)	(1,798,994)	(1,708,929)	(1,571,807)	(1,721,051)
Net change in total OPEB liability	<u>(10,272,201)</u>	<u>5,855,469</u>	<u>7,514,766</u>	<u>3,009,432</u>	<u>(125,580)</u>
Total OPEB liability - beginning	<u>46,761,797</u>	<u>40,906,328</u>	<u>33,391,562</u>	<u>30,382,130</u>	<u>30,507,710</u>
Total OPEB liability - ending (a)	<u>\$ 36,489,596</u>	<u>46,761,797</u>	<u>40,906,328</u>	<u>33,391,562</u>	<u>30,382,130</u>
Plan fiduciary net position					
Contribution - employer	\$ -	-	3,047,011	3,011,934	2,686,113
Net investment income	346,159	432,025	712,791	412,595	325,621
Benefit payments	(1,888,159)	(1,798,994)	(1,708,929)	(1,571,807)	(1,721,051)
Administrative expense	(2,465)	(3,973)	(1,772)	(3,600)	(2,680)
Other expenses	-	-	-	(5,303)	-
Net change in plan fiduciary - net position	<u>(1,544,465)</u>	<u>(1,370,942)</u>	<u>2,049,101</u>	<u>1,843,819</u>	<u>1,288,003</u>
Plan fiduciary net position - beginning	<u>6,528,517</u>	<u>7,899,459</u>	<u>5,850,358</u>	<u>4,006,539</u>	<u>2,718,536</u>
Plan fiduciary net position - ending (b)	<u>4,984,052</u>	<u>6,528,517</u>	<u>7,899,459</u>	<u>5,850,358</u>	<u>4,006,539</u>
Net OPEB liability - ending (a)-(b)	<u>\$ 31,505,544</u>	<u>40,233,280</u>	<u>33,006,869</u>	<u>27,541,204</u>	<u>26,375,591</u>
Plan fiduciary net position as a percentage of the total OPEB liability	13.66%	13.96%	19.31%	17.52%	13.19%
Covered employee payroll	\$ 208,969,756	236,995,540	232,059,089	216,623,938	206,778,649
Net OPEB liability as a percentage of covered employee payroll	15.08%	16.98%	14.22%	12.71%	12.76%

¹Fiscal year 2018 was first year of implementation, therefore only five 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: Trust rate of return decreased from 6.2% to 5.55%

Discount rate for accounting increased from 2.85% to 3.05%

CITY OF SANTA MONICA, CALIFORNIA

Required Supplementary Information

Schedule of Contributions OPEB

Last Five Fiscal Years (Unaudited)

	<u>FYE 2022</u>	<u>FYE 2021</u>	<u>FYE 2020</u>	<u>FYE 2019</u>	<u>FYE 2018</u>
Actuarially determined contribution	\$ 2,784,342	2,664,115	2,452,877	2,727,622	2,645,395
Contributions in relation to actuarially determined contributions	3,156,420	-	-	3,047,011	3,011,934
Contribution deficiency (excess)	<u>\$ (372,078)</u>	<u>2,664,115</u>	<u>2,452,877</u>	<u>(319,389)</u>	<u>(366,539)</u>
Covered employee payroll	\$ 236,995,540	204,690,556	236,995,540	232,059,089	216,623,938
Contributions as a percentage of covered employee payroll	1.33%	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, 2022**

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.

South Coast Air Quality Management District (SCAQMD) Fund – To account for the receipt and expenditure of Air Quality Management District funds.

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

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

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

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

CITY OF SANTA MONICA, CALIFORNIA

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, 2022

	Special Revenue Funds					
	Beach Recreation	Housing Authority	TORCA	Asset Seizure	Citizens Option for Public Safety	Rent Control
Assets						
Cash and investments (note 2)	\$ 4,743,039	-	3,572,528	1,706,319	661,058	1,788,106
Restricted cash and investments (note 2)	347,810	2,444,030	-	-	-	-
Receivables (net, where applicable, of allowances for uncollectibles):						
Accounts	805,126	5,600	-	5,267	-	67,480
Notes (note 4)	-	-	7,422,526	-	-	-
Taxes	-	-	-	-	-	-
Leases (note 3)	12,696,566	-	-	-	-	-
Interest	7,539	1,125	12,956	3,314	1,215	10,561
Other governments	-	676,334	-	-	-	-
Deposits	-	-	-	-	-	-
Prepays	-	-	-	-	-	26,343
Restricted cash with fiscal agent (note 2)	-	-	-	-	-	-
Total assets	<u>\$ 18,600,080</u>	<u>3,127,089</u>	<u>11,008,010</u>	<u>1,714,900</u>	<u>662,273</u>	<u>1,892,490</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICIT)						
Liabilities						
Accounts payable	\$ 1,516,057	86,767	752,381	143,733	-	83,807
Accrued liabilities	107,968	26,860	-	-	-	106,717
Contracts payable (retained percentage)	609,048	-	51,968	-	-	-
Due to other funds (note 17)	-	670,078	-	-	-	-
Unearned revenue (note 6)	507,519	175,195	-	-	-	20,196
Deposits payable	372,269	-	-	-	-	-
Advances from other funds (note 17)	5,292,973	-	-	-	-	268,147
Total liabilities	<u>8,405,834</u>	<u>958,900</u>	<u>804,349</u>	<u>143,733</u>	<u>-</u>	<u>478,867</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue (note 6)	-	-	-	-	-	-
Deferred inflows leases	11,847,585	-	-	-	-	-
Total deferred inflows of resources	<u>11,847,585</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances (deficit)						
Nonspendable	-	-	-	-	-	26,343
Restricted	-	2,168,189	10,203,661	1,571,167	662,273	1,387,280
Unassigned	(1,653,339)	-	-	-	-	-
Total fund balances	<u>(1,653,339)</u>	<u>2,168,189</u>	<u>10,203,661</u>	<u>1,571,167</u>	<u>662,273</u>	<u>1,413,623</u>
Total liabilities and fund balances	<u>\$ 18,600,080</u>	<u>3,127,089</u>	<u>11,008,010</u>	<u>1,714,900</u>	<u>662,273</u>	<u>1,892,490</u>

continued

CITY OF SANTA MONICA, CALIFORNIA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2022

	Special Revenue Funds					Capital Projects Fund
	Gas Tax	Local Return	Community Development Block Grant	SCAQMD	Parks and Recreation	Clean Beaches and Ocean Parcel Tax
Assets						
Cash and investments (note 2)	\$ -	-	-	991,367	-	13,165,670
Restricted cash and investments (note 2)	4,541,797	16,346,649	13,260	-	-	-
Receivables (net, where applicable, of allowances for uncollectibles):						
Accounts	-	-	-	-	-	4,763
Notes (note 4)	-	-	8,817,442	-	-	-
Taxes	-	-	-	-	-	147,741
Leases (note 3)	-	-	-	-	-	-
Interest	8,713	32,682	12	2,629	88	20,608
Other governments	341,528	-	279,336	30,577	-	-
Deposits	-	-	3,258	-	-	-
Prepays	-	-	-	-	-	-
Restricted cash with fiscal agent (note 2)	-	-	-	-	-	-
Total assets	<u>\$ 4,892,038</u>	<u>16,379,331</u>	<u>9,113,308</u>	<u>1,024,573</u>	<u>88</u>	<u>13,338,782</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICIT)						
Liabilities						
Accounts payable	\$ 15	394,181	4,501	-	-	174,923
Accrued liabilities	-	-	-	-	-	-
Contracts payable (retained percentage)	1,562	108,164	-	-	7,825	1,503,736
Due to other funds (note 17)	353,101	-	183,550	-	114,202	889,277
Unearned revenue (note 6)	-	-	-	-	-	-
Deposits payable	-	-	-	-	-	-
Advances from other funds (note 17)	-	-	-	-	-	-
Total liabilities	<u>354,678</u>	<u>502,345</u>	<u>188,051</u>	<u>-</u>	<u>122,027</u>	<u>2,567,936</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue (note 6)	-	-	189,275	-	-	-
Deferred inflows leases	-	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>189,275</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances (deficit)						
Nonspendable	-	-	-	-	-	-
Restricted	4,537,360	15,876,986	8,735,982	1,024,573	-	10,770,846
Unassigned	-	-	-	-	(121,939)	-
Total fund balances	<u>4,537,360</u>	<u>15,876,986</u>	<u>8,735,982</u>	<u>1,024,573</u>	<u>(121,939)</u>	<u>10,770,846</u>
Total liabilities and fund balances	<u>\$ 4,892,038</u>	<u>16,379,331</u>	<u>9,113,308</u>	<u>1,024,573</u>	<u>88</u>	<u>13,338,782</u>

continued

CITY OF SANTA MONICA, CALIFORNIA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2022

	Debt Service Fund	Permanent Funds		Total nonmajor governmental funds
	Debt Service	Cemetery Perpetual Care	Mausoleum Perpetual Care	
Assets				
Cash and investments (note 2)	\$ -	60,707	16,260	26,705,054
Restricted cash and investments (note 2)	-	-	-	23,693,546
Receivables (net, where applicable, of allowances for uncollectibles):				
Accounts	-	21,928	3,040	913,204
Notes (note 4)	-	-	-	16,239,968
Taxes	-	-	-	147,741
Leases (note 3)	-	-	-	12,696,566
Interest	-	49,539	6,195	157,176
Other governments	-	-	-	1,327,775
Deposits	-	-	-	3,258
Prepays	-	-	-	26,343
Restricted cash with fiscal agent (note 2)	8,508,206	14,907,436	1,836,500	25,252,142
Total assets	<u>\$ 8,508,206</u>	<u>15,039,610</u>	<u>1,861,995</u>	<u>107,162,773</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICIT)				
Liabilities				
Accounts payable	\$ -	-	-	3,156,365
Accrued liabilities	-	-	-	241,545
Contracts payable (retained percentage)	-	-	-	2,282,303
Due to other funds (note 17)	-	-	-	2,210,208
Unearned revenue (note 6)	-	-	-	702,910
Deposits payable	-	-	-	372,269
Advances from other funds (note 17)	-	-	-	5,561,120
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,526,720</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue (note 6)	-	-	-	189,275
Deferred inflows leases	-	-	-	11,847,585
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,036,860</u>
Fund balances (deficit)				
Nonspendable	-	15,039,610	1,861,995	16,927,948
Restricted	8,508,206	-	-	65,446,523
Unassigned	-	-	-	(1,775,278)
Total fund balances	<u>8,508,206</u>	<u>15,039,610</u>	<u>1,861,995</u>	<u>80,599,193</u>
Total liabilities and fund balances	<u>\$ 8,508,206</u>	<u>15,039,610</u>	<u>1,861,995</u>	<u>107,162,773</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, 2022

	Special Revenue Funds					
	Beach Recreation	Housing Authority	TORCA	Asset Seizure	Citizens Option for Public Safety	Rent Control
Revenues:						
Other taxes	\$ -	-	36,732	-	-	-
Licenses and permits	129,630	-	-	-	-	-
Intergovernmental	28,899	26,801,000	-	282,386	228,404	-
Charges for services	13,952,793	-	-	-	-	5,292,207
Investment income	(105,818)	(17,230)	(200,800)	(51,257)	(18,817)	(162,425)
Rental income	1,715,386	-	-	-	-	-
Other revenue	1,342,959	-	183,542	-	-	515
Total revenues	<u>17,063,849</u>	<u>26,783,770</u>	<u>19,474</u>	<u>231,129</u>	<u>209,587</u>	<u>5,130,297</u>
Expenditures:						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	143,733	12,754	-
General services	6,548,355	-	-	-	-	-
Community services	2,543,984	25,279,518	2,820,622	-	-	-
Community development	6,912,028	-	-	-	-	5,402,417
Debt service expenditures:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	<u>16,004,367</u>	<u>25,279,518</u>	<u>2,820,622</u>	<u>143,733</u>	<u>12,754</u>	<u>5,402,417</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,059,482</u>	<u>1,504,252</u>	<u>(2,801,148)</u>	<u>87,396</u>	<u>196,833</u>	<u>(272,120)</u>
Other financing sources (uses)						
Transfers in	141,466	92,355	-	-	-	-
Transfers out	(215,703)	-	(118,647)	-	-	(160,883)
Total other financing sources (uses)	<u>(74,237)</u>	<u>92,355</u>	<u>(118,647)</u>	<u>-</u>	<u>-</u>	<u>(160,883)</u>
Net change in fund balances	985,245	1,596,607	(2,919,795)	87,396	196,833	(433,003)
Fund balances (deficit) at the beginning of year, as restated	<u>(2,638,584)</u>	<u>571,582</u>	<u>13,123,456</u>	<u>1,483,771</u>	<u>465,440</u>	<u>1,846,626</u>
Fund balances at end of year	<u>\$ (1,653,339)</u>	<u>2,168,189</u>	<u>10,203,661</u>	<u>1,571,167</u>	<u>662,273</u>	<u>1,413,623</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, 2022

	Special Revenue Funds					Capital Projects Fund
	Gas Tax	Local Return	Community Development Block Grant	SCAQMD	Parks and Recreation	Clean Beaches and Ocean Parcel Tax
Revenues:						
Other taxes	\$ -	-	-	-	-	3,466,243
Licenses and permits	-	-	-	-	-	-
Intergovernmental	3,893,162	6,783,793	1,324,848	120,147	-	3,317,241
Charges for services	-	-	-	-	-	-
Investment income	(134,779)	(505,819)	(108)	(40,740)	(1,301)	(317,059)
Rental income	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-
Total revenues	<u>3,758,383</u>	<u>6,277,974</u>	<u>1,324,740</u>	<u>79,407</u>	<u>(1,301)</u>	<u>6,466,425</u>
Expenditures:						
Current:						
General government	5,013	-	24,168	281,586	-	-
Public safety	-	-	-	-	-	-
General services	1,323,914	4,099,302	-	-	-	2,332,987
Community services	-	11,460	293,041	-	164,743	-
Community development	-	-	-	-	-	-
Debt service expenditures:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	<u>1,328,927</u>	<u>4,110,762</u>	<u>317,209</u>	<u>281,586</u>	<u>164,743</u>	<u>2,332,987</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,429,456</u>	<u>2,167,212</u>	<u>1,007,531</u>	<u>(202,179)</u>	<u>(166,044)</u>	<u>4,133,438</u>
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	(2,169,917)	(684,378)	(125,335)	-	-	(1,239,933)
Total other financing sources (uses)	<u>(2,169,917)</u>	<u>(684,378)</u>	<u>(125,335)</u>	<u>-</u>	<u>-</u>	<u>(1,239,933)</u>
Net change in fund balances	259,539	1,482,834	882,196	(202,179)	(166,044)	2,893,505
Fund balances (deficit) at the beginning of year, as restated	<u>4,277,821</u>	<u>14,394,152</u>	<u>7,853,786</u>	<u>1,226,752</u>	<u>44,105</u>	<u>7,877,341</u>
Fund balances at end of year	<u>\$ 4,537,360</u>	<u>15,876,986</u>	<u>8,735,982</u>	<u>1,024,573</u>	<u>(121,939)</u>	<u>10,770,846</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, 2022

	<u>Debt Service Fund</u>	<u>Permanent Funds</u>		<u>Total nonmajor governmental funds</u>
	<u>Debt Service</u>	<u>Cemetery Perpetual Care</u>	<u>Mausoleum Perpetual Care</u>	
Revenues:				
Other taxes	\$ -	-	-	3,502,975
Licenses and permits	-	-	-	129,630
Intergovernmental	-	-	-	42,779,880
Charges for services	-	371,550	97,341	19,713,891
Investment income	342	(502,955)	(64,581)	(2,123,347)
Rental income	-	-	-	1,715,386
Other revenue	-	-	-	1,527,016
Total revenues	<u>342</u>	<u>(131,405)</u>	<u>32,760</u>	<u>67,245,431</u>
Expenditures:				
Current:				
General government	-	-	-	310,767
Public safety	-	-	-	156,487
General services	-	-	-	14,304,558
Community services	-	-	-	31,113,368
Community development	1,368,342	-	-	13,682,787
Debt service expenditures:				
Principal	2,895,000	-	-	2,895,000
Interest	5,387,582	-	-	5,387,582
Total expenditures	<u>9,650,924</u>	<u>-</u>	<u>-</u>	<u>67,850,549</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(9,650,582)</u>	<u>(131,405)</u>	<u>32,760</u>	<u>(605,118)</u>
Other financing sources (uses)				
Transfers in	12,536,486	-	-	12,770,307
Transfers out	-	(417,217)	(50,566)	(5,182,579)
Total other financing sources (uses)	<u>12,536,486</u>	<u>(417,217)</u>	<u>(50,566)</u>	<u>7,587,728</u>
Net change in fund balances	2,885,904	(548,622)	(17,806)	6,982,610
Fund balances (deficit) at the beginning of year, as restated	5,622,302	15,588,232	1,879,801	73,616,583
Fund balances at end of year	<u>\$ 8,508,206</u>	<u>15,039,610</u>	<u>1,861,995</u>	<u>80,599,193</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, 2022

	<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	\$ 102,250	129,630	-	129,630	27,380
Intergovernmental	28,899	28,899	-	28,899	-
Charges for services	12,327,370	13,952,793	-	13,952,793	1,625,423
Investment income	-	(105,818)	-	(105,818)	(105,818)
Rental income	1,188,305	1,715,386	-	1,715,386	527,081
Other revenue	775,947	1,342,959	-	1,342,959	567,012
Total revenues	<u>14,422,771</u>	<u>17,063,849</u>	<u>-</u>	<u>17,063,849</u>	<u>2,641,078</u>
Expenditures:					
General services:					
Public works	5,731,521	5,594,227	14,044	5,608,271	123,250
Other	25,550	17,873	-	17,873	7,677
Capital improvement	2,686,571	936,255	456,406	1,392,661	1,293,910
Total general services	<u>8,443,642</u>	<u>6,548,355</u>	<u>470,450</u>	<u>7,018,805</u>	<u>1,424,837</u>
Community services:					
Community services	2,665,821	2,467,981	954	2,468,935	196,886
Capital improvement	402,794	76,003	-	76,003	326,791
Total Community services	<u>3,068,615</u>	<u>2,543,984</u>	<u>954</u>	<u>2,544,938</u>	<u>523,677</u>
Community development:					
Community development	6,971,121	6,912,028	6	6,912,034	59,087
Total Community development	<u>6,971,121</u>	<u>6,912,028</u>	<u>6</u>	<u>6,912,034</u>	<u>59,087</u>
Total expenditures	<u>18,483,378</u>	<u>16,004,367</u>	<u>471,410</u>	<u>16,475,777</u>	<u>2,007,601</u>
Excess (deficiency) of revenues over (under) expenditures	(4,060,607)	1,059,482	(471,410)	588,072	4,648,679
Other financing sources (uses):					
Transfers in	205,362	141,466	-	141,466	(63,896)
Transfers out	(212,235)	(215,703)	-	(215,703)	(3,468)
Total other financing sources (uses)	<u>(6,873)</u>	<u>(74,237)</u>	<u>-</u>	<u>(74,237)</u>	<u>(67,364)</u>
Net change in fund balance	(4,067,480)	985,245	(471,410)	513,835	4,581,315
Fund balance at beginning of year, as restated	<u>2,638,584</u>	<u>(2,638,584)</u>	<u>-</u>	<u>(2,638,584)</u>	<u>(5,277,168)</u>
Fund balance at end of year	<u>\$ (1,428,896)</u>	<u>(1,653,339)</u>	<u>(471,410)</u>	<u>(2,124,749)</u>	<u>(695,853)</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, 2022

	<u>Budget</u>	<u>Actual, GAAP basis</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Intergovernmental	\$ 25,947,622	26,801,000	-	26,801,000	853,378
Investment income	-	(17,230)	-	(17,230)	(17,230)
Total revenues	<u>25,947,622</u>	<u>26,783,770</u>	<u>-</u>	<u>26,783,770</u>	<u>836,148</u>
Expenditures:					
Community services:					
Community services	25,762,476	25,267,149	43	25,267,192	495,284
Capital improvement	12,371	12,369	-	12,369	2
Total community services	<u>25,774,847</u>	<u>25,279,518</u>	<u>43</u>	<u>25,279,561</u>	<u>495,286</u>
Total expenditures	<u>25,774,847</u>	<u>25,279,518</u>	<u>43</u>	<u>25,279,561</u>	<u>495,286</u>
Excess (deficiency) of revenues over (under) expenditures	172,775	1,504,252	(43)	1,504,209	1,331,434
Other financing sources (uses):					
Transfers in	65,258	92,355	-	92,355	27,097
Total other financing sources (uses)	<u>65,258</u>	<u>92,355</u>	<u>-</u>	<u>92,355</u>	<u>27,097</u>
Net change in fund balance	238,033	1,596,607	(43)	1,596,564	1,358,531
Fund balance at beginning of year, as restated	<u>571,582</u>	<u>571,582</u>	<u>-</u>	<u>571,582</u>	<u>-</u>
Fund balance at end of year	<u>\$ 809,615</u>	<u>2,168,189</u>	<u>(43)</u>	<u>2,168,146</u>	<u>1,358,531</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, 2022

	<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	36,732	-	36,732	11,732
Investment income	110,000	(200,800)	-	(200,800)	(310,800)
Other revenue	50,000	183,542	-	183,542	133,542
Total revenues	<u>185,000</u>	<u>19,474</u>	<u>-</u>	<u>19,474</u>	<u>(165,526)</u>
Expenditures:					
Community services:					
Community services	6,000	39	-	39	5,961
Other	14,266	1,476,357	-	1,476,357	(1,462,091)
Capital improvement	3,263,576	1,344,226	1,634,243	2,978,469	285,107
Total Community services	<u>3,283,842</u>	<u>2,820,622</u>	<u>1,634,243</u>	<u>4,454,865</u>	<u>(1,171,023)</u>
Total expenditures	<u>3,283,842</u>	<u>2,820,622</u>	<u>1,634,243</u>	<u>4,454,865</u>	<u>(1,171,023)</u>
Excess (deficiency) of revenues over (under) expenditures	(3,098,842)	(2,801,148)	(1,634,243)	(4,435,391)	(1,336,549)
Other financing sources (uses):					
Transfers out	<u>(86,268)</u>	<u>(118,647)</u>	<u>-</u>	<u>(118,647)</u>	<u>(32,379)</u>
Total other financing sources (uses)	<u>(86,268)</u>	<u>(118,647)</u>	<u>-</u>	<u>(118,647)</u>	<u>(32,379)</u>
Net change in fund balance	(3,185,110)	(2,919,795)	(1,634,243)	(4,554,038)	(1,368,928)
Fund balance at beginning of year, as restated	<u>13,123,456</u>	<u>13,123,456</u>	<u>-</u>	<u>13,123,456</u>	<u>-</u>
Fund balance at end of year	<u>\$ 9,938,346</u>	<u>10,203,661</u>	<u>(1,634,243)</u>	<u>8,569,418</u>	<u>(1,368,928)</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, 2022

	<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	228,404	-	228,404	28,404
Investment income	5,000	(18,817)	-	(18,817)	(23,817)
Total revenues	<u>205,000</u>	<u>209,587</u>	<u>-</u>	<u>209,587</u>	<u>4,587</u>
Expenditures:					
Public safety:					
Police	195,455	12,754	85,963	98,717	96,738
Total public safety	<u>195,455</u>	<u>12,754</u>	<u>85,963</u>	<u>98,717</u>	<u>96,738</u>
Total expenditures	<u>195,455</u>	<u>12,754</u>	<u>85,963</u>	<u>98,717</u>	<u>96,738</u>
Net change in fund balance	9,545	196,833	(85,963)	110,870	101,325
Fund balance at beginning of year, as restated	<u>465,440</u>	<u>465,440</u>	<u>-</u>	<u>465,440</u>	<u>-</u>
Fund balance at end of year	<u>\$ 474,985</u>	<u>662,273</u>	<u>(85,963)</u>	<u>576,310</u>	<u>101,325</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, 2022

	<u>Budget</u>	<u>Actual, GAAP basis</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Intergovernmental	\$ 4,192,087	3,893,162	-	3,893,162	(298,925)
Investment income	18,000	(134,779)	-	(134,779)	(152,779)
Total revenues	<u>4,210,087</u>	<u>3,758,383</u>	<u>-</u>	<u>3,758,383</u>	<u>(451,704)</u>
Expenditures:					
General government:					
Other	5,138	5,013	-	5,013	125
Total general government	<u>5,138</u>	<u>5,013</u>	<u>-</u>	<u>5,013</u>	<u>125</u>
General services:					
Capital improvement	5,604,339	1,323,914	536,616	1,860,530	3,743,809
Total general services	<u>5,604,339</u>	<u>1,323,914</u>	<u>536,616</u>	<u>1,860,530</u>	<u>3,743,809</u>
Total expenditures	<u>5,609,477</u>	<u>1,328,927</u>	<u>536,616</u>	<u>1,865,543</u>	<u>3,743,934</u>
Excess (deficiency) of revenues over (under) expenditures	(1,399,390)	2,429,456	(536,616)	1,892,840	3,292,230
Other financing sources (uses):					
Transfers out	(2,362,841)	(2,169,917)	-	(2,169,917)	192,924
Total other financing sources (uses)	<u>(2,362,841)</u>	<u>(2,169,917)</u>	<u>-</u>	<u>(2,169,917)</u>	<u>192,924</u>
Net change in fund balance	(3,762,231)	259,539	(536,616)	(277,077)	3,485,154
Fund balance at beginning of year, as restated	<u>4,277,821</u>	<u>4,277,821</u>	<u>-</u>	<u>4,277,821</u>	<u>-</u>
Fund balance at end of year	<u>\$ 515,590</u>	<u>4,537,360</u>	<u>(536,616)</u>	<u>4,000,744</u>	<u>3,485,154</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, 2022

	<u>Budget</u>	<u>Actual, GAAP basis</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Intergovernmental	\$ 5,429,381	6,783,793	-	6,783,793	1,354,412
Investment income	150,000	(505,819)	-	(505,819)	(655,819)
Total revenues	<u>5,579,381</u>	<u>6,277,974</u>	<u>-</u>	<u>6,277,974</u>	<u>698,593</u>
Expenditures:					
General services:					
Mobility	494,538	326,327	-	326,327	168,211
Capital improvement	14,805,034	3,772,975	3,096,584	6,869,559	7,935,475
Total general services	<u>15,299,572</u>	<u>4,099,302</u>	<u>3,096,584</u>	<u>7,195,886</u>	<u>8,103,686</u>
Capital improvement	94,207	11,460	82,747	94,207	-
Total expenditures	<u>15,393,779</u>	<u>4,110,762</u>	<u>3,179,331</u>	<u>7,290,093</u>	<u>8,103,686</u>
Excess (deficiency) of revenues over (under) expenditures	(9,814,398)	2,167,212	(3,179,331)	(1,012,119)	8,802,279
Other financing sources (uses):					
Transfers out	(738,000)	(684,378)	-	(684,378)	53,622
Total other financing sources (uses)	<u>(738,000)</u>	<u>(684,378)</u>	<u>-</u>	<u>(684,378)</u>	<u>53,622</u>
Net change in fund balance	(10,552,398)	1,482,834	(3,179,331)	(1,696,497)	8,855,901
Fund balance at beginning of year, as restated	<u>14,394,152</u>	<u>14,394,152</u>	<u>-</u>	<u>14,394,152</u>	<u>-</u>
Fund balance at end of year	<u>\$ 3,841,754</u>	<u>15,876,986</u>	<u>(3,179,331)</u>	<u>12,697,655</u>	<u>8,855,901</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, 2022

	<u>Budget</u>	<u>Actual, GAAP basis</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Intergovernmental	\$ 1,235,326	1,324,848	-	1,324,848	89,522
Investment income	5,000	(108)	-	(108)	(5,108)
Total revenues	<u>1,240,326</u>	<u>1,324,740</u>	<u>-</u>	<u>1,324,740</u>	<u>84,414</u>
Expenditures:					
General government:					
Other	107,065	24,168	4,800	28,968	78,097
Total general government	<u>107,065</u>	<u>24,168</u>	<u>4,800</u>	<u>28,968</u>	<u>78,097</u>
General services:					
Capital improvement	500,000	-	-	-	500,000
Total general services	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500,000</u>
Community services:					
Community services	614,630	293,041	-	293,041	321,589
Total community services	<u>614,630</u>	<u>293,041</u>	<u>-</u>	<u>293,041</u>	<u>321,589</u>
Total expenditures	<u>1,221,695</u>	<u>317,209</u>	<u>4,800</u>	<u>322,009</u>	<u>899,686</u>
Excess (deficiency) of revenues over (under) expenditures	18,631	1,007,531	(4,800)	1,002,731	984,100
Other financing sources (uses):					
Transfers out	(140,000)	(125,335)	-	(125,335)	14,665
Total other financing sources (uses)	<u>(140,000)</u>	<u>(125,335)</u>	<u>-</u>	<u>(125,335)</u>	<u>14,665</u>
Net change in fund balance	(121,369)	882,196	(4,800)	877,396	998,765
Fund balance at beginning of year, as restated	<u>7,853,786</u>	<u>7,853,786</u>	<u>-</u>	<u>7,853,786</u>	<u>-</u>
Fund balance at end of year	<u>\$ 7,732,417</u>	<u>8,735,982</u>	<u>(4,800)</u>	<u>8,731,182</u>	<u>998,765</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, 2022

	<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	120,147	-	120,147	1,147
Investment income	10,000	(40,740)	-	(40,740)	(50,740)
Total revenues	<u>129,000</u>	<u>79,407</u>	<u>-</u>	<u>79,407</u>	<u>(49,593)</u>
Expenditures:					
General government:					
Other	-	7,463	-	7,463	(7,463)
Capital improvement	369,035	274,123	94,913	369,036	(1)
Total general government	<u>369,035</u>	<u>281,586</u>	<u>94,913</u>	<u>376,499</u>	<u>(7,464)</u>
General services:					
Capital improvement	95,248	-	-	-	95,248
Total general services	<u>95,248</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>95,248</u>
Total expenditures	<u>464,283</u>	<u>281,586</u>	<u>94,913</u>	<u>376,499</u>	<u>87,784</u>
Net change in fund balance	(335,283)	(202,179)	(94,913)	(297,092)	38,191
Fund balance at beginning of year, as restated	<u>1,226,752</u>	<u>1,226,752</u>	<u>-</u>	<u>1,226,752</u>	<u>-</u>
Fund balance at end of year	<u>\$ 891,469</u>	<u>1,024,573</u>	<u>(94,913)</u>	<u>929,660</u>	<u>38,191</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, 2022

	<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	(1,301)	-	(1,301)	(4,301)
Total revenues	<u>3,000</u>	<u>(1,301)</u>	<u>-</u>	<u>(1,301)</u>	<u>(4,301)</u>
Expenditures:					
Capital improvement	301,284	164,743	22,111	186,854	114,430
Total expenditures	<u>301,284</u>	<u>164,743</u>	<u>22,111</u>	<u>186,854</u>	<u>114,430</u>
Net change in fund balance	(298,284)	(166,044)	(22,111)	(188,155)	110,129
Fund balance at beginning of year, as restated	<u>44,105</u>	<u>44,105</u>	<u>-</u>	<u>44,105</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ (254,179)</u></u>	<u><u>(121,939)</u></u>	<u><u>(22,111)</u></u>	<u><u>(144,050)</u></u>	<u><u>110,129</u></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, 2022

	<u>Budget</u>	<u>Actual, GAAP basis</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Other taxes	\$ 3,518,043	3,466,243	-	3,466,243	(51,800)
Intergovernmental	3,297,465	3,317,241	-	3,317,241	19,776
Investment income	130,000	(317,059)	-	(317,059)	(447,059)
Total revenues	<u>6,945,508</u>	<u>6,466,425</u>	<u>-</u>	<u>6,466,425</u>	<u>(479,083)</u>
Expenditures:					
General services:					
Public works	924,533	527,131	158,134	685,265	239,268
Capital improvement	10,993,488	1,805,856	-	1,805,856	9,187,632
Total general services	<u>11,918,021</u>	<u>2,332,987</u>	<u>158,134</u>	<u>2,491,121</u>	<u>9,426,900</u>
Total expenditures	<u>11,918,021</u>	<u>2,332,987</u>	<u>158,134</u>	<u>2,491,121</u>	<u>9,426,900</u>
Excess (deficiency) of revenues over (under) expenditures	(4,972,513)	4,133,438	(158,134)	3,975,304	8,947,817
Other financing sources (uses):					
Transfers out	(1,611,592)	(1,239,933)	-	(1,239,933)	371,659
Total other financing sources (uses)	<u>(1,611,592)</u>	<u>(1,239,933)</u>	<u>-</u>	<u>(1,239,933)</u>	<u>371,659</u>
Net change in fund balance	(6,584,105)	2,893,505	(158,134)	2,735,371	9,319,476
Fund balance at beginning of year	<u>7,877,341</u>	<u>7,877,341</u>	<u>-</u>	<u>7,877,341</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,293,236</u>	<u>10,770,846</u>	<u>(158,134)</u>	<u>10,612,712</u>	<u>9,319,476</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, 2022

	Business-Type Activities - Enterprise Funds						Total nonmajor enterprise funds
	Community Broadband	Airport	Pier	Stormwater Management	Cemetery	Parking Authority	
Assets							
Current assets:							
Cash and investments (note 2)	\$ 114,567	32,656,124	5,319,359	-	2,542,338	356,761	40,989,149
Restricted cash and investments (note 2)	-	1,278,418	285,937	7,735,071	274,611	-	9,574,037
Receivables (net, where applicable, of allowances for uncollectibles):							
Accounts	307,500	377,416	72,821	45,882	638,929	-	1,442,548
Interest	1,083	64,610	10,152	16,935	4,131	2,749	99,660
Leases (note 3)	-	24,620,538	10,142,848	-	-	-	34,763,386
Taxes	-	-	-	8,821	-	-	8,821
Due from other funds	-	7,355,821	-	-	-	-	7,355,821
Prepays	-	27	-	-	-	-	27
Total current assets	<u>423,150</u>	<u>66,352,954</u>	<u>15,831,117</u>	<u>7,806,709</u>	<u>3,460,009</u>	<u>359,510</u>	<u>94,233,449</u>
Noncurrent assets:							
Capital assets:							
Land	-	8	-	-	4	1,362,700	1,362,712
Construction in progress	-	273,366	7,773,603	3,369,449	-	-	11,416,418
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	1,902,858	568,080	515,426	35,750	374,033	7,237	3,403,384
Infrastructure	-	-	17,382,609	10,739,803	-	-	28,122,412
Less: accumulated depreciation	(144,625)	(10,978,961)	(18,091,981)	(6,060,638)	(2,365,691)	(569,930)	(38,211,826)
Net capital assets	<u>1,758,233</u>	<u>3,236,072</u>	<u>18,957,082</u>	<u>8,231,663</u>	<u>506,594</u>	<u>1,888,840</u>	<u>34,578,484</u>
Total noncurrent assets	<u>1,758,233</u>	<u>3,236,072</u>	<u>18,957,082</u>	<u>8,231,663</u>	<u>506,594</u>	<u>1,888,840</u>	<u>34,578,484</u>
Total assets	<u>2,181,383</u>	<u>69,589,026</u>	<u>34,788,199</u>	<u>16,038,372</u>	<u>3,966,603</u>	<u>2,248,350</u>	<u>128,811,933</u>
DEFERRED OUTFLOWS OF RESOURCES							
Deferred outflows from pensions	155,970	309,954	398,982	-	163,804	-	1,028,710
Deferred outflows from OPEB	16,615	24,390	68,404	-	32,966	-	142,375
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>172,585</u>	<u>334,344</u>	<u>467,386</u>	<u>-</u>	<u>196,770</u>	<u>-</u>	<u>1,171,085</u>
Liabilities							
Current liabilities:							
Accounts payable	136,089	1,410,367	716,552	10	77,717	-	2,340,735
Accrued liabilities	22,602	38,534	61,648	-	14,833	-	137,617
Contracts payable (retained percentage)	93,311	112,674	234,195	99,114	16,113	-	555,407
Compensated absences due within one year (note 7)	27,782	58,157	65,341	-	30,203	-	181,483
Liabilities payable from restricted assets - deposits	-	1,551,185	285,187	-	-	-	1,836,372
Total current liabilities	<u>279,784</u>	<u>3,170,917</u>	<u>1,362,923</u>	<u>99,124</u>	<u>138,866</u>	<u>-</u>	<u>5,051,614</u>
Long-term liabilities:							
Compensated absences due in more than one year (note 7)	44,425	34,730	107,438	-	12,309	-	198,902
Net OPEB liability due in more than one year (note 11)	43,349	63,633	178,468	-	86,010	-	371,460
Net pension liability due in more than one year (note 11)	424,020	842,641	1,084,672	-	445,317	-	2,796,650
Total long-term liabilities	<u>511,794</u>	<u>941,004</u>	<u>1,370,578</u>	<u>-</u>	<u>543,636</u>	<u>-</u>	<u>3,367,012</u>
Total liabilities	<u>791,578</u>	<u>4,111,921</u>	<u>2,733,501</u>	<u>99,124</u>	<u>682,502</u>	<u>-</u>	<u>8,418,626</u>
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows from pensions	483,960	961,758	1,238,003	-	508,267	-	3,191,988
Deferred inflows from OPEB	16,199	23,779	66,691	-	32,141	-	138,810
Deferred inflows from leases	-	23,748,759	9,430,791	-	-	-	33,179,550
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>500,159</u>	<u>24,734,296</u>	<u>10,735,485</u>	<u>-</u>	<u>540,408</u>	<u>-</u>	<u>36,510,348</u>
Net position							
Invested in capital assets	1,758,233	3,236,072	18,957,082	8,231,663	506,594	1,888,840	34,578,484
Unrestricted	(696,002)	37,841,081	2,829,517	7,707,585	2,433,869	359,510	50,475,560
Total net position	<u>\$ 1,062,231</u>	<u>41,077,153</u>	<u>21,786,599</u>	<u>15,939,248</u>	<u>2,940,463</u>	<u>2,248,350</u>	<u>85,054,044</u>

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, 2022

	Business-Type Activities - Enterprise Funds						
	Community Broadband	Airport	Pier	Stormwater Management	Cemetery	Parking Authority	Total nonmajor enterprise funds
Operating revenues							
Charges for services	\$ 2,779,595	16,508,310	6,489,567	1,419,613	2,763,983	-	29,961,068
Total operating revenues	<u>2,779,595</u>	<u>16,508,310</u>	<u>6,489,567</u>	<u>1,419,613</u>	<u>2,763,983</u>	<u>-</u>	<u>29,961,068</u>
Operating expenses							
Personnel services	676,718	1,656,851	1,962,837	-	744,192	1,000	5,041,598
Administrative indirect	121,003	923,091	612,697	-	266,915	-	1,923,706
Contractual services	1,295,380	1,764,539	1,055,299	-	417,650	-	4,532,868
Repairs and maintenance	109,463	972,531	424,932	-	58,653	-	1,565,579
Materials and supplies	511	3,389,283	410,282	-	824,108	56,470	4,680,654
Utilities	4,477	953,646	235,459	-	170,935	-	1,364,517
Casualty property and liability costs	8,954	470,236	718,574	-	106,042	-	1,303,806
Miscellaneous fees and costs	-	-	-	-	4,283	-	4,283
Depreciation and amortization	97,768	302,444	477,254	324,607	42,924	16,263	1,261,260
Other	3,919	1,202,339	646,777	36,721	4,579	-	1,894,335
Total operating expenses	<u>2,318,193</u>	<u>11,634,960</u>	<u>6,544,111</u>	<u>361,328</u>	<u>2,640,281</u>	<u>73,733</u>	<u>23,572,606</u>
Operating income (loss)	<u>461,402</u>	<u>4,873,350</u>	<u>(54,544)</u>	<u>1,058,285</u>	<u>123,702</u>	<u>(73,733)</u>	<u>6,388,462</u>
Nonoperating revenues (expenses)							
Investment income	(16,073)	(1,002,559)	(156,821)	(261,300)	(63,967)	(44,887)	(1,545,607)
Interest expense	-	(15,354)	-	-	-	-	(15,354)
Other nonoperating revenues	-	1,057,362	420,353	421,359	378,340	-	2,277,414
Total nonoperating revenues (expenses) net	<u>(16,073)</u>	<u>39,449</u>	<u>263,532</u>	<u>160,059</u>	<u>314,373</u>	<u>(44,887)</u>	<u>716,453</u>
Income before transfers	445,329	4,912,799	208,988	1,218,344	438,075	(118,620)	7,104,915
Transfers in (note 17)	-	7,429,140	3,597,287	394,654	483,095	-	11,904,176
Transfers out (note 17)	(822,000)	(673,032)	(185,673)	(1,730,311)	-	-	(3,411,016)
Extraordinary item (note 21)	-	5,554,811	-	-	-	-	5,554,811
Change in net position	<u>(376,671)</u>	<u>17,223,718</u>	<u>3,620,602</u>	<u>(117,313)</u>	<u>921,170</u>	<u>(118,620)</u>	<u>21,152,886</u>
Net position at beginning of year, as restated (note 20)	<u>1,438,902</u>	<u>23,853,435</u>	<u>18,165,997</u>	<u>16,056,561</u>	<u>2,019,293</u>	<u>2,366,970</u>	<u>63,901,158</u>
Net position at end of year	<u>\$ 1,062,231</u>	<u>41,077,153</u>	<u>21,786,599</u>	<u>15,939,248</u>	<u>2,940,463</u>	<u>2,248,350</u>	<u>85,054,044</u>

CITY OF SANTA MONICA, CALIFORNIA

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the fiscal year ended June 30, 2022

	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	\$ 4,014,241	17,120,107	8,165,786	1,605,818	2,702,878	—	33,608,830
Cash payments for materials and services	(1,425,218)	(9,186,650)	(3,604,063)	(14,984)	(1,836,299)	(120,189)	(16,187,403)
Cash payments to employees for services	(826,376)	(1,758,643)	(2,479,481)	—	(932,288)	(1,000)	(5,997,788)
Other revenue received	—	1,054,231	237,690	421,359	378,340	—	2,091,620
Net cash provided by (used in) operating activities	<u>1,762,647</u>	<u>7,229,045</u>	<u>2,319,932</u>	<u>2,012,193</u>	<u>312,631</u>	<u>(121,189)</u>	<u>13,515,259</u>
Cash flows from noncapital financing activities:							
Advances received from other funds	—	—	—	12,289	—	—	12,289
Repayment of advances from other funds	(515,731)	—	—	—	—	—	(515,731)
Transfers in	—	73,320	3,597,287	394,654	483,095	—	4,548,356
Transfers out	(822,000)	(673,032)	(185,673)	(1,730,311)	—	—	(3,411,016)
Net cash provided by (used in) noncapital financing activities	<u>(1,337,731)</u>	<u>(599,712)</u>	<u>3,411,614</u>	<u>(1,323,368)</u>	<u>483,095</u>	<u>—</u>	<u>633,898</u>
Cash flows from capital and related financing activities:							
Acquisition and construction of capital assets	(294,273)	—	(5,026,572)	(434,729)	—	—	(5,755,574)
Net cash used in capital and related financing activities	<u>(294,273)</u>	<u>—</u>	<u>(5,026,572)</u>	<u>(434,729)</u>	<u>—</u>	<u>—</u>	<u>(5,755,574)</u>
Cash flows from investing activities:							
Investment income	5,333	247,972	43,952	67,247	15,526	10,073	390,103
Net cash used in investing activities	<u>5,333</u>	<u>247,972</u>	<u>43,952</u>	<u>67,247</u>	<u>15,526</u>	<u>10,073</u>	<u>390,103</u>
Net increase (decrease) in cash and cash equivalents	135,976	6,877,305	748,926	321,343	811,252	(111,116)	8,783,686
Cash and cash equivalents at beginning of year	—	28,334,221	5,056,998	7,748,441	2,087,340	522,225	43,749,225
Effect of unrealized loss	(21,409)	(1,276,984)	(200,628)	(334,713)	(81,643)	(54,348)	(1,969,725)
Cash and cash equivalents at end of year	<u>114,567</u>	<u>33,934,542</u>	<u>5,605,296</u>	<u>7,735,071</u>	<u>2,816,949</u>	<u>356,761</u>	<u>50,563,186</u>
Cash and investments	114,567	32,656,124	5,319,359	—	2,542,338	356,761	40,989,149
Restricted cash and investments	—	1,278,418	285,937	7,735,071	274,611	—	9,574,037
Total cash and cash equivalents	<u>114,567</u>	<u>33,934,542</u>	<u>5,605,296</u>	<u>7,735,071</u>	<u>2,816,949</u>	<u>356,761</u>	<u>50,563,186</u>

(Continued)

CITY OF SANTA MONICA, CALIFORNIA

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the fiscal year ended June 30, 2022

	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)	\$ 461,402	4,873,350	(54,544)	1,058,285	123,702	(73,733)	6,388,462
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Add depreciation	97,768	302,444	477,254	324,607	42,924	16,263	1,261,260
Add allowance for doubtful accounts	—	—	(637,193)	—	—	—	(637,193)
Other revenue received	—	1,054,231	237,690	421,359	378,340	—	2,091,620
Changes in assets and liabilities and deferred outflows and inflows of resources:							
(Increase) decrease in accounts receivable	1,234,646	437,849	2,313,412	186,205	(61,105)	—	4,111,007
(Increase) in prepaids	—	(27)	—	—	—	—	(27)
Increase (decrease) in accounts payable	65,734	433,774	379,819	2	16,866	(63,719)	832,476
Decrease in unearned revenue	—	(18,285)	—	—	—	—	(18,285)
Increase (decrease) in accrued liabilities	(314)	(465)	1,252	—	(18,244)	—	(17,771)
Increase in contracts payable	52,755	55,268	120,138	21,735	—	—	249,896
Increase in deposits payable from restricted assets	—	192,233	—	—	—	—	192,233
Increase (decrease) in compensated absences payable	8,197	3,220	2,988	—	(5,765)	—	8,640
Net OPEB liability and related changes in deferred outflows and inflows of resources	(422)	(35,977)	(82,027)	—	(70,248)	—	(188,674)
Net pension liability and related changes in deferred outflows and inflows of resources	(157,119)	(68,570)	(438,857)	—	(93,839)	—	(758,385)
Total adjustments	<u>1,301,245</u>	<u>2,355,695</u>	<u>2,374,476</u>	<u>953,908</u>	<u>188,929</u>	<u>(47,456)</u>	<u>7,126,797</u>
Net cash provided by (used in) operating activities	<u>\$ 1,762,647</u>	<u>7,229,045</u>	<u>2,319,932</u>	<u>2,012,193</u>	<u>312,631</u>	<u>(121,189)</u>	<u>13,515,259</u>
Schedule of non-cash capital and related financing activities:							
Capital assets acquired through accounts payable	—	—	2,775	—	—	—	2,775

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.

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

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

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

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

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

CITY OF SANTA MONICA, CALIFORNIA
Combining Statement of Net Position
Internal Service Funds
June 30, 2022

	<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 (note 2)	\$ 26,670,668	1,347,119	14,013,651	7,693,250	2,403,062	67,495,714	119,623,464
Receivables:							
Accounts	277,197	-	710	-	21,996	275,467	575,370
Interest	54,664	5,357	21,022	11,835	118	148,819	241,815
Inventory	12,973	-	-	-	-	-	12,973
Total current assets	<u>27,015,502</u>	<u>1,352,476</u>	<u>14,035,383</u>	<u>7,705,085</u>	<u>2,425,176</u>	<u>67,920,000</u>	<u>120,453,622</u>
Noncurrent assets:							
Capital assets:							
Construction in progress	-	-	-	-	60,300	-	60,300
Machinery and equipment	43,349,992	1,517,857	2,849	7,386	919	10,065	44,889,068
Less: accumulated depreciation	<u>(28,563,251)</u>	<u>(1,517,857)</u>	<u>(2,849)</u>	<u>(7,386)</u>	<u>(919)</u>	<u>(10,065)</u>	<u>(30,102,327)</u>
Net capital assets	14,786,741	-	-	-	60,300	-	14,847,041
Total assets	<u>41,802,243</u>	<u>1,352,476</u>	<u>14,035,383</u>	<u>7,705,085</u>	<u>2,485,476</u>	<u>67,920,000</u>	<u>135,300,663</u>
DEFERRED OUTFLOWS OF RESOURCES							
Deferred outflows from pensions	542,071	-	-	-	315,840	-	857,911
Deferred outflows from OPEB	63,044	-	-	-	28,340	-	91,384
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>605,115</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>344,180</u>	<u>-</u>	<u>949,295</u>
Liabilities							
Current liabilities:							
Accounts payable	452,584	177,389	448,103	21,016	4,640	220,396	1,324,128
Accrued liabilities	57,455	-	22	4	42,545	9	100,035
Contracts payable (retained percentage)	-	5,611	-	-	-	-	5,611
Compensated absences due within one year (note 7)	81,049	-	-	-	50,205	-	131,254
Claims payable due within one year (note 8)	-	-	11,120,846	2,177,393	-	9,807,586	23,105,825
Total current liabilities	<u>591,088</u>	<u>183,000</u>	<u>11,568,971</u>	<u>2,198,413</u>	<u>97,390</u>	<u>10,027,991</u>	<u>24,666,853</u>
Long-term liabilities:							
Compensated absences due in more than one year (note 7)	113,794	-	-	-	115,018	-	228,812
Claims payable due in more than one year (note 8)	-	-	9,849,184	2,142,079	-	43,544,595	55,535,858
Net OPEB liability due in more than one year (note 11)	164,483	-	-	-	73,940	-	238,423
Net pension liability due in more than one year (note 11)	1,473,673	-	-	-	858,643	-	2,332,316
Total long-term liabilities	<u>1,751,950</u>	<u>-</u>	<u>9,849,184</u>	<u>2,142,079</u>	<u>1,047,601</u>	<u>43,544,595</u>	<u>58,335,409</u>
Total liabilities	<u>2,343,038</u>	<u>183,000</u>	<u>21,418,155</u>	<u>4,340,492</u>	<u>1,144,991</u>	<u>53,572,586</u>	<u>83,002,262</u>
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows from pensions	1,681,994	-	-	-	980,023	-	2,662,017
Deferred inflows from OPEB	61,465	-	-	-	27,630	-	89,095
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,743,459</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,007,653</u>	<u>-</u>	<u>2,751,112</u>
Net position							
Invested in capital assets	14,786,741	-	-	-	60,300	-	14,847,041
Unrestricted	23,534,120	1,169,476	(7,382,772)	3,364,593	616,712	14,347,414	35,649,543
Total net position	<u>\$ 38,320,861</u>	<u>1,169,476</u>	<u>(7,382,772)</u>	<u>3,364,593</u>	<u>677,012</u>	<u>14,347,414</u>	<u>50,496,584</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, 2022

	Vehicle Management	Information Technology Replacement and Services	Self - Insurance General Liability / Auto	Self - Insurance Bus	Self - Insurance Risk Management Admin	Self - Insurance Workers' Compensation	Total internal service funds
Operating revenues							
Charges for services	\$ 14,214,770	1,249,018	12,819,187	5,200,000	4,472,123	16,978,358	54,933,456
Total operating revenues	<u>14,214,770</u>	<u>1,249,018</u>	<u>12,819,187</u>	<u>5,200,000</u>	<u>4,472,123</u>	<u>16,978,358</u>	<u>54,933,456</u>
Operating expenses							
Personnel services	2,261,201	-	-	-	1,345,742	-	3,606,943
Administrative indirect	937,158	-	-	-	339,428	-	1,276,586
Contractual services	318,648	-	54,264	200,272	92,085	760,918	1,426,187
Repairs and maintenance	1,873,678	-	40,665	40,665	1,700	40,858	1,997,566
Materials and supplies	1,302,082	1,923,348	-	-	33,973	-	3,259,403
Utilities	94,850	-	-	-	867	-	95,717
Casualty property and liability costs	225,471	-	-	-	33,168	-	258,639
Claims expense net of claims reserve adjustment	-	-	9,860,293	3,443	-	7,311,753	17,175,489
Insurance and bonds	-	-	2,761,284	2,754,782	4,348,386	645,711	10,510,163
Miscellaneous fees and costs	-	-	2,155,131	272,547	-	730,161	3,157,839
Depreciation and amortization	4,509,313	46,368	-	-	-	-	4,555,681
Other	316,094	-	479	55	145	6,415	323,188
Total operating expenses	<u>11,838,495</u>	<u>1,969,716</u>	<u>14,872,116</u>	<u>3,271,764</u>	<u>6,195,494</u>	<u>9,495,816</u>	<u>47,643,401</u>
Operating income (loss)	<u>2,376,275</u>	<u>(720,698)</u>	<u>(2,052,929)</u>	<u>1,928,236</u>	<u>(1,723,371)</u>	<u>7,482,542</u>	<u>7,290,055</u>
Nonoperating revenues							
Investment income	(845,097)	(82,652)	(323,812)	(187,598)	(1,484)	(2,309,142)	(3,749,785)
Gain on disposal of capital assets	156,819	-	-	-	-	-	156,819
Other nonoperating revenues	700	-	-	-	-	7,324	8,024
Total nonoperating revenues	<u>(687,578)</u>	<u>(82,652)</u>	<u>(323,812)</u>	<u>(187,598)</u>	<u>(1,484)</u>	<u>(2,301,818)</u>	<u>(3,584,942)</u>
Income (loss) before transfers	1,688,697	(803,350)	(2,376,741)	1,740,638	(1,724,855)	5,180,724	3,705,113
Transfers in (note 17)	-	-	-	-	2,059,268	-	2,059,268
Transfers out (note 17)	(63,311)	-	(502,193)	(339,779)	-	(1,379,710)	(2,284,993)
Special item (note 21)	-	-	54,900,000	-	-	-	54,900,000
Change in net position	<u>1,625,386</u>	<u>(803,350)</u>	<u>52,021,066</u>	<u>1,400,859</u>	<u>334,413</u>	<u>3,801,014</u>	<u>58,379,388</u>
Net position at beginning of year	<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>
Net position at end of year	<u>\$ 38,320,861</u>	<u>1,169,476</u>	<u>(7,382,772)</u>	<u>3,364,593</u>	<u>677,012</u>	<u>14,347,414</u>	<u>50,496,584</u>

CITY OF SANTA MONICA, CALIFORNIA
Combining Statement of Cash Flows
Internal Service Funds
For the fiscal year ended June 30, 2022

	Vehicle Management	Information Technology Replacement and Services	Self-Insurance General Liability / Auto	Self-Insurance Bus	Self-Insurance Risk Management Administration	Self-Insurance Workers' Compensation	Total internal service funds
Cash flows from operating activities:							
Cash received from customers	\$ 14,080,903	1,249,018	67,719,187	5,200,000	4,457,449	16,978,358	109,684,915
Cash payments for materials and services	(4,921,486)	(2,024,991)	(4,757,923)	(3,317,582)	(4,849,036)	(2,174,075)	(22,045,093)
Cash payments to employees for services	(3,052,153)	—	—	—	(1,598,110)	—	(4,650,263)
Cash payments for claims and related expenses	—	—	(62,192,857)	(53,465)	—	(11,839,667)	(74,085,989)
Other revenue received	700	—	—	—	—	7,324	8,024
Net cash provided by (used in) operating activities	<u>6,107,964</u>	<u>(775,973)</u>	<u>768,407</u>	<u>1,828,953</u>	<u>(1,989,697)</u>	<u>2,971,940</u>	<u>8,911,594</u>
Cash flows from noncapital financing activities:							
Transfers in	—	—	—	—	—	—	—
Transfers out	(63,311)	—	(502,193)	(339,779)	2,059,268	(1,379,710)	(225,725)
Net cash provided by (used in) noncapital financing activities	<u>(63,311)</u>	<u>—</u>	<u>(502,193)</u>	<u>(339,779)</u>	<u>2,059,268</u>	<u>(1,379,710)</u>	<u>(225,725)</u>
Cash flows from capital and related financing activities:							
Acquisition and construction of capital assets	(990,412)	—	—	—	—	—	(990,412)
Proceeds from sale of capital assets	214,668	—	—	—	—	—	214,668
Net cash used in capital and related financing activities	<u>(775,744)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(775,744)</u>
Cash flows from investing activities – investment income	215,993	23,549	82,611	42,165	730	579,723	944,771
Net increase (decrease) in cash and cash equivalents	<u>5,484,902</u>	<u>(752,424)</u>	<u>348,825</u>	<u>1,531,339</u>	<u>70,301</u>	<u>2,171,953</u>	<u>8,854,896</u>
Cash and cash equivalents at beginning of year	<u>22,266,173</u>	<u>2,205,421</u>	<u>14,080,317</u>	<u>6,395,819</u>	<u>2,335,093</u>	<u>68,265,111</u>	<u>115,547,934</u>
Effect of unrealized loss	(1,080,407)	(105,878)	(415,491)	(233,908)	(2,332)	(2,941,350)	(4,779,366)
Cash and cash equivalents at end of year	<u><u>26,670,668</u></u>	<u><u>1,347,119</u></u>	<u><u>14,013,651</u></u>	<u><u>7,693,250</u></u>	<u><u>2,403,062</u></u>	<u><u>67,495,714</u></u>	<u><u>119,623,464</u></u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating income (loss):							
Operating income (loss)	<u>\$ 2,376,275</u>	<u>(720,698)</u>	<u>52,847,071</u>	<u>1,928,236</u>	<u>(1,723,371)</u>	<u>7,482,542</u>	<u>62,190,055</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Add depreciation	4,509,313	46,368	—	—	—	—	4,555,681
Other revenue received	700	—	—	—	—	7,324	8,024
Changes in assets and liabilities and deferred outflows and inflows of resources:							
(Increase) in accounts receivable	(133,867)	—	(710)	—	(14,674)	(275,467)	(424,718)
(Increase) in inventory	(6,021)	—	—	—	—	—	(6,021)
Increase (decrease) in accounts payable	152,516	(101,643)	253,878	(49,265)	716	9,979	266,181
Increase (Decrease) in accrued liabilities	(14,598)	—	22	4	(4,020)	9	(18,583)
Increase in compensated absences payable	6,794	—	—	—	10,279	—	17,073
(Decrease) in claims payable	—	—	(52,331,854)	(50,022)	—	(4,252,447)	(56,634,323)
Net OPEB liability and related changes in deferred outflows and inflows of resources	(40,177)	—	—	—	63,728	—	23,551
Net pension liability and related changes in deferred outflows and inflows of resources	<u>(742,971)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(322,355)</u>	<u>—</u>	<u>(1,065,326)</u>
Total adjustments	<u>3,731,689</u>	<u>(55,275)</u>	<u>(52,078,664)</u>	<u>(99,283)</u>	<u>(266,326)</u>	<u>(4,510,602)</u>	<u>(53,278,461)</u>
Net cash provided by (used in) operating activities	<u><u>\$ 6,107,964</u></u>	<u><u>(775,973)</u></u>	<u><u>768,407</u></u>	<u><u>1,828,953</u></u>	<u><u>(1,989,697)</u></u>	<u><u>2,971,940</u></u>	<u><u>8,911,594</u></u>
Schedule of non-cash capital and related financing activities:	156,819.00	—	—	—	—	—	156,819

City of Santa Monica, California
Year Ended June 30, 2022

STATISTICAL SECTION

TABLE 1

CITY OF SANTA MONICA, CALIFORNIA

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

	<u>2021-22</u>	<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 (1)</u>	<u>2013-14</u>	<u>2012-13</u>
Governmental activities										
Net investment in capital assets	\$ 703,702,731	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
Restricted	249,522,456	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
Unrestricted	(18,778,603)	(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
Total governmental activities net position	<u>934,446,584</u>	<u>859,355,964</u>	<u>927,940,863</u>	<u>971,718,905</u>	<u>984,598,912</u>	<u>975,239,500</u>	<u>944,523,342</u>	<u>908,061,476</u>	<u>1,211,717,977</u>	<u>1,201,505,013</u>
Business-type activities										
Net investment in capital assets	449,639,654	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
Restricted	12,468,628	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
Unrestricted	108,593,242	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
Total business-type activities net position	<u>570,701,524</u>	<u>526,711,056</u>	<u>589,623,918</u>	<u>630,380,888</u>	<u>597,372,456</u>	<u>591,991,292</u>	<u>583,919,691</u>	<u>512,848,296</u>	<u>600,110,889</u>	<u>590,889,283</u>
Primary government										
Net investment in capital assets	1,153,342,385	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
Restricted	261,991,084	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
Unrestricted	89,814,639	(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
Total primary government net position	<u>\$ 1,505,148,108</u>	<u>1,386,067,020</u>	<u>1,517,564,781</u>	<u>1,602,099,793</u>	<u>1,581,971,368</u>	<u>1,567,230,792</u>	<u>1,528,443,033</u>	<u>1,420,909,772</u>	<u>1,811,828,866</u>	<u>1,792,394,296</u>

(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>2021-22</u>	<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>
Expenses										
Governmental activities:										
General government	\$ 74,357,887	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
Public safety	128,036,677	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
General services	80,590,295	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
Community services (3)	87,796,120	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
Library	7,932,667	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
Community development (4)	30,964,869	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
Interest on long-term debt	6,232,438	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
Total governmental activities	<u>415,910,953</u>	<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>
Business-type activities:										
Water	22,488,694	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
Resource recovery and recycling	26,523,962	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
Community broadband	2,318,193	3,215,379	3,065,926	1,907,298	1,926,149	—	—	—	—	—
Pier	6,544,111	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
Wastewater	17,254,412	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
Civic auditorium (1)	—	—	—	—	—	—	—	—	—	4,691,051
Airport	6,095,503	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
Storm water management	361,328	363,288	1,206,606	380,752	359,488	347,197	2,447,698	2,172,116	651,361	406,721
Cemetery	2,640,281	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
Big Blue Bus	82,123,817	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
Parking authority	73,733	1,724,894	27,937	422,090	216,253	16,178	17,742	403,822	369,367	295,651
Total business-type activities	<u>166,424,034</u>	<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>
Total primary governmental activities expenses	\$ <u>582,334,987</u>	<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>
Program revenues										
Governmental activities:										
Charges for services:										
General government	\$ 18,739,301	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
Public safety	20,418,346	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
General services	40,579,634	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
Community services (3)	13,398,797	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
Library	22,037	23,764	260,503	437,269	390,306	388,273	487,809	601,618	614,715	486,204
Community development (4)	31,204,393	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
Operating grants and contributions	62,437,151	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
Capital grants and contributions	2,639,762	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
Total governmental activities program revenues	<u>189,439,421</u>	<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>

(continues next page)

TABLE 2

CITY OF SANTA MONICA, CALIFORNIA

Changes in Net Position
Last Ten Fiscal Years

	<u>2021-22</u>	<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>
<i>(continues from previous page)</i>										
Business-type activities:										
Charges for services:										
Water	34,281,775	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
Resource recovery and recycling	27,347,038	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
Community broadband	2,779,595	3,299,401	3,301,563	2,489,716	2,200,733	1,924,777	—	—	—	—
Pier	6,909,894	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
Wastewater	19,249,781	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
Civic auditorium (1)	—	—	—	—	—	—	—	—	—	1,468,300
Airport	17,306,908	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
Storm water management	1,419,613	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
Cemetery	2,763,983	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
Big Blue Bus	12,320,388	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
Operating grants and contributions	58,306,953	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
Capital grants and contributions	16,080,850	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
Business-type activities program revenues	198,766,778	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
Total primary government program revenues	388,206,199	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
Net (expense):										
Governmental activities	(226,471,532)	(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)
Business-type activities	32,342,744	(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)
Total primary government net expense	(194,128,788)	(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)
General revenues and other changes in net position										
Governmental activities:										
Taxes:										
Business	29,120,949	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
Property	75,980,972	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
Transient occupancy (2)	66,684,095	20,691,803	48,624,638	60,762,881	60,631,025	55,532,325	51,021,050	—	—	—
Sales and use	76,698,693	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
Utility users (2)	33,613,985	27,840,035	28,026,008	28,306,582	29,288,341	29,437,753	30,772,815	—	—	—
Real property transfer (2)	17,845,968	9,334,371	6,856,663	9,808,072	8,169,163	10,951,756	7,850,960	—	—	—
Parking facility (2)	9,966,669	7,374,354	11,072,445	12,699,044	11,557,811	11,231,324	10,718,156	—	—	—
Other	3,670,376	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
Settlement income	—	—	—	—	—	—	—	—	—	9,608,247
Other revenues	8,833,338	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
Investment earnings	(13,385,275)	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
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)
Transfers	(8,444,909)	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)
Total governmental activities	300,584,861	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

(continues next page)

TABLE 2

CITY OF SANTA MONICA, CALIFORNIA

Changes in Net Position
Last Ten Fiscal Years

(continues from previous page)

	<u>2021-22</u>	<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>
Business-type activities:										
Other revenues	2,850,537	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
Investment earnings	(6,796,320)	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
Special Item	—	—	(1,422,782)	—	6,408,992	1,103,146	10,617,561	—	—	—
Extraordinary gain (loss)	—	—	—	—	—	—	4,837,753	—	—	—
Transfers	8,444,909	(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
Total business-type activities	<u>4,499,126</u>	<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>
Total primary government	<u>305,083,987</u>	<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>
Changes in net position										
Governmental activities	74,113,329	(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)
Business-type activities	<u>36,841,870</u>	<u>(67,079,773)</u>	<u>(40,756,970)</u>	<u>34,492,430</u>	<u>7,933,298</u>	<u>8,071,601</u>	<u>23,108,198</u>	<u>(130,676)</u>	<u>9,221,606</u>	<u>22,248,375</u>
Total primary government	<u>\$ 110,955,199</u>	<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>

(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>2021-22</u>	<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>
General Fund										
Nonspendable	\$ 6,621,586	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
Restricted	20,275,914	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
Committed	—	—	1,671,078	1,943,558	2,478,476	4,760,409	31,365	520,574	519,937	519,506
Assigned	143,217,685	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
Unassigned	39,819,682	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
Total General Fund	<u>209,934,867</u>	<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>
All other governmental funds										
Nonspendable	16,927,948	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
Restricted	229,749,420	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
Committed	122,607,616	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
Assigned	—	—	—	—	—	414,544	927,562	9,649,617	18,033,673	15,057,474
Unassigned	(24,944,343)	(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)
Total all other governmental funds	<u>\$ 344,340,641</u>	<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>

TABLE 4

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

	<u>2021-22</u>	<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>
Revenues										
Property taxes	\$ 75,980,972	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
Sales & use taxes	76,698,693	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
Transient occupancy taxes (1)	66,684,095	20,691,803	48,624,638	60,762,881	60,631,025	55,532,325	51,021,050	—	—	—
Utility user taxes (1)	33,613,985	27,840,035	28,026,008	28,306,582	29,288,341	29,437,753	30,772,815	—	—	—
Business license taxes (1)	29,120,949	33,644,559	33,894,714	31,947,056	31,050,087	30,118,555	29,893,341	—	—	—
Other taxes	31,483,013	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
Licenses and permits	35,467,794	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
Intergovernmental	66,323,553	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
Charges for services	63,632,758	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
Fines and forfeitures	12,262,875	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
Investment earnings	(11,152,035)	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
Interest from promissory note	—	5,399,246	—	—	—	—	—	—	—	—
Rental income	8,621,072	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
Settlement income	28,456	—	—	—	14,085,000	6,103,175	2,433,175	2,433,175	2,433,175	52,287,404
Other	13,720,392	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
Total revenue	<u>502,486,572</u>	<u>411,896,880</u>	<u>455,758,621</u>	<u>489,960,432</u>	<u>475,352,088</u>	<u>450,825,131</u>	<u>453,304,335</u>	<u>419,479,036</u>	<u>407,179,119</u>	<u>426,695,911</u>
Expenditures										
Current										
General government	65,624,157	61,731,457	137,222,743	105,337,602	89,671,970	70,164,311	61,354,272	74,741,301	68,308,134	62,250,475
Public safety	155,246,791	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
General services	104,202,365	116,514,243	78,127,241	83,416,269	87,758,312	83,912,385	88,130,346	71,370,399	57,755,687	58,014,505
Community services	89,561,907	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
Library	8,718,163	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
Community development	31,514,756	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
Debt service										
Principal	2,895,000	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
Interest	5,387,582	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
Bond issuance costs	498,057	340,135	—	4,025	938,932	—	535,048	—	—	—
Total expenditures	<u>463,648,778</u>	<u>467,686,622</u>	<u>558,804,022</u>	<u>509,717,066</u>	<u>476,177,571</u>	<u>422,764,691</u>	<u>429,326,042</u>	<u>389,326,275</u>	<u>387,269,359</u>	<u>418,723,794</u>

(continues next page)

TABLE 4

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

	<u>2021-22</u>	<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>
<i>(continues from previous page)</i>										
Excess (deficiency) of revenues over (under) expenditures	38,837,794	(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
Other financing sources (uses)										
Transfers in	46,490,737	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
Transfers out	(55,113,011)	(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)
Refunding bonds issued	—	—	—	—	—	—	26,360,000	—	—	—
Bonds issued	64,780,000	19,700,000	—	—	102,785,000	—	—	—	—	—
Premium on bonds issued	7,714,767	3,711,635	—	—	12,247,767	—	2,020,710	—	—	—
Payments to refunded bond escrow agent	—	(23,066,482)	—	—	—	—	(27,826,666)	—	—	—
Total other financing sources (uses)	<u>63,872,493</u>	<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>
Special item	(54,900,000)	(9,825,000)	(34,195,723)	—	—	(37,420,689)	(4,462,166)	—	—	(21,254,908)
Extraordinary gain (loss)	(5,376,172)	—	—	—	—	—	324,615	(21,564,585)	(33,345,736)	(14,196,057)
Net change in fund balance	<u>\$ 42,434,115</u>	<u>(38,237,672)</u>	<u>(90,789,875)</u>	<u>(56,961,454)</u>	<u>115,410,964</u>	<u>(4,116,936)</u>	<u>27,364,621</u>	<u>11,076,496</u>	<u>(11,873,480)</u>	<u>(37,582,653)</u>
Debt service as a percentage of noncapital expenditures (2)	1.90%	2.27%	2.49%	2.41%	2.91%	2.33%	3.16%	2.65%	2.76%	2.07%

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

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

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

General Fund Tax Revenues by Source (1)

Last Ten Fiscal Years

(In Thousands)

Source	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13
Sales and use taxes	\$ 76,699	64,302	64,666	73,709	68,480	54,505	54,803	51,090	49,210	47,881
Utility user taxes	33,614	27,840	28,026	28,307	29,288	29,438	30,773	32,066	32,817	31,450
Transient occupancy taxes	66,684	20,692	48,625	60,763	60,631	55,532	51,021	47,629	44,396	40,997
Property taxes (2)	75,981	75,325	67,791	62,615	56,955	56,424	50,452	55,044	50,114	44,392
Business license taxes	29,121	33,645	33,895	31,947	31,575	30,712	30,799	30,354	29,783	27,518
Parking facility tax	9,967	7,374	11,072	12,699	11,558	11,231	10,718	11,072	10,598	9,954
Documentary Transfer Tax	17,846	9,334	6,857	9,808	8,169	10,952	7,851	7,903	6,273	6,027
Vehicle license fees	107	68	74	44	49	42	38	38	39	48
Condominium taxes	60	3	43	25	9	38	73	45	14	18
Total	\$ 310,079	\$ 238,583	\$ 261,049	279,917	266,714	248,874	236,528	235,241	223,244	208,285

(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)
2021-22	\$ 26,596,010	\$ 17,741,523	\$ 77,246	\$ -	\$ 44,414,779	\$ 1,664,383	\$ 42,750,397	\$ 1,083,210	\$ 43,833,607	1.00%
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%

(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
2021-22	\$ 0.01	\$ 1.00	\$ 0.16	—	\$ 1.17
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

* 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	2021-22			2012-13		
	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	\$ 1,032,525,260	1	2.36 %	\$ 265,000,000	5	1.03 %
Douglas Emmett Inc	901,484,758	2	2.06	309,779,339	4	1.20
California Colorado Center LLC	559,974,983	3	1.28	482,300,885	1	1.87
Water Garden Company	544,882,209	4	1.24	468,087,352	2	1.82
Office Block Investment LLC	394,141,496	5	0.90	—		—
Macerich Company LLC	361,155,993	6	0.82	312,945,259	3	1.21
SM Campus LLC	331,327,353	7	0.76	—		—
New Santa Monica Beach Hotel LLC	309,283,574	8	0.71	140,417,417	9	0.54
Kite Pharma Inc	224,019,952	9	0.51	—		—
LT Owner LLC	213,049,561	10	0.49	—		—
CREP 2700 Holdings LLC	—		—	178,600,000	6	0.69
Ocean Avenue LLC	—		—	148,996,296	7	0.58
LUI2 LA Lantana LP	—		—	143,727,351	8	0.56
Equity Office Properties Trust	—		—	124,990,000	10	0.49
Total principal property taxpayers assessed value	<u>\$ 4,871,845,139</u>		<u>11.13 %</u>	<u>\$ 2,574,843,899</u>		<u>9.99 %</u>
Total City net taxable assessed value	<u>\$ 43,833,606,820</u>		<u>100.00 %</u>	<u>\$ 25,765,604,721</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
2021-22	\$ 38,861,321	\$ 38,095,850	98.0 %	\$ 560,536	\$ 38,656,386	99.5 %	\$ 590,406	1.5 %
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

(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									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Apparel stores	\$ 214,904	\$ 146,814	\$ 322,629	\$ 344,337	\$ 362,841	\$ 395,249	\$ 390,071	\$ 394,070	\$ 401,761	\$ 391,145
General merchandise	39,041	19,250	49,204	56,860	78,610	89,282	93,741	100,267	106,569	113,745
Food stores	92,841	94,365	97,024	91,803	87,888	88,196	87,729	86,615	82,367	79,495
Eating & drinking places	597,450	407,938	726,783	716,826	693,473	687,794	638,818	598,468	561,613	540,315
Building materials	134,806	122,302	124,030	114,802	112,587	110,186	113,405	114,156	102,818	88,761
Auto dealers & auto suppliers	980,000	783,207	874,780	854,723	766,512	770,658	757,333	739,833	697,249	653,869
Service stations	76,149	45,161	97,198	101,275	90,164	81,810	96,004	112,717	120,566	127,052
Other retail stores	566,833	562,235	627,046	665,606	695,449	657,236	692,105	677,744	657,413	664,771
Retail stores total	2,702,024	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
All other outlets	1,073,619	1,093,726	1,060,890	904,103	829,773	804,321	787,252	754,803	707,580	646,311
Total all outlets	\$ 3,775,643	\$ 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

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

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

TABLE 11

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

Fiscal year	Governmental activities			Business-type activities			Percentage of net assessed valuation (1)	Per capita
	General obligation bonds	Lease revenue bonds	Term loans payable (2)	Water bonds	Term loans payable	Total primary government		
2021-22	\$ 1,060,000	228,880,218	—	78,191,500	53,330,029	361,461,747	0.82%	3,912
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

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

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

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

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

TABLE 12

CITY OF SANTA MONICA, CALIFORNIA

Ratios of General Bonded Debt
Last Ten Fiscal Years

	<u>2021-22</u>	<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>
General bonded debt outstanding										
General obligation bonds	\$ 1,060,000	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
Less: Amounts Available in Debt Service Fund (3)	1,060,000	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>-</u>	<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>
Assessed value (in thousands) (1)	\$ 43,833,607	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
Percentage of assessed										
Property value	0.00%	0.00%	0.01%	0.01%	0.01%	0.02%	0.02%	0.03%	0.04%	0.04%
Population (2)	92,408	92,968	92,357	93,593	92,416	93,834	93,640	93,283	92,185	91,040
Per capita	-	13	26	39	53	66	79	93	108	124

(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, 2022

	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated share of Overlapping Debt
Overlapping debt:			
Los Angeles County General Fund Obligations	\$ 2,698,357,105	2.474%	\$ 66,757,355
Los Angeles County Superintendent of Schools Certificates of Participation	3,972,227	2.474%	98,273
Metropolitan Water District	20,175,000	1.292%	260,661
Santa Monica Community College District	737,405,211	66.649%	491,473,199
Los Angeles Unified School District	10,770,060,000	0.0001%	10,770
Santa Monica-Malibu Unified School District	557,399,648	66.713%	371,858,027
Santa Monica-Malibu Unified School District School Facilities Improvement District 1	259,630,000	100.000%	259,630,000
Los Angeles Unified School District Certificates of Participation	120,710,000	0.0001%	121
Los Angeles Community College District	4,146,515,000	0.0130%	539,047
Santa Monica-Malibu Unified School District Certificates of Participation	26,894,301	66.713%	17,941,995
Overlapping Tax Increment Debt (Successor Agency):	70,215,000	100.000%	70,215,000
Subtotal, overlapping debt			<u>1,278,784,448</u>
City direct governmental debt			
City of Santa Monica General Obligation Bonds Main Library Improvements (2012)			1,060,000
City of Santa Monica Civic Parking Structure Lease Revenue Bonds (2015)			21,019,878
City of Santa Monica City Services Building Lease Revenue Bonds (2017)			75,932,951
City of Santa Monica Fire Station 1 Lease Revenue Bonds (2018)			36,643,225
City of Santa Monica Parking Structure 6 Lease Revenue Refunding Bonds (2021)			23,046,556
City of Santa Monica Public Financing Authority Lease Revenue Bonds City Yards Project (2021)			<u>72,237,608</u>
Subtotal, direct debt (2)			<u>229,940,218</u>
Total direct and overlapping governmental debt(3)			<u><u>\$ 1,508,724,666</u></u>

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

(2) Net of issuance discounts and premiums.

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

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

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

	<u>2021-22</u>	<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>
Total net debt applicable to limit	\$ 199,006,792	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
Debt limit	4,549,799,000	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
Legal debt margin	4,350,792,208	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
Total net debt applicable to the limit as a percentage of debt limit	4.37%	3.18%	3.56%	4.19%	4.34%	1.84%	2.09%	2.44%	2.78%	3.20%

Net assessed value	43,833,607,000
Add: exempt property	1,664,383,000
Total gross assessed value	<u>\$ 45,497,990,000</u>
Debt limit - 10% of total assessed value ⁽¹⁾	4,549,799,000
Amount of debt applicable to debt limit:	
Total bonded debt	207,515,000
Less:	
Assets in debt service funds available for payment of bonds	<u>8,508,208</u>
Total amount of debt applicable to debt limit	<u>199,006,792</u>
Legal debt margin	<u>\$ 4,350,792,208</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**

Water Enterprise Revenue Bonds Coverage

Last Fiscal Year

Fiscal year	Gross revenues	Direct operating expense (1)	Net revenue available for debt service	Debt service requirement			Coverage (2)
				Principal	Interest	Total	
2021-22	\$ 34,259,154	\$ 26,054,538	\$ 8,204,616	\$ —	\$ 954,237	\$ 954,237	8.60

CUSIP 802490

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

(2) Bond covenant requires a coverage ratio of 1.20

The Water Enterprise Revenue Bonds were issued August 25, 2021 at an interest rate from 2.25% to 4.00% with a rating of AAA from Standard & Poor's Corporation. Debt service began in FY 2021-22.

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>	
2022	92,408	\$ *	\$ *	4.6	%
2021	** 93,242	985,473	75,821	7.0	
2020	92,995	925,816	70,280	10.1	
2019	92,480	860,476	65,006	4.3	
2018	92,416	814,755	61,325	4.4	
2017	93,834	785,247	59,000	4.5	
2016	93,640	759,668	57,135	5.1	
2015	93,283	734,219	55,384	5.7	
2014	92,185	687,039	52,109	7.0	
2013	91,040	648,728	49,479	8.3	

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

Population and unemployment rate are for Santa Monica

* No data is available for 2022 as of publication date of ACFR

** 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	2021-22			2012-13		
	Number of employees	Rank	Percentage of total City employment	Number of employees	Rank	Percentage of total City employment
City of Santa Monica	2,059	1	2.55 %	2,528	1	3.10 %
UCLA Medical Center, Santa Monica	1,965	2	2.43	2,079	2	2.55
Santa Monica College	1,865	3	2.31	1,953	3	2.39
SNAP Inc.	1,667	4	2.06	—	—	—
Universal Music Group	1,400	5	1.73	743	7	0.91
Providence Saint John's Health Center	1,386	6	1.72	1,676	4	2.05
Santa Monica-Malibu Unified School District	1,358	7	1.68	1,457	5	1.79
Hulu	1,320	8	1.63	—	—	—
Oracle	950	9	1.18	—	—	—
Activision	919	10	1.14	692	8	0.85
RAND Corporation	—	—	—	842	6	1.03
ET Whitehall, Inc. (Casa del Mar, Shutters on the Beach)	—	—	—	568	9	0.70
Lionsgate Entertainment	—	—	—	555	10	0.68
Total jobs provided by principal employers	<u>14,889</u>			<u>13,093</u>		
Average total jobs in Santa Monica	80,797			81,569		
Principal employers as percent of total jobs	18.43%			16.05%		

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	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13
General government	269.2	250.3	273.5	276.7	277.6	269.7	281.5	265.7	232.9	230.7
Public safety										
Police										
Sworn	221.0	223.0	229.0	227.0	224.0	224.0	221.0	221.0	216.0	216.0
Non-sworn	174.1	165.8	203.4	203.4	201.4	202.4	202.4	197.4	217.4	220.4
Fire										
Sworn	122.0	120.0	120.0	120.0	120.0	120.0	114.0	114.0	108.0	108.0
Non-sworn	15.0	14.0	16.0	16.0	17.0	16.0	15.8	15.8	21.0	21.0
General services	208.0	210.0	270.5	282.0	281.0	281.6	257.3	257.3	256.1	184.3
Community services	118.5	98.2	150.3	152.7	152.7	152.7	153.0	153.7	151.9	231.1
Library	58.3	47.8	112.0	113.5	113.5	112.5	111.0	111.0	114.8	106.1
Community development	97.5	88.5	174.3	164.8	163.2	161.5	159.5	149.8	138.8	144.4
Beach recreation	41.1	35.5	53.3	52.6	52.6	50.5	50.3	48.9	49.9	46.6
Water	52.0	51.0	47.0	47.0	46.0	46.0	46.0	46.0	46.0	46.0
Resource Recovery & Recycling	89.9	81.0	88.3	91.3	92.3	90.7	89.7	87.7	86.7	75.2
Pier	16.9	16.9	21.9	21.9	21.9	20.3	19.3	17.8	17.8	17.2
Wastewater	20.0	21.0	21.0	21.0	22.0	22.2	22.2	22.2	22.2	22.2
Civic Auditorium	—	—	—	—	—	—	—	—	—	11.0
Airport	17.0	14.0	15.9	20.9	27.9	37.9	12.9	12.4	12.5	12.2
Cemetery	7.0	7.0	7.0	7.0	8.0	8.1	7.1	7.1	7.1	12.1
Big Blue Bus	414.8	410.8	450.0	463.0	464.0	462.9	464.5	436.0	435.5	419.0
Vehicle management	21.0	21.0	29.3	29.3	29.3	29.0	29.0	28.0	28.0	28.0
Self insurance - workers' compensation	11.0	10.0	13.0	13.0	13.0	13.0	13.0	12.0	12.0	14.0
Community Broadband	5.0	4.0	3.0	3.0	4.0	4.0	—	—	—	—
Total all funds	<u>1,979.3</u>	<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>

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	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13
General government:										
Electronic requests for government information	8,195,035	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
Hours of live public meeting coverage	288	257	187	230	210	220	275	319	284	330
Public safety:										
Number of emergency response incidents	16,978	15,257	15,802	17,355	17,199	16,384	15,963	14,629	13,637	13,540
Number of inspections	5,482	2,221	6,150	8,201	8,795	10,592	10,202	8,119	9,031	8,706
Calls to Police Department for service	105,871	95,441	111,310	128,992	134,192	129,524	130,016	133,516	128,323	120,320
Police reports issued	11,026	10,932	12,468	16,043	16,298	14,467	14,358	13,984	13,983	13,708
Number of crimes recorded	7,527	7,569	8,301	10,369	10,008	8,988	8,774	8,500	8,744	8,986
General services:										
Number of square feet of sidewalks repaired	151,679	123,991	161,924	219,871	126,959	99,907	14,001	10,359	6,025	3,279
Number of graffiti removals performed	3,185 (1)	448 (1)	33,359	40,156	45,729	43,535	38,311	37,940	37,948	34,289
Feet of sewer mains cleaned	1,836,480 (2)	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
Cultural and recreation services:										
Number of cars parked in beach lots	2,002,648	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
Senior services meals served	171,269	183,652	141,568	118,875	104,472	64,406	52,917	48,253	43,020	64,711
Number of low income persons receiving primary health care	3,703	3,516	4,336	4,460	4,711	4,458	4,137	3,089	3,519	3,568
Number of youth regularly attending homework assistance programs	378	261	617	687	597	641	745	624	583	469
Library:										
Library visitors	133,845	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
Materials used	731,077	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
Public access computer sessions	13,592	21,961	95,630	159,705	175,485	173,702	164,318	182,655	215,907	271,680
Housing and community development:										
Building and Safety plan checks completed	4,399	3,936	4,587	4,389	4,412	4,749	2,823	3,080	2,366	1,998
Building inspections performed	16,539	18,429	21,860	23,342	24,009	24,080	23,858	20,690	20,732	21,576
Rounds of transportation plan check & entitlement application review completed	566	678	793	530	323	640	632	748	839	465
Resident parking passes sold	47,041	32,511	47,161	57,993	53,118	51,325	48,962	56,356	51,674	76,000
Number of traffic signs installed, replaced, repaired, or removed	281	200	739	2,951	3,024	2,858	1,659	2,079	2,417	2,859
Number of parking meters installed, replaced, repaired, or removed	6,211 (3)	18,822	22,780	21,650	18,605	14,843	13,844	5,875	5,874	6,100
Water:										
Number of direct customer accounts	18,480	18,439	18,342	18,342	18,061	17,976	17,842	17,798	17,760	17,705
Water sold to direct customers in whole acre feet	10,729	10,605	10,988	11,265	11,718	11,552	11,242	12,323	13,344	15,147
Airport:										
Number of tenant aircraft	228	196	195	256	278	310	309	325	274	420
Noise ordinance violations issued	30	38	33	38	130	148	162	118	153	160
Big Blue Bus:										
Revenue Miles	3,921,249	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
Farebox revenue (in millions)	5.62	1.99	8.97	11.41	11.72	11.80	12.84	13.36	13.68	14.09
Total passenger trips (in millions)	6.31	5.03	10.29	12.54	13.18	13.30	16.50	18.70	18.80	19.31
Number of customer relations phone calls	49,256	23,768	38,445	51,952	30,730	37,187	38,705	56,995	64,525	69,075
Total number of charters	0	0	0	0	0	0	0	0	3	3

(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.

(2) The wastewater fund reduced their sewer main cleaning budget due to revenue constraints.

(3) In FY 2020-21, the City invested in parking meters through the CIP Program and replaced over 6,000 outdated on-street meters that had exceeded their useful life. In FY 2021-22, various meters were removed to accommodate for the parklets program. As of FY 2021-22, all meters are new and under warranty reflecting the significant drop in the statistic.

Sources: Various City departments.

TABLE 20

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

Function / program	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13
Public safety:										
Number of police vehicles	250	244	245	237	243	235 (1)	232	220	223	241
Number of fire vehicles	73	70	71	71	67	67	71	68	64	56
Number of fire stations	5	5	5	5	5 (6)	4	4	4	4	5
Number of police substations including Public Safety Facility	4	4	3	3	3	3	3	3	3	4
General services:										
Square footage of asphalt paved streets	30,191,740	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
Square footage of concrete paved streets	1,183,981	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
Square footage of sidewalks	8,620,831	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
Square footage of curbs and gutters	1,938,820	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
Cultural and recreation services:										
Number of beach parking lots	16	16	16	16	16	16 (3)	16	16	17	17
Number of parks	31	31	31	31	31	30	29	29	29	29
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	5	4
Housing and community development:										
Downtown parking structure visitors	3,566,171	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
Water:										
Number of feet of water main installed	10,822	10,822	10,822 (9)	4,825	4,500 (7)	2,269 (5)	2,495	10,465	9,510	9,510
Water main system (in miles)	211	211	205	205	205	205	205	205	205	205
Reclaimed water main system (in miles)	6	6	5	5	5	5	5	5	5	4
Wastewater:										
City sewage flow in million gallons/day	11	12	14	14	13.8	14.2	13.9	13.9	12.2	11.4
Sewer main system (in miles)	155	155	152	152	151	151	151	151	151	151
Stormwater:										
Daily gallons treated for recycling by SMURRF	212,399	171,746	193,250	186,732	180,699	159,740	160,059	170,000	108,000	123,000
Storm drain system (in miles)	59	59	59	59	59	59	59	59	59	59
Airport:										
Aircraft operations (departures and arrivals)	74,935	63,870	67,205	74,511	74,130	83,471	89,217	84,633	85,052	102,109
Big Blue Bus:										
Number of buses	195	178	189	195	199	200	200	188	201	192

(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**