

Annual Comprehensive Financial Report



City of Capitola, California
Fiscal Year Ended June 30, 2023

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CITY OF CAPITOLA, CALIFORNIA

ANNUAL COMPREHENSIVE
FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Prepared by the Capitola Finance Department

**City of Capitola
Annual Comprehensive Financial Report
Year Ended June 30, 2023**

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INTRODUCTORY SECTION

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December 22, 2023

Honorable Mayor,
Members of the City Council, and
Citizens of the City of Capitola

SUBJECT: Annual Comprehensive Financial Report - June 30, 2023

The Annual Comprehensive Financial Report (ACFR) for the City of Capitola for the fiscal year ended June 30, 2023, is hereby submitted.

REPORT PURPOSE AND ORGANIZATION

State law requires the accounts and fiscal affairs of all municipal entities be audited annually by an independent certified public accountant. The City's independent auditor Eide Bailly LLP has audited the City's financial statements and issued an unmodified opinion that the financial statements for fiscal year ended June 30, 2023, are fairly presented in conformity with generally accepted accounting principles (GAAP). This opinion, along with the basic financial statements of the City, are hereby submitted as the Annual Comprehensive Financial Report (ACFR) for the City of Capitola for the fiscal year ended June 30, 2023, and included in the financial section of this report in fulfillment of the above requirement.

The independent audit of the financial statements is also typically conducted in conjunction with the federally mandated Single Audit. The standards governing the Single Audit require the independent auditor to report on items beyond fair presentation of the financial statements, including internal controls and compliance with legal requirements involving the administration of federal awards. A Single Audit Report on Federal Award Programs was not required or prepared in fiscal year 2023 because the City had less than \$750,000 in federal grant expenditures. The City's last required Single Audit Report is available for the year ended June 30, 2012.

This report consists of City management's representations concerning the finances of the City of Capitola. Consequently, management assumes full responsibility for completeness, accuracy of data, and fairness of presentation, including all footnotes and disclosures. Management believes the data presented are accurate in all material respects and that they are presented in a manner designed to fairly set forth the financial position and results of operations of the City. To provide a reasonable basis for making these representations, City management has established a comprehensive framework of internal controls designed both to protect the City's assets from loss, theft, or misuse and to compile sufficiently reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not exceed their benefits, the City's internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements are free of material misstatements. The audit provides users with reasonable assurance that the information presented is free from material misstatements. As management, we assert that to the best of our knowledge, this financial report is complete and reliable in all material respects.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City’s MD&A can be found in the Financial Section of this document, immediately following the report of the independent auditor.

CITY OF CAPITOLA PROFILE



The City of Capitola is a small coastal community located in Santa Cruz County that occupies approximately two square miles and serves a population of about 9,794. Located on the northern edge of Monterey Bay, approximately 35 miles north of Monterey and 75 miles south of San Francisco, Capitola enjoys a rich history and offers residents diverse recreational opportunities. Capitola Village is located along a sandy beach with expansive views of Monterey Bay and is home to numerous craft galleries, boutiques, and restaurants. The City is host to numerous events, including the Capitola Beach Festival, Capitola Art and Wine Festival, and the annual Wharf to Wharf race.

Named the Most Walkable Beach Town in the United States by Elle Décor Magazine, voted one of the best beach locations on the California Coast by Sunset Magazine, and recently named one of the “9 Most Unspoiled Vacation Spots” by the Fishing Booker website, Capitola offers fishing and boating, along with beachfront restaurants, shops, and entertainment. Other visitor attractions include the Capitola Historical Museum, Capitola Wharf, and the Capitola Mall.

Although Capitola is considered a central coast beach destination, it is also one of two major retail centers in Santa Cruz County. The Capitola Mall, combined with Brown Ranch and 41st Avenue businesses, is the retail hub of the central county. With major retailers such as Target, Macy’s, Kohl’s, CVS, Ross, and Whole Foods Market, Capitola is a “net regional retail provider” with retail sales several times higher than the retail demand of Capitola city residents. The City also has two major car dealerships.

Capitola is also fortunate to have outstanding educational opportunities. In addition to having New Brighton Middle School within its City limits, both Cabrillo Community College and the University of California, Santa Cruz, are within eight miles of the City. According to the U.S. Census Bureau’s 2020 data, approximately 93% of Capitola residents are high school graduates and 40% possess a Bachelors’ Degree or higher-level degree.

Form of Government

Capitola is a General Law City, which was incorporated on January 11, 1949. The City is subject to the framework and procedures established by State Law and operates under the Council – City Manager form of government. The Council is comprised of four Council Members and a Mayor, all of whom are directly elected by the citizens. The Council Members serve four-year staggered terms; and the Mayor and Vice-Mayor are elected annually by the Council. The Council has the authority to establish all laws and regulations with respect to municipal affairs, subject only to the limitations of the City Municipal Code and the State legislation.

The City Council appoints a City Manager to serve as the City’s chief administrative officer. The City Manager provides direction and leadership to all City departments and ensures that all City Council policies are implemented.

City Services

The City provides police protection, street, park and facilities maintenance, recreation, building, planning, zoning, administrative, and financial services for Capitola. Independent special districts provide fire protection, water, sewer, and limited drainage services.

The ACFR includes all financial activities of the City and the Successor Agency to the former Redevelopment Agency of the City of Capitola; two separate legal entities. Financial activities of the Successor Agency are also subject to approval by an independent Oversight Board. The Successor Agency was dissolved during fiscal year (FY) 2022-23.

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 the Government Accounting Standards Board (GASB), which is the authoritative body in establishing United States GAAP for local governments.

Budgetary Policy and Control

The City's budgetary records are maintained on a modified accrual basis. Revenues are recorded when measurable and available and expenditures are recorded when goods or services are received, and the liability incurred. The City produces a two-year annual budget, which serves as the foundation for the City of Capitola's financial planning and control. Based on the City's Financial Management Policies, the City is required to maintain a balanced operating budget; along with using one-time revenues to fund non-recurring expenditures. In the budget development process, the City references the following Budgeting Principles to identify key projects and goals: Fiscal Policy, Public Service, and Public Improvements.

In accordance with the City's Municipal Code, the budget is adopted by resolution on or before June 30th for the ensuing fiscal year. Expenditures authorized in the final budget resolution are appropriated at the budget unit level. Capital projects are budgeted at the individual project level. The City Council may appropriate, amend, or transfer funds by an affirmative vote of three or more Council members at any regular or special Council meeting.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the environment in which the City operates.

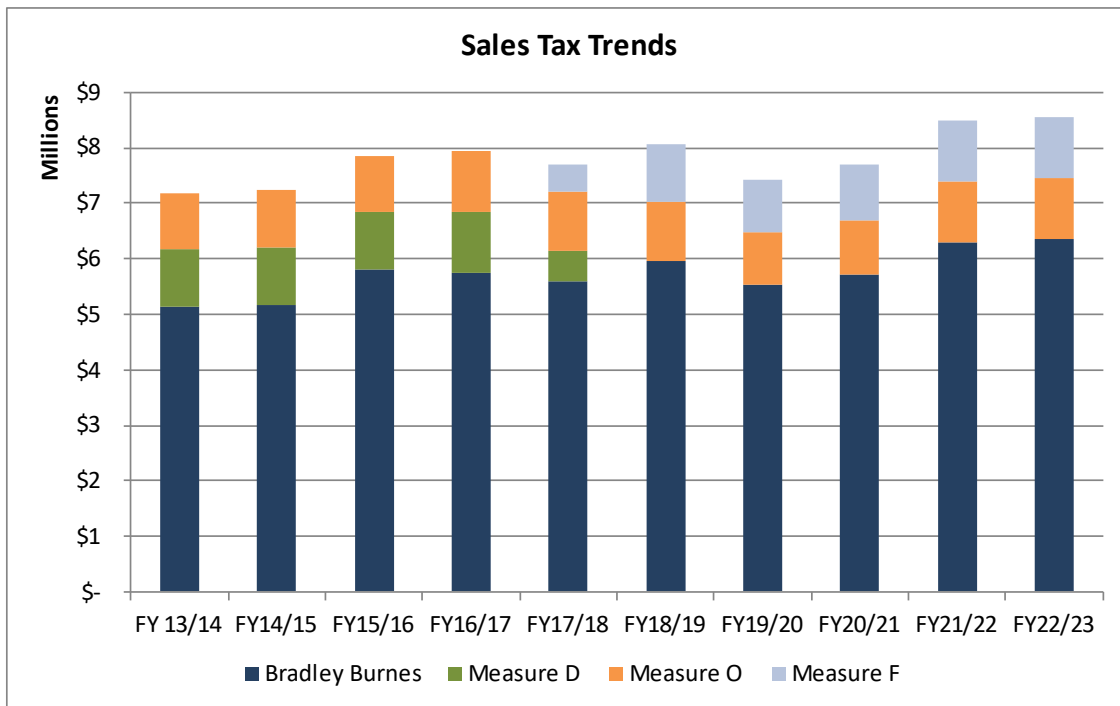
Local Economy

The City of Capitola saw its recovery from the COVID-19 pandemic slow down throughout FY 2022-23 due to the January 2023 storms damaging several Capitola Village businesses causing them to close temporarily. Despite the increased expenses due to storms, actual general fund revenues exceeded expenditures by approximately \$1,272,000 which was higher than what was projected by \$1,850,000. Sales tax revenue was lower than projections by approximately \$166,000 but still higher than the previous fiscal year by \$57,620. The net position of the General Fund decreased by approximately \$1.17 million, which was lower than the projected decrease of \$4.57 million. The fund balance decrease was by design of the FY 2022-23 budget and General fund transfers out to the Capital Improvement Project (CIP) fund being \$1,473,000 below budget resulted in the decrease not being as significant.

The three major sources of General Fund revenue include Sales Tax, Property Tax, and Transient Occupancy Tax (TOT). These three revenues account for approximately 90% of all General Fund Revenues.

Sales tax is the City’s largest source of revenue, accounting for approximately 56% of the General Fund Revenues. The City sales tax consists of 1% Bradley Burns, 0.25% Capitola District Tax (Measure O), and a 0.25% Capitola District Tax (Measure F) that is effective from January 1, 2018, through December 31, 2027. In FY 2022-23, the combined sales tax receipts of \$8.54 million were \$166,444 (1.91%) lower than budgetary estimates and \$57,620 (0.68%) above the prior year.

Sales tax receipts are volatile and reflect the current local, state, and national economic condition. Sales Tax collections for the City of Capitola increased year over year after decreasing in the prior year due to the pandemic, however sales tax revenues have been relatively flat since FY 2015-16. The following chart shows sales tax trends over the past ten years as well as demonstrating the proportional share of District and Bradley Burns Sales taxes.

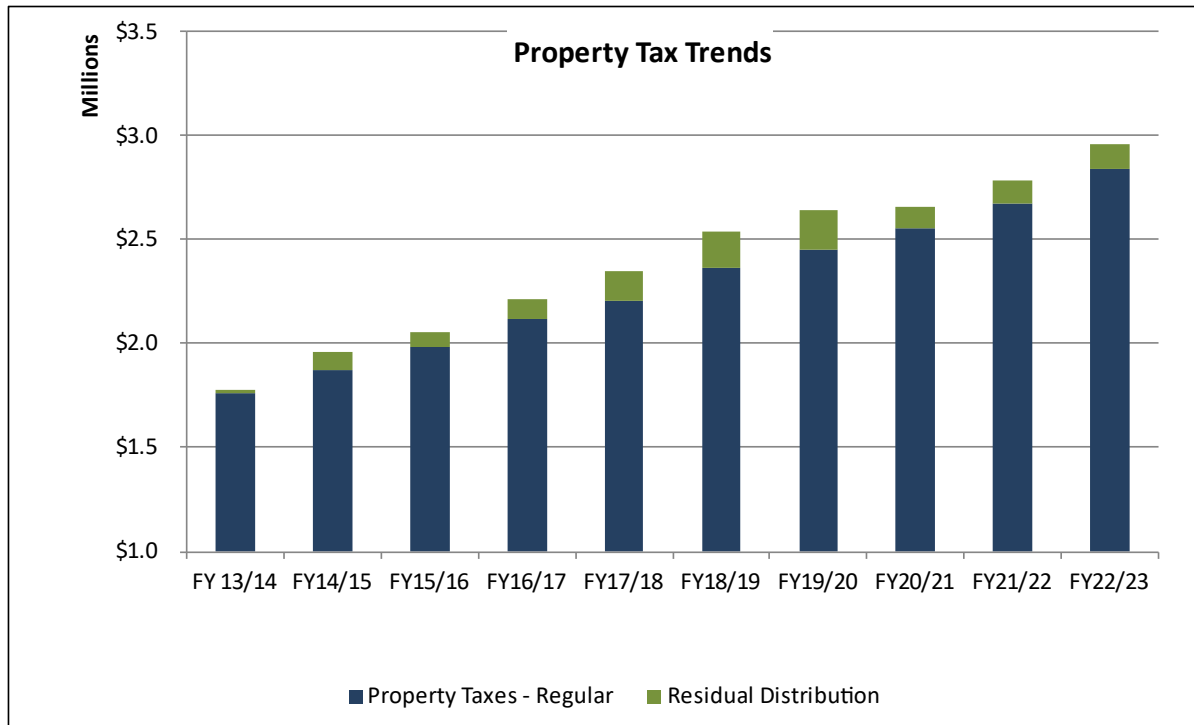


Capitola’s second major source of revenue is property tax. In FY 2022-23 the General Fund received \$3.0 million in property tax receipts, prior to inclusion of Documentary Transfer Tax and Residual RDA distributions. This base amount was approximately \$177,000 more than the prior year and \$14,000 below the final budgeted amount. Over the last five fiscal years the City has averaged approximately 5% growth in annual property tax collections. However, in FY 2022-23 the increase was approximately 6.4% over the prior year.

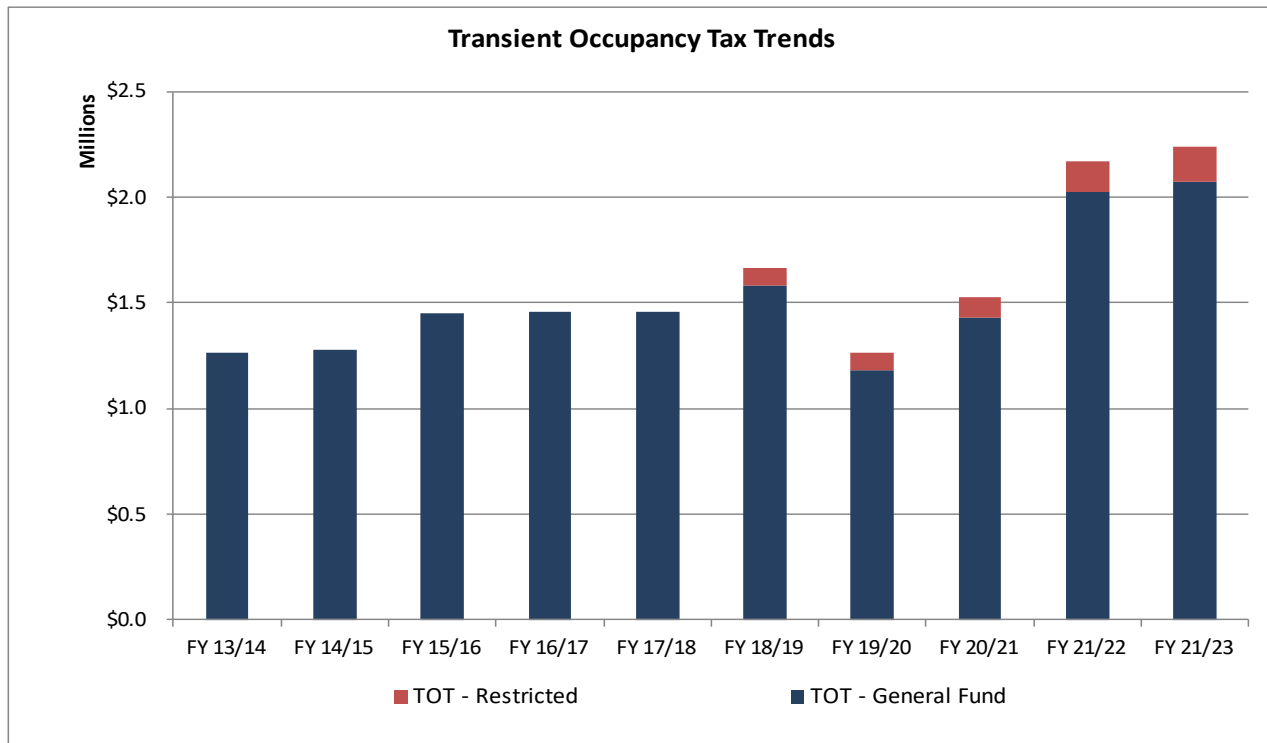
Due to the dissolution of the Capitola Redevelopment Agency (RDA), the RDA’s tax increment revenues are distributed to the Successor Agency Redevelopment Property Tax Trust Fund (RPTTF) in amounts that are only sufficient to fund obligations approved by the independent Oversight Board. Before the RDA dissolution, the City and RDA received over \$2 million a year.

The end of the Required Obligation Payment Schedule (ROPS) was in June 2021 and the City has also dissolved the Successor Agency in FY 2022-23.

The City's property tax revenues do not respond to economic conditions as quickly as sales tax revenues. This delayed response, along with less volatility, assists the City in adjusting to economic downturns by lessening the immediacy of revenue loss. The following chart includes Property Tax Revenue, as well as Property Tax In-Lieu of Vehicle License Fees. Based on the historical data, property tax revenues have remained relatively consistent due to appreciating property values. Staff anticipates this trend, while showing signs of slowing, will continue into the next fiscal year.



Transient occupancy tax (TOT) represents approximately 14% of General Fund revenues. While tourism and economic growth have remained stable, TOT revenue remained flat from FY 2015-16 through FY 2017-18 due to limitations on hotel and vacation rental room inventory. In November 2018 Capitola voters approved an increase in the TOT rate from 10% to 12% with 0.40% dedicated to local business groups and 0.35% dedicated to Early Childhood and Youth programs. The new TOT rate became effective on January 1, 2019, boosting TOT revenues in FY 2018-19. TOT revenues were one of the most impacted revenues due to COVID-19 and saw a significant reduction during the fourth quarter of FY 2019-20, however they rebounded quickly and are now exceeding pre-pandemic amounts. The chart below provides a 10-year history of TOT revenues.



Long-term Financial Planning

In the past, the City has made strategic decisions to help maintain resiliency in difficult economic times. As a continuation of this practice, the City is focusing on the following planning measures:

Planning for Sales Tax Revenues

The City of Capitola sales tax revenue consists of 1% Bradley Burns Sales tax and two 0.25% District taxes. The first District sales tax, Measure O, is a permanent 0.25% sales tax that was approved by voters in November 2012 and went into effect April 1, 2013. Measure O was implemented with the goal of replenishing reserves, funding CIP projects, and providing support for public safety initiatives. The City developed a five-year plan to ensure that Measure O funds were applied to their stated priorities. Each of the district taxes collect approximately \$1.0 million in General Fund revenues annually.

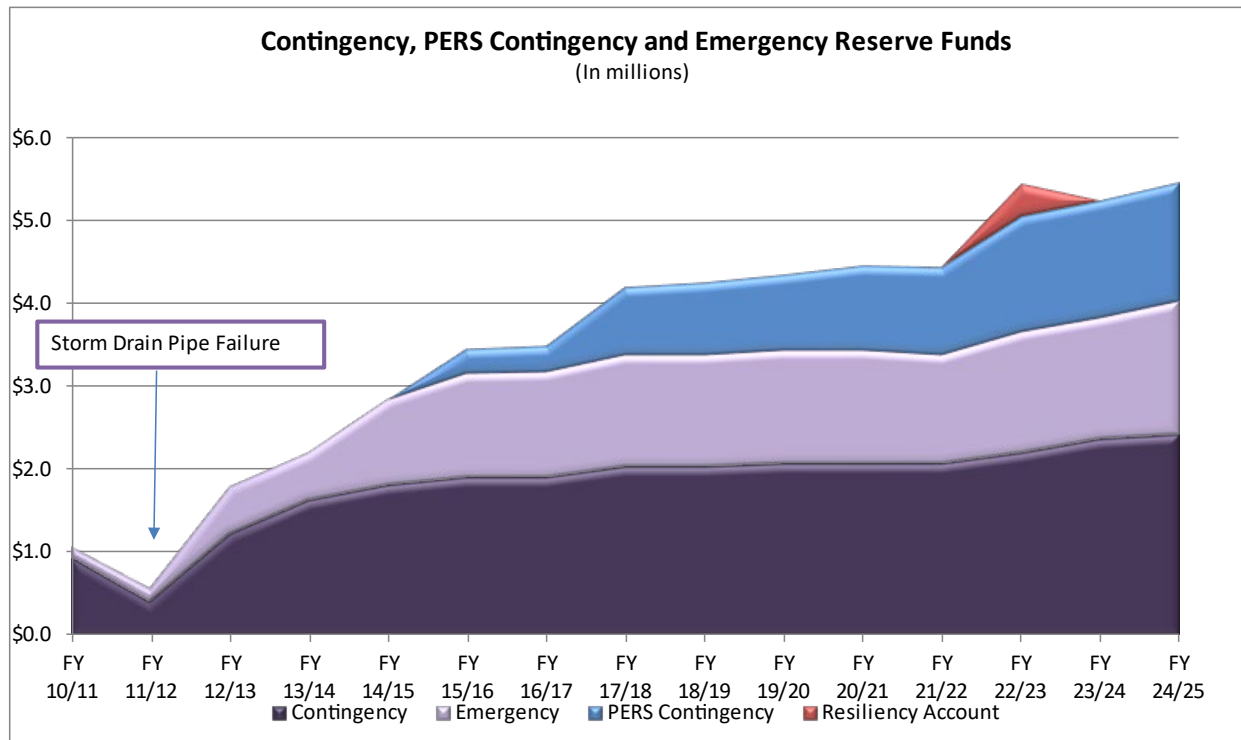
The second District tax, Measure F, was passed by voters in 2016 to extend Measure D, a temporary quarter of one percent sales tax, for an additional ten years. The City is committed to using this funding source to protect the wharf and beach from storms and rising sea levels, maintain police services, and improve sidewalks, parks, and bike safety. The adopted FY 2022-2023 budget continued implementing these commitments as Measure F went into effect on January 1, 2018.

Replenishing and Increasing Reserves

The City has been proactive in establishing a stable reserve level. A portion of Measure O revenues were set aside to replenish the Contingency and Emergency Reserve Funds. The City's reserves were depleted in March of 2011 when an underground storm drain failed, which resulted in damage to the Pacific Cove Mobile Home Park, City Hall, and portions of Capitola Village. As a result, the City paid \$1.4 million in flood related costs over a two-year period and assumed a \$2.39 million debt to relocate residents of the City-owned Pacific Cove mobile home park. This incident reduced the City's reserves from \$1.87 million in FY 2009-10 to \$561,000 in FY 2011-12. This incident, along with the economic downturn, emphasized the need to review reserve policy levels to ensure the City was maintaining a sufficient balance to effectively manage unforeseen events.

In FY 2012-13 the City increased the Emergency Reserve funding level from 5% to 10% of operating expenditures and the Contingency Reserve funding level from 10% to 15% to ensure sufficient reserves are available to offset the effects of the next economic downturn and unforeseen emergencies.

In FY 2015-16 the City implemented a PERS Contingency Reserve Fund to ensure future funding availability for potential CalPERS contribution increases. The initial funding came from a \$300,000 transfer from the General Fund. The City invested the funds with Public Agency Retirement Services (PARS) in a moderately conservative trust fund that allows for a higher rate of return. During FY 2017-18, the City put an additional \$500,000 in the PERS trust fund and budgeted an additional \$500,000 in FY 2022-23. In FY 2022-23, \$250,000 was put into the PERS trust fund and the next \$250,000 will be contributed during FY 2023-24.



Maintain the Facilities Reserve Fund

The City created a Facilities Reserve Fund in FY 2014-15. The purpose of the Facilities Reserve Fund is to create a mechanism to fund future facility maintenance projects. Examples of projects that could be financed through the fund include replacing roofs, painting exteriors, replacing mechanical/electrical equipment, and maintenance of adjoining parking spaces. The Facilities Reserve Fund ended FY 2022-23 with a cash balance of \$432,714. The FY 2023-24 budget does not include any funding into the Facilities Reserve Fund or expenditures in the Facilities Reserve Fund. Staff anticipates restoring annual contributions to the Facilities Reserve in FY 2024-25.

Funding Other Post-Employment Benefits Obligation (OPEB)

The City created an OPEB trust fund in FY 2013-14 in order to reduce and eventually eliminate the liability. Before prefunding the OPEB Liability, the City historically contributed the Minimum Employer Contribution required under the Public Employees' Medical and Hospital Care Act (PEMHCA). The transition from "pay as you go" financing to full funding, reduced the City's long-term liability from \$1,011,800 to \$657,500. In May 2014 the Actuarial Standards Board adopted standard number 6 (ASOP 6) requiring the calculation of the "Implicit Rate Subsidy". The implicit rate is an inherent subsidy of retiree healthcare costs by active employee healthcare costs when healthcare premiums paid by retirees and actives are the same.

Following the advice of the City's auditors as well as the new Actuarial Consultant, the current OPEB Actuarial Valuation now includes the Implicit Rate Subsidy calculation. This one change caused the Unfunded Actuarial Accrued Liability to increase \$1,201,442 increasing the balance from \$584,737 on June 30, 2019, to \$1,572,208 on June 30, 2020. The balance on June 30, 2022, the latest actuarial measurement date, was \$1,833,813. The FY 2023-24 Adopted Budget includes funding of \$67,050 for the OPEB trust fund.

Controlling Personnel Costs

Being a service-oriented organization, personnel costs make up the largest General Fund expenditure. The personnel budget comprises approximately 69% of the General Fund.

In 2021 all bargaining units agreed to multi-year contracts continuing with the cost sharing of CalPERS contributions originally negotiated in FY 2013-14, cost of living adjustments (COLA) based on the Consumer Price Index, and Flex Health Care spending increases. All bargaining units, with the exception of the Mid-Management Employees, agreed to new three-year contracts through June 30, 2024, while the Mid-Management Employees agreed to a new one-year contract through June 30, 2024, following the expiration of their two-year contract June 30, 2023.

Recent changes in CalPERS' risk pools have had a significant negative impact on the City. These changes will result in an annual decrease in CalPERS costs of 2.0% in FY 2023-24. Due to investment losses of 6.1% in 2022 the annual CalPERS cost is projected to increase 19.3% in FY 2024-25. Additionally, CalPERS rate 2023 rate of return was 5.8% which is below the anticipated rate of return of 6.8% and will likely lead to increased costs in FY 2025-26. Understanding that existing employees were already contributing more than the CalPERS-designated "employee share," the City's current labor contracts set future employee CalPERS contribution rates at a fixed percentage of compensation to reduce the impact on employees.

The number of full-time equivalent (FTE) positions city-wide increased 4.0 during FY 2022-23 as the City continued to fill vacant positions that were frozen in order to mitigate the fiscal impacts from COVID-19. The total city-wide authorized FTE's in FY 2022-23 was 70 with 68.25 positions budgeted.

Major Initiatives

Capitola Mall Redevelopment

The City has continued to seek redevelopment opportunities to update and upgrade the City's major retail corridor and mall area. Upgrades to the Capitola Mall are now anticipated with the April 2016 purchase of the Mall by Merlone Geier Partners, a private real estate investment company focused on the acquisition, development, and redevelopment of retail and retail-driven mixed-use properties on the West Coast. The City received a development application from Merlone Geier Aug. 27, 2019, however, due to COVID-19 the project has been put on hold by the developer.

Funding Measure F Commitments

In November 2016 voters of Capitola approved extending an existing quarter of one percent sales tax for an additional ten years. The city has committed this sales tax revenue to protecting the beach and wharf from rising sea levels and storms, supporting bike and pedestrian safety projects, and maintaining police staffing levels.

In FY 2022-23 Measure F funding was programed towards the Wharf Rehabilitation Project. The FY 2023-24 adopted budget includes \$1.1 million of Measure F funding towards the Wharf Rehabilitation Project. Previously the flume and jetty reconstruction projects were fully funded and completed in FY 2020-21. Work began on these projects in FY 2017-18 along with the use of Measure F funds to replace the 20-year-old front end loader for beach maintenance.

Capitola Wharf Resiliency and Public Access Improvements

The Capitola Wharf, known as Soquel Landing at the time, was built more than 150 years ago for F.A. Hihn in order to ship goods produced in the region such as timber, leather, paper, and products from local farms. The Wharf has been damaged and rebuilt numerous times during its history and in 1979 the City of Capitola accepted the grant deed to the Wharf from the County. Following a complete renovation project, the City opened the wharf to the public in 1981. Since that time, the City has used revenue generated from the lease agreements with the restaurant and boat & bait shop to maintain the wharf. A recent report commissioned by the City recommended a number of larger scale projects to better protect the wharf from the impacts of storms and rising sea levels.

The current Engineer's Estimate for the Capitola Wharf Resiliency and Public Access Improvements project is \$8.2 million which includes repairing damages from the January 2023 storms. Prior year appropriations of \$9.4 million include \$2.2 million of Measure F funding, State grant funds of \$1.9 million, Federal grant funds of \$3.5 million, State funding of \$500,000 and \$1.3 million of general fund while prior year expenditures and encumbrances total \$1.2 million. The FY 2023-24 Adopted Budget includes additional funding of \$1.1 million from Measure F to complete the funding for the project. The Capitola Wharf Resiliency and Public Access Improvements project is set to begin construction in Sept. 2023 with an anticipated completion date of late summer 2024.

Relevant Financial Policies

Financial Management Policies

The City has developed comprehensive Financial Management Policies to assist with the management of the operating and capital budgeting process and to standardize and rationalize the issuance of debt. This document focuses on Capital Budgeting and Reserves – Issuance of Debt, Operating Budgeting and Reserves and Other Policies, which addresses conformance with Generally Accepted Accounting Principles (GAAP), and Internal Borrowings. This policy requires the City to maintain a balanced operating budget; along with the use of one-time revenues to fund non-recurring expenditures.

A key component of this policy focuses on reserve requirements. Each fiscal year, the final adopted General Fund budget is required to have a Contingency Reserve appropriation equal to 15% of the General Fund operating expenditures and an Emergency Reserve appropriation equal to 10% of the General Fund operating expenditures. The purpose of the Contingency Reserve is to provide a prudent level of financial resources to protect against temporary revenue shortfalls, unanticipated operating costs, and/or to meet short-term cash flow requirements. The purpose of the Emergency Reserve Fund is to protect against one-time significant costs that may arise from major unpredictable emergency events.

Investment Policy

The City's Investment Policy governs the investment of temporary cash excesses. Investments are prioritized based on the following order of importance: Safety of principal, liquidity, and yield. Various low risk investments, such as U.S. Treasury bills are permitted. During the year, all excess cash balances, which were not held by a fiscal agent, were invested in the California Local Agency Investment Fund (LAIF) and U.S. Treasury. At no time during the year was the City's cash invested in a manner that violates this policy.

AWARD FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) also awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Capitola's ACFR for the fiscal years ended June 30, 2012, through June 30, 2022. This Certificate of Achievement is a prominent national award recognizing conformance with the highest standards for preparation of State and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Annual Comprehensive Financial Report whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A GFOA Certificate of Achievement is valid for a period of only one year. The City of Capitola believes the FY 2023 ACFR conforms to the Certificate of Achievement program requirements and will be submitting it to GFOA for review.

Prior to receiving the GFOA Award, the City received the Certificate for Outstanding Financial Reporting for its Annual Comprehensive Financial Report (ACFR) from the California Society of Municipal Finance Officers (CSMFO). This award was received consistently since FY 1999-00. Once a GFOA Award is received, CSMFO prohibits cities from applying and receiving both awards.

ACKNOWLEDGEMENTS

The preparation of this report would not have been possible without the efficient and dedicated services of the entire Finance Department staff. I would also like to express our appreciation to the partners and staff of our auditors for their assistance and support.

I wish to express my thanks and appreciation to the Mayor and members of the City Council for their unfailing leadership and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Jamie Goldstein
City Manager

CITY OF CAPITOLA
LIST OF PRINCIPAL OFFICIALS
FOR
FISCAL YEAR ENDED JUNE 30, 2023

ELECTED OFFICIALS

Mayor – Margaux Keiser
Vice Mayor – Kristen Brown
Council Member – Yvette Brooks
Council Member – Joe Clarke
Council Member – Alexander Pedersen

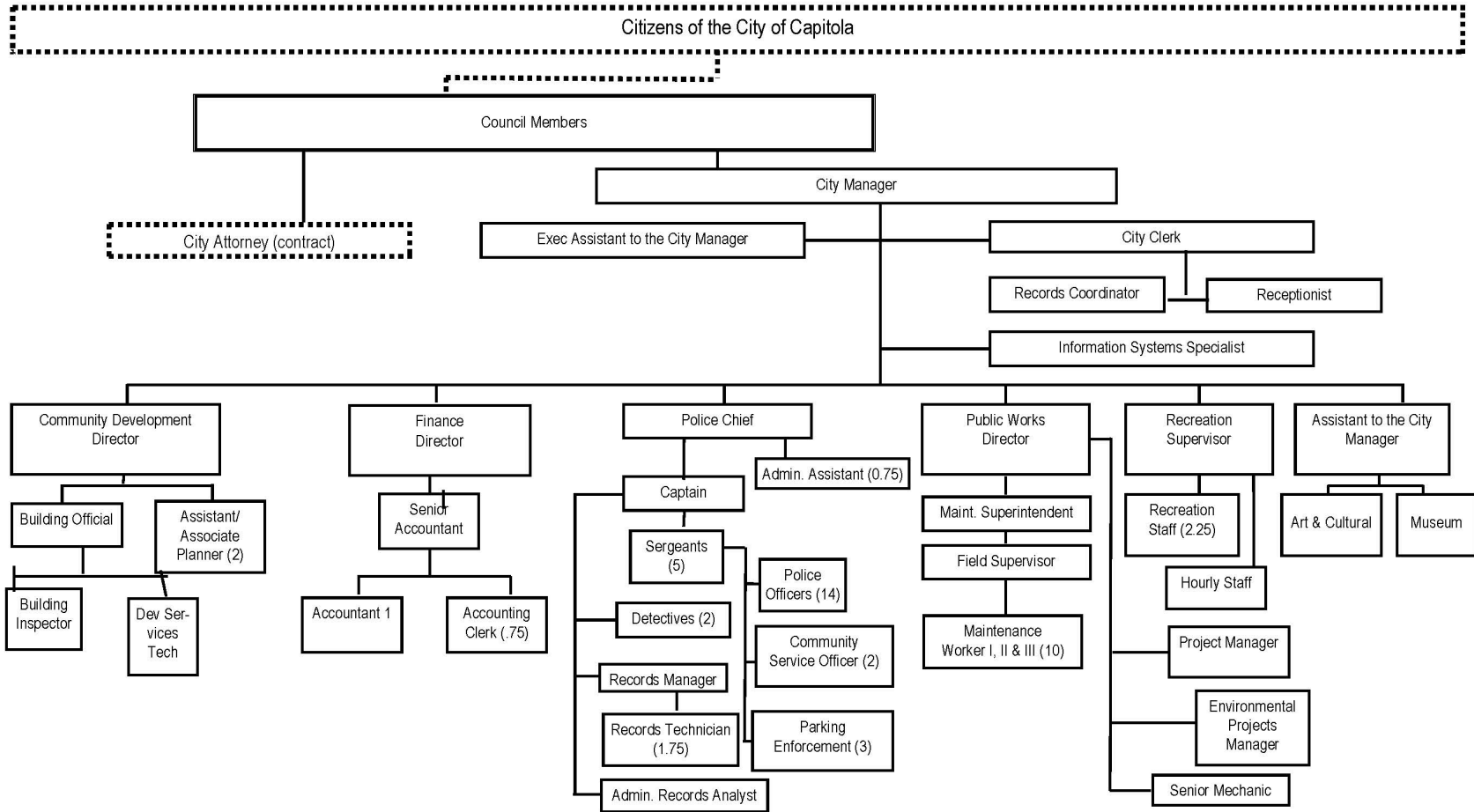
APPOINTED OFFICIALS

City Manager – Jamie Goldstein
City Attorney – Burke, Williams & Sorensen, LLP

DEPARTMENT HEADS/ADMINISTRATORS

Assistant to the City Manager – Chloe Woodmansee
Chief of Police – Andy Dally
City Clerk – Julia Moss
Community Development Director – Katie Herlihy
Finance Director – Jim Malberg
Public Works Director – Jessica Kahn
Recreation Division Manager – Nikki LeBlond-Bryant

CITY OF CAPITOLA ORGANIZATIONAL CHART



CITY OF CAPITOLA

GFOA Awards



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Capitola
California**

For its Annual Comprehensive
Financial Report

For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrill

Executive Director/CEO

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FINANCIAL SECTION

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Independent Auditor's Report

The Honorable City Council
City of Capitola, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Capitola, California (City), as of and for the year ended June 30, 2023, 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Capitola, California (City), as of June 30, 2023, and the respective changes in financial position 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 (*Government Auditing Standards*). 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net other postemployment (OPEB) liability and related ratios, schedule of OPEB contributions, schedule of the City's proportionate share of the plan's net pension liability, schedule of pension contributions, and the budgetary comparison schedules for the general fund and each major special revenue fund, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are 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 and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do 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 basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic 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 December 22, 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 City’s internal control over financial reporting and compliance.



Menlo Park, California
December 22, 2023

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Management's Discussion and Analysis

As management of the City of Capitola, California, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2023. Readers are encouraged to consider the information presented here in conjunction with the accompanying letter of transmittal and the basic financial statements.

FINANCIAL HIGHLIGHTS

Government-Wide Highlights

- Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$40.5 million (net position).
- Total net position increased by \$6.9 million from the prior year.
- The City's net capital assets increased by \$1.9 million from the prior year.
- The City's long-term liabilities increased by \$12.4 million from the prior year. See Note 6 for long-term debt and Notes 10 & 12 for pension and other post-employment benefits (OPEB) liability details.

Fund Highlights

- The City's governmental funds reported combined fund balances of \$27.7 million, a decrease of \$0.1 million from the prior year. Of the \$27.7 million fund balance, \$7.2 million is assigned and \$8.0 million is unassigned, or available for spending at the City's discretion. An additional \$12.4 million is restricted for specific purposes by their providers through constitutional provisions or by enabling legislation in accordance with generally accepted accounting principles, which is further described in Note 1.
- The \$0.1 million decrease in the combined governmental fund balances was primarily attributable to the end of grant revenues relating to COVID 19.
- The Unassigned fund balance for the General Fund was \$8.1 million, or 43% of General Fund operating expenditures, a decrease of 18.0% compared to the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as the introduction to the City's basic financial statements. The City's basic financial statements are comprised of the following three components: (1) Government-Wide Financial Statements, (2) Fund Financial Statements, and (3) Notes to the Financial Statements. This report also contains supplementary information in addition 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 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 them 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. Therefore, some revenues and expenses reported in this statement will result in cash flows in future fiscal periods.

The Government-Wide Financial Statements distinguish functions of the City of Capitola 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, community development, culture and recreation, and transportation. The City does not have any business-type activities.

The Government-Wide Financial Statements include the City of Capitola (known as the primary government).

The Government-Wide Financial Statements can be found on pages 18-19 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 and objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. However, 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 financial 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 government's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City currently has five major governmental funds: General Fund, Federal Home Loan Reuse Fund, Capitola Housing Successor Fund, RTC Streets Fund, and the Capital Projects Fund. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances. Data from the other governmental funds are combined into a single, aggregated presentation. The City maintains six internal service funds that provide goods and services solely for governmental activities. The activities are eliminated at the end of the fiscal year and any residual fund balances are combined with the General Fund.

The City adopts an annual appropriated budget for all funds. A budgetary comparison statement is provided for each of the City's governmental funds to demonstrate compliance with this budget. This comparison for the General Fund and each major special revenue fund is presented in the Required Supplementary Information section of this document. The budgetary comparison statements for the Capital Projects Fund and Non-Major Governmental Funds are presented in the Supplementary Information Section of this report. All budget amendments require City Council approval for amounts over \$25,000.

The basic governmental fund financial statements can be found on pages 21-28 of this report.

Fiduciary Funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statements because these resources are not available to support the City's programs. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position are presented in the Basic Financial Statement section of this document.

Notes to the 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 can be found on pages 30-64 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including the City of Capitola's net other postemployment benefits liability and contributions for the Healthcare Plan, the schedule of the City's proportionate share of the plans' net pension liability and related ratios, the schedule of plan contributions, and budget to actual comparisons, as noted in the table of contents.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve as a useful indicator of the City's financial position. For the fiscal year ended June 30, 2023, assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$40.5 million.

	Governmental Activities	
	2023	2022
Current and other assets	\$ 29,163,340	\$ 29,589,899
Capital assets	36,940,232	35,039,287
Total Assets	66,103,572	64,629,186
Total Deferred Outflows of Resources	13,666,136	6,571,485
Other liabilities	1,528,040	1,818,072
Long term liabilities		
Due in one year	1,030,965	496,959
Due in more than one year	33,247,574	20,853,145
Total Liabilities	35,806,579	23,168,176
Total Deferred Inflows of Resources	3,510,268	14,499,880
Net Position:		
Net investment in capital assets	35,467,652	33,335,826
Restricted	11,222,924	11,768,139
Unrestricted	(6,237,715)	(11,571,350)
Total Net Position	\$ 40,452,861	\$ 33,532,615

The largest portion of the City's net position, \$35.5 million, is reflected in its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to its citizens. Consequently, these assets are not available for future spending.

Although the City of Capitola's investment in capital assets is reported net of related debt, 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. An additional portion of the City's net position, \$11.2 million, represented resources that were subject to external restrictions on how they may be used. The remaining negative \$6.2 million of the City's net position were "unrestricted," and may be used to meet the government's ongoing obligations to citizens and creditors. The unrestricted portion of net position is negative mainly due to the City's \$31.9 million net pension and OPEB liabilities.

Further analysis is provided in the governmental activities section of this report.

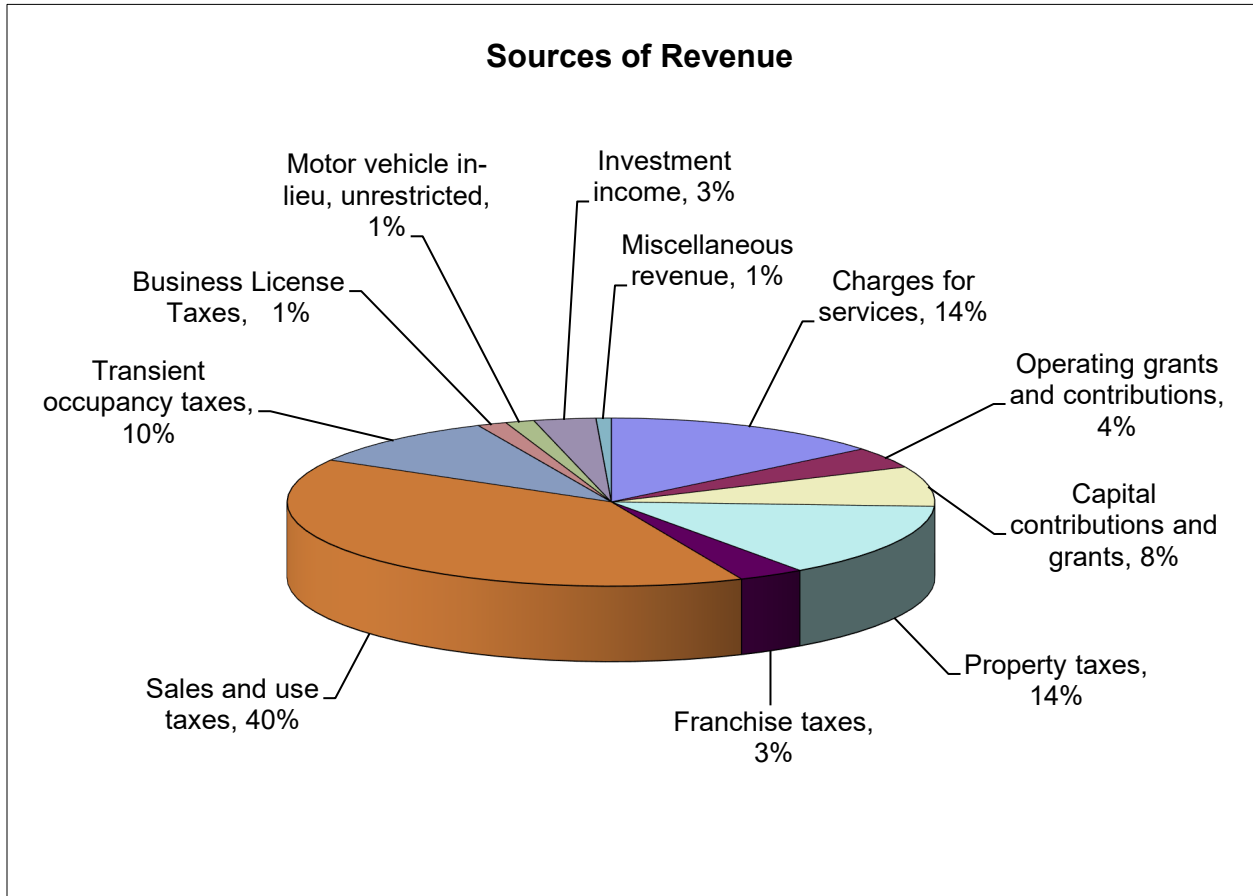
Governmental Activities

Governmental activities increased the City of Capitola's net position by \$6.9 million. The increase is due primarily to the decrease in expenses. The table below shows the changes between fiscal years 2022 and 2023:

	<u>2023</u>	<u>2022</u>
Revenues		
Program revenues:		
Charges for services	\$ 3,027,626	\$ 3,038,933
Operating grants and contributions	865,684	2,969,861
Capital contributions and grants	1,645,554	865,027
General revenues:		
Taxes:		
Property taxes	3,058,146	2,883,183
Franchise taxes	708,277	634,511
Sales and use taxes	8,542,419	8,484,799
Transient occupancy taxes	2,131,470	2,170,541
Business license taxes	313,993	315,604
Motor vehicle in-lieu, unrestricted	307,089	341,183
Investment income, unrestricted	549,243	(128,502)
Miscellaneous revenue	162,352	205,129
Total revenues	<u>21,311,853</u>	<u>21,780,269</u>
Expenses		
General government	3,443,270	6,117,483
Public safety	5,703,129	7,553,751
Community development	635,090	1,998,051
Culture and recreation	2,181,074	1,420,660
Transportation	2,408,783	4,222,401
Interest and other charges	20,261	55,843
Total expenses	<u>14,391,607</u>	<u>21,368,189</u>
Change in Net Position	6,920,246	412,080
Beginning Net Position	<u>33,532,615</u>	<u>33,120,535</u>
Ending Net Position	<u><u>\$ 40,452,861</u></u>	<u><u>\$ 33,532,615</u></u>

Revenues

As shown in the Statement of Activities, revenues for FY 2023 totaled \$21.3 million. The following graph includes program and general revenues and shows the percentage of governmental revenues by source:



Revenues decreased by \$0.5 million, or 2.4%, from the prior year. This was primarily due to the following factors:

- Operating grants and contributions – Decreased \$2.1 million from the prior year.
 - Primarily due to lack of Coronavirus grant revenue in 2023. Receipt of final Coronavirus fiscal recovery grant for \$1.2 million was in 2022.
 - Lack of grant revenue for storm damage and Wharf resiliency in 2023. \$0.8 million was received in 2022.

Cost of Services

Based on generally accepted accounting principles, program revenues are derived directly from programs or from parties outside the reporting government’s taxpayers or citizenry. These revenues reduce the net cost of the function to be financed from the government’s general revenues. General revenues are all other revenues not categorized as program revenues and include taxes, unrestricted grants, contributions, investment earnings, and miscellaneous revenues. Total program revenues from governmental activities were \$5.5 million.

The table below shows the costs and revenues of each of the City’s programs:

	Total Cost of Services	Program Revenues	Net Cost of Services
General government	\$ 3,443,270	\$ 1,294,337	\$ (2,148,933)
Public safety	5,703,129	866,158	(4,836,971)
Community development	635,090	1,069,895	434,805
Culture and recreation	2,181,074	773,186	(1,407,888)
Transportation	2,408,783	1,535,288	(873,495)
Interest and other charges	20,261	-	(20,261)
Totals	\$ 14,391,607	\$ 5,538,864	\$ (8,852,743)

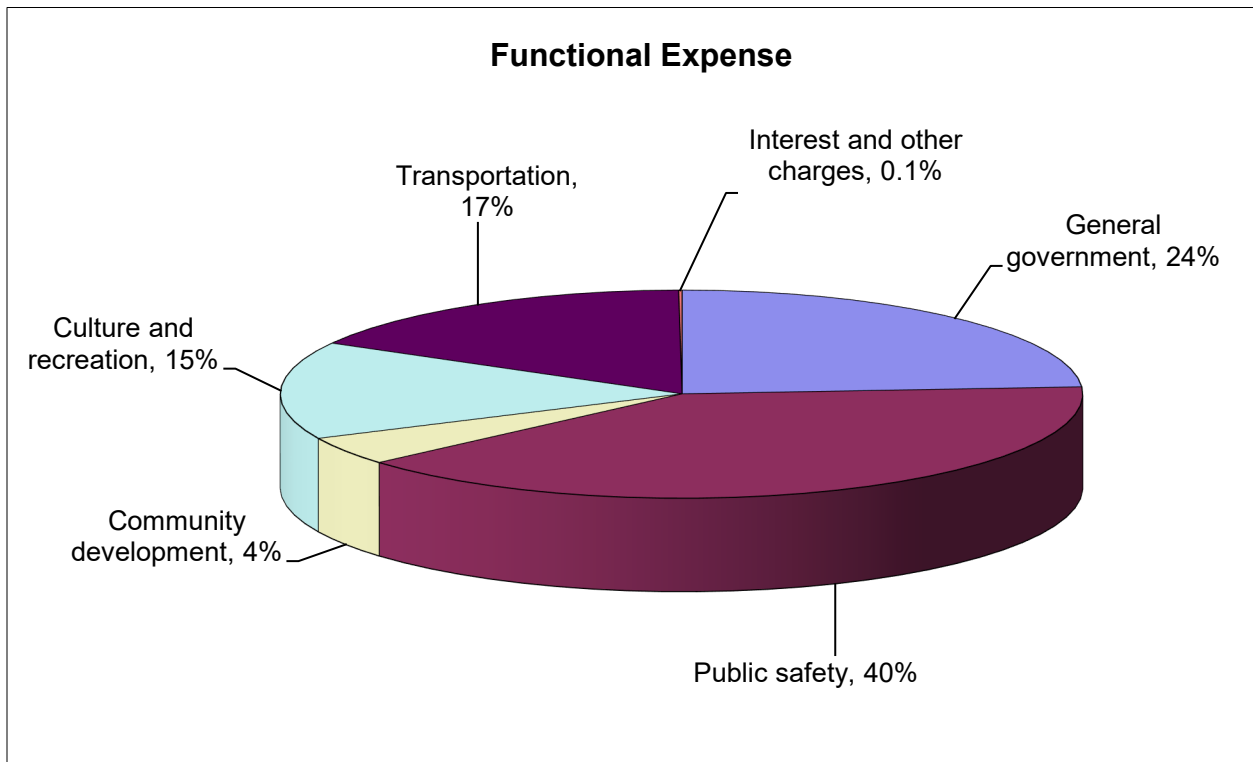
A description of each program is listed below:

- General Government expenses comprise approximately 23.9% of all government expenses. This includes City Council, City Manager, City Clerk, City Attorney, Finance, Administrative Services, and Risk Management. These programs are offset by parking meter collections, grants, and administrative support fees.
- Public Safety expenses comprise 39.6% of all governmental expenses. Revenues from fines, citations, grants, and animal services partially offset the cost of this program.
- Community Development expenses comprise approximately 4.4% of all governmental expenses. Various building and planning fees, along with grant revenues, assist in funding these program costs.
- Culture and Recreation expenses comprise 15.2% of all governmental expenses. These programs are primarily funded through recreational classes and sports fees.
- Transportation/Public Works expenses comprise 16.7% of all governmental expenses. This includes street, facility, park, and fleet maintenance. Costs are partially offset by motor vehicle fuel taxes and various fees.
- Interest expense and other charges comprise 0.1% of all governmental expenses. This interest expense is used to pay long-term debt obligations.

Expenses

As shown in the Statement of Activities, expenses decreased from the prior year by 32.6%. This was primarily due to decreased expenses in general government and transportation related to one-time expenses in the prior year.

A distribution of expenses by function is provided below:



Financial Analysis of the City's Funds

As noted earlier, the City of Capitola uses fund accounting to comply with finance-related legal requirements.

Governmental Funds

The focus of the City of Capitola'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 of Capitola's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Capitola's governmental funds reported a combined ending fund balance of \$27.7 million, flat compared with the prior year. Of this fund balance, \$12.5 million is externally restricted for particular purposes, \$7.2 million is assigned by the management to multiple priorities, and \$8.0 million is available for spending at the City's discretion.

General Fund - The General Fund is the chief operating fund of the City of Capitola and had a fund balance of \$10.6 million at year end. This represents a decrease of \$1.3 million, or 11% from the prior year. Approximately \$8.1 million was unassigned fund balance, which was available for spending at the City's discretion.

A reconciliation of the General Fund operating activities presented in the City budget documents to the Governmental General Fund Financial Statements is presented below:

	City Budget Documents	General Plan / Open Space / Donations	Emergency / Contingency / Facilities Reserve / PERS	Internal Service Funds	Financial Statements
Beginning Fund Balance	\$ 5,074,049	\$ 247,105	\$ 4,862,540	\$ 1,682,219	\$ 11,865,913
Revenues	18,457,600	127,063	-	1,536,859	20,121,522
Expenditures	17,113,265	125,761	-	1,692,641	18,931,667
Net Operating Difference	1,344,335	1,302	-	(155,782)	1,189,855
Financing Sources/Uses	(3,271,324)	-	528,300	294,000	(2,449,024)
Net Change	(1,926,989)	1,302	528,300	138,218	(1,259,169)
Ending Fund Balance	\$ 3,147,060	\$ 248,407	\$ 5,390,840	\$ 1,820,437	\$ 10,606,744

It should be noted that the presentation of the General Fund for the City's budget document is different than its presentation in the Governmental Fund Financial Statements. This is primarily due to the consolidation of the following funds for financial statement reporting purposes: General Fund, Contingency Reserve, PARS Contingency, Emergency Reserve, Facilities Reserve, General Plan Update and Maintenance, Stores, Information Technology, Equipment Replacement, Self-Insurance Liability, Workers Compensation, and Compensated Absences.

Federal Home Loan Reuse - The Federal Home Loan Reuse Fund receives loan payments from recipients of HOME Program loans and uses these revenues to fund additional affordable housing activities. All housing funded activities must be within the City and be in accordance with the Federal Home Reuse Guidelines. The revenues represent the receipt of principal and interest payments from loan recipients.

Capitola Housing Successor - This fund is used to account for the assets of the former RDA Low- and Moderate-Income Fund and related housing activities. The funds are restricted in their use, reuse, and repayment pursuant to the original program requirements. As loan payments are received, the revenue generated provides a funding source for new housing assistance programs. Additional information regarding this transition can be found in Note 14.

Capital Projects Fund – This fund is used to account for financial resources to be used for the acquisition or construction of public facilities. The total cost of a capital project is accumulated in a single expenditures account, which accumulates until the project is completed, at which time the fund ceases to exist.

GENERAL FUND BUDGETARY HIGHLIGHTS

A detailed budgetary comparison schedule for the year ended June 30, 2023, is presented as Required Supplementary Information following the notes to the financial statements. This information can be found on page 73. Key budgetary differences are provided below:

Revenues:

Actual revenues were below final budgeted amounts by \$1.2 million. This was primarily due to American Rescue & Recovery Act funds that were received in the prior year rather than the current year as originally anticipated.

Expenditures:

Expenditures, prior to transfers, were \$3 million below the final budget total due primarily to timing issues related to budgeted one-time expenditures that will carry forward to the next fiscal year.

Appropriations:

Variances between the Original and Final budgets are primarily due to the inclusion of continuing appropriations for special projects from the prior year, mid-year adjustments to reflect updated revenue and expenditure estimates, and new funding appropriated for additional CIP projects.

Fund Balance:

The General Fund's ending fund balance was \$10.7 million as of June 30, 2023. This amount was approximately \$3.4 million more than the final budget projection based on the revenue and expenditure information noted above. A breakdown of the General Fund balance is provided below. An additional discussion of the City's Contingency and Emergency Reserves can be found in the Financial Management Policies section of the Transmittal letter.

Restricted:	
Retiree benefits	1,195,872
Assigned:	
Emergency reserve	1,314,206
Unassigned:	
Contingencies	3,812,832
Unassigned	4,283,834
	<hr/>
Total fund balance	\$ 10,606,744
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CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's value of governmental capital assets (net of accumulated depreciation) at the end of FY 2023 was \$36.9 million. This investment in capital assets includes land, building, equipment, vehicles and infrastructure. The infrastructure classification typically includes roads, streets, sidewalks, medians, and bridges. The total increase in the City's investment in capital assets for the current fiscal year was \$1.9 million, or 5.4%. The increase is primarily due to an increase in completed transportation-related projects. Additional information on the City of Capitola's capital assets can be found in Note 4 to the financial statements.

Statement of Net Position	
Asset Type	
Land	\$ 4,883,789
Buildings and improvements	18,017,712
Equipment	4,520,133
Infrastructure	35,907,669
Construction in progress	3,549,718
Total Fixed Assets	<u>66,879,021</u>
Less Depreciation	<u>(29,938,789)</u>
Capital Assets Net of Depreciation	<u>\$ 36,940,232</u>

Long-Term Debt

The City's long-term liabilities other than pension and OPEB at the end of FY 2023 was \$2.4 million, a decrease of \$0.2 compared to FY 2022. The change is due to the scheduled principal payments during the fiscal year. An overview of all long-term obligations is presented below while comprehensive information can be found in Note 6.

Loans payable:	
Loan agreement payable - Pacific Cove financing	\$ 642,663
Loan agreement payable - Beach and Village	829,917
Compensated absences	<u>915,544</u>
Total long-term debt	<u>\$ 2,388,124</u>

ECONOMIC FACTORS, NEXT YEAR'S BUDGETS AND RATES

On June 23, 2023, the Council adopted the FY 2023-24 Budget with a total appropriation of \$38.9 million and a General Fund appropriation of \$19.8 million. Adequate resources were projected to be available to fund the proposed expenditures. The General Fund budget continues to return resources to City Council goals and priorities that were placed on hold in response to COVID-19. The fiscal impacts associated with the pandemic were not as severe as originally projected, which when combined with a stronger than anticipated recovery has allowed the City to return funding to the Capital Improvement Program. General Fund expenditures are budgeted to exceed General Fund revenues by approximately \$1.0 million as the City utilizes the available fund balance. However, the budget still projects to end the year with a general fund balance of approximately \$1.5 million.

The City has negotiated an extension of the Mid-Management Employees contract through FY 2023-24 and all remaining bargaining units' contracts remain in place through FY 2023-24, which include fixed cost of living adjustments (COLA's). Additionally, all contracts included Market Study Salary Adjustments for identified classifications. The City implemented caps on pension costs prior to the FY 2015-16 budget but modified the cap to ensure employees didn't experience large decreases in net pay due to the projected contribution rate increases. Those caps remain in place under the new contracts.

Prospects for the Future

When the voters of Capitola passed Measure O, a quarter of one percent sales tax for a period of ten years, the City committed to replenishing reserves, maintaining police staffing levels and completing major street improvements during the five-year overlap with Measure D. Measure O sales tax revenues have been utilized to fully fund reserves at the City Council adopted funding levels as well as to increase street projects and maintain police department and public works staffing levels. Measure O expired on December 31, 2017.

In 2016 voters passed Measure F to extend the temporary quarter of one percent sales tax for an additional ten years. The City is committed to using this funding source to protect the wharf and beach from storms and rising sea levels, maintain police services, and improve sidewalks, parks, and bike safety. The adopted FY 2019/20 budget continued implementing these commitments as Measure F went into effect on January 1, 2018.

Opportunities for development include the Wharf renovation project, flume repair, and jetty improvements. The wharf project was bid in Spring 2023 with an anticipated start date in Fall 2023. The wharf project is currently funded by a combination of Measure F, general fund, and grants. In addition, the approximately \$1 million in damages to the wharf caused by the Jan. 5, 2023, storm will be funded with \$1 million of insurance funding.

The City completed Assembly Bill 1484 (AB 1484) reporting and audit requirements and received approval for repayment of the \$618,028 loan made to the former RDA. The final payment was made during FY 2018/19. The Capitola Successor Agency completed the Required Obligation Payment Schedule (ROPS) in FY 2020-21 and has successfully completed dissolution of the RDA in FY 2022/23. The City returned \$165,074 in left over funds in October 2022. Additional information can be found in the transmittal letter, as well as Note 14.

Local, State, and National Economy

In 2008 events in the local, state, and national economies led to a significant downturn in financial markets. In FY 2011/12, there were beginning signs of economic recovery, with increased sales tax, TOT, and an increasing demand for building/planning services. This trend continued through FY 2016/17, however, Capitola's annual sales tax and transient occupancy tax leveled off in FY 2017/18. In November 2018 Capitola voters approved increasing the TOT rate from 10% to 12% with three-quarters of one percent dedicated to local business groups and Early Childhood and Youth programs.

In March 2020 both Santa Cruz County and the State of California issued Shelter-in-Place orders in response to COVID-19. This had severe negative impacts to City revenues at the end of the 3rd quarter and the entire 4th quarter of FY 2019-20. The City reduced expenditures to the greatest extent possible and negotiated concessions with all labor groups. The fiscal impacts from the pandemic were not as severe as originally anticipated and the recovery was greater than expected. This has allowed the City to continue to fill vacant positions that were frozen at the onset of the pandemic and return services and programs that had been reduced.

In January 2023, intense storms damaged the Wharf as well as several Capitola Village businesses causing them to close temporarily. Although this had a temporary negative effect on revenues and caused increased expenses, the City businesses recovered quickly. The Wharf project was fully funded in December 2022 and \$1 million of insurance funding for storm damages was added. The project will start in September 2023 and is projected to be completed by summer 2024.

In 2021 CalPERS achieved an investment return of 21.3% and the CalPERS Board subsequently approved a decrease in the discount rate it uses to project future funding needs. The discount rate is the expected rate of return on investments. The decreased discount rate has a major impact to the City's yearly unfunded actuarial liability (UAL) payment.

The City's FY 2023-24 UAL payment is approximately \$2.1 million which is a 1.9% decrease over the prior year. However, current projections show the City's UAL increasing to \$2.5 million in FY 2024-25 and \$3.5 million by FY 2029-30.

Requests for Information

This financial report is designed to provide a general overview of the City's finances and to demonstrate the City's accountability for its fiscal activities to citizens, taxpayers, investors, creditors, and any other interested parties. If you have questions about this report or need additional information please contact the Finance Director at 420 Capitola Avenue, Capitola, California 95010.

BASIC FINANCIAL STATEMENTS

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CITY OF CAPITOLA
Statement of Net Position
June 30, 2023

	Governmental Activities
ASSETS	
Cash and investments	\$ 18,059,133
Restricted cash and investments	1,195,872
Accounts receivable	196,886
Taxes receivable	2,118,045
Due from other governments	944,854
Loans receivable	6,648,550
Capital assets:	
Non-depreciable:	
Land	4,883,789
Construction in progress	3,549,718
Depreciable:	
Equipment	4,520,133
Buildings and improvements	18,017,712
Infrastructure	35,907,669
Accumulated depreciation	(29,938,789)
Total Assets	66,103,572
DEFERRED OUTFLOWS OF RESOURCES	
Pension related	12,650,802
OPEB related	1,015,334
Total Deferred Outflows of Resources	13,666,136
LIABILITIES	
Accounts payable	640,482
Accrued liabilities	208,616
Interest payable	21,672
Unearned revenue	278,707
Deposits payable	378,563
Noncurrent liabilities:	
Due within one year	1,030,965
Due in more than one year	1,357,159
Net other postemployment liability due in more than one year	1,833,813
Net pension liability due in more than one year	30,056,602
Total Liabilities	35,806,579
DEFERRED INFLOWS OF RESOURCES	
Pension related	3,252,592
OPEB related	257,676
Total Deferred Inflows of Resources	3,510,268
NET POSITION	
Net investment in capital assets	35,467,652
Restricted for:	
Public safety	151,613
Transportation	732,245
Community development	10,127,792
Culture and recreation	211,274
Unrestricted	(6,237,715)
Total Net Position	\$ 40,452,861

The accompanying notes are an integral part of these financial statements.

CITY OF CAPITOLA
Statement of Activities
Year Ended June 30, 2023

<u>Functions/Programs</u>	Program Revenues			Net (Expense) Revenue and Change in Net Position	
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental activities:					
General government	\$ 3,443,270	\$ 744,102	\$ 550,235	\$ -	\$ (2,148,933)
Public safety	5,703,129	624,216	241,942	-	(4,836,971)
Community development	635,090	901,127	-	168,768	434,805
Culture and recreation	2,181,074	710,430	62,756	-	(1,407,888)
Transportation	2,408,783	47,751	10,751	1,476,786	(873,495)
Interest and other charges	20,261	-	-	-	(20,261)
Total Governmental Activities	\$ 14,391,607	\$ 3,027,626	\$ 865,684	\$ 1,645,554	(8,852,743)
General Revenues:					
Taxes:					
Property taxes					3,058,146
Franchise taxes					708,277
Sales and use taxes					8,542,419
Transient occupancy taxes					2,131,470
Business license taxes					313,993
Motor vehicle in-lieu, unrestricted					307,089
Investment income, unrestricted					549,243
Miscellaneous revenue					162,352
Total General Revenues					15,772,989
Change in Net Position					6,920,246
Net Position, Beginning of Year					33,532,615
Net Position, End of Year					\$ 40,452,861

The accompanying notes are an integral part of these financial statements.

GOVERNMENTAL FUNDS

Major Governmental Funds

GENERAL FUND

General Fund - Accounts for all financial resources except those to be accounted for in another fund. It is the general operating fund for the City.

SPECIAL REVENUE FUNDS

Federal Home Loan Reuse Fund - This fund accounts for housing loan principal and interest payments that will be available for a similar future federal program.

Capitola Housing Successor Fund - This fund is used to account for the assets of the former RDA Low- and Moderate-Income Fund, and related housing activities. The funds are restricted in their use, reuse, and repayment pursuant to the original program requirements. It is anticipated that as loan payments are received, the revenue generated would fund new housing activities.

Regional Transportation Commission (RTC) Streets

Santa Cruz County voters passed a 0.5 percent user sales tax to fund local roads. The RTC Streets fund will be utilized to increase the City's street program.

CAPITAL PROJECTS FUND

Capital Projects Fund - Accounts for financial resources segregated for the acquisition of major capital facilities and equipment by the City.

Non-Major Governmental Funds

Other Governmental Funds - These funds constitute all other governmental funds that do not meet the major fund test of assets, liabilities and deferred inflows of resources, revenues, or expenditures for the governmental funds. These funds consist of other Special Revenue Funds, and Debt Service Funds of the City for the year ended June 30, 2023.

CITY OF CAPITOLA
Governmental Funds
Balance Sheet
June 30, 2023

	Special Revenue Funds			
	General	Federal Home Loan Reuse	Capitola Housing Successor	RTC Streets
Assets				
Cash and investments	\$ 8,364,972	\$ 808,386	\$ 2,053,066	\$ 158,896
Restricted cash and investments	1,195,872	-	-	-
Accounts receivable	186,200	-	-	-
Taxes receivable	2,046,624	-	-	26,996
Due from other governments	74,590	-	-	-
Loans receivables	-	3,971,639	2,279,265	-
Total Assets	<u>\$ 11,868,258</u>	<u>\$ 4,780,025</u>	<u>\$ 4,332,331</u>	<u>\$ 185,892</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 403,828	\$ -	\$ 3,273	\$ -
Accrued liabilities	208,616	-	-	-
Unearned revenue	278,707	-	-	-
Deposits payable	370,363	-	-	-
Total Liabilities	<u>1,261,514</u>	<u>-</u>	<u>3,273</u>	<u>-</u>
Fund Balances				
Restricted	1,195,872	4,780,025	4,329,058	185,892
Assigned	1,314,206	-	-	-
Unassigned	8,096,666	-	-	-
Total Fund Balances	<u>10,606,744</u>	<u>4,780,025</u>	<u>4,329,058</u>	<u>185,892</u>
Total Liabilities				
Total Liabilities and Fund Balances	<u>\$ 11,868,258</u>	<u>\$ 4,780,025</u>	<u>\$ 4,332,331</u>	<u>\$ 185,892</u>

The accompanying notes are an integral part of these financial statements.

Capital Projects	Non-Major Governmental Funds	Totals
\$ 5,110,017	\$ 1,563,796	\$ 18,059,133
-	-	1,195,872
-	10,686	196,886
-	44,425	2,118,045
870,264	-	944,854
-	397,646	6,648,550
<u>\$ 5,980,281</u>	<u>\$ 2,016,553</u>	<u>\$ 29,163,340</u>
\$ 130,116	\$ 103,265	\$ 640,482
-	-	208,616
-	-	278,707
7,200	1,000	378,563
<u>137,316</u>	<u>104,265</u>	<u>1,506,368</u>
-	1,927,949	12,418,796
5,842,965	55,229	7,212,400
-	(70,890)	8,025,776
<u>5,842,965</u>	<u>1,912,288</u>	<u>27,656,972</u>
<u>\$ 5,980,281</u>	<u>\$ 2,016,553</u>	<u>\$ 29,163,340</u>

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CITY OF CAPITOLA
Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Position
June 30, 2023

Fund Balances of Governmental Funds	\$ 27,656,972
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Capital assets net of depreciation have not been included in governmental fund activity:	
Capital assets	66,879,021
Accumulated depreciation	(29,938,789)
Pension related deferred inflows and outflows of resources are not reported in the governmental funds:	
Deferred outflows	12,650,802
Deferred inflows	(3,252,592)
OPEB related deferred inflows and outflows of resources are not reported in the governmental funds:	
Deferred outflows	1,015,334
Deferred inflows	(257,676)
Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds.	
	(21,672)
Long-term liabilities have not been included in the governmental fund activity:	
Pacific Cove financing	(642,663)
Beach and Villeage financing	(829,917)
Net pension liability	(30,056,602)
Compensated absences	(915,544)
Net OPEB liability	(1,833,813)
	(4,078,543)
Net position of governmental activities	\$ 40,452,861

The accompanying notes are an integral part of these financial statements.

CITY OF CAPITOLA
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2023

	Special Revenue Funds			
	General	Federal Home Loan Reuse	Capitola Housing Successor	RTC Streets
REVENUES				
Taxes	\$ 14,709,174	\$ -	\$ -	\$ -
Licenses and permits	649,478	-	-	-
Fines and forfeitures	566,907	-	-	-
Intergovernmental	410,037	-	-	368,521
Charges for services	1,887,463	-	-	-
Use of money and property	272,701	109,490	41,933	13,432
Other revenue	1,625,762	-	-	-
Total Revenues	20,121,522	109,490	41,933	381,953
EXPENDITURES				
Current:				
General government	3,484,033	3,700	-	-
Public safety	8,136,943	-	-	-
Community development	1,019,260	-	63,668	-
Culture and recreation	2,525,010	-	-	-
Transportation	3,469,525	-	-	-
Capital outlay	296,896	-	-	1,129,884
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	18,931,667	3,700	63,668	1,129,884
Excess (Deficiency) of Revenues over (Under) Expenditures	1,189,855	105,790	(21,735)	(747,931)
OTHER FINANCING SOURCES (USES)				
Transfers in	74,000	-	-	-
Transfers out	(2,523,024)	-	-	-
Total Other Financing Sources (Uses)	(2,449,024)	-	-	-
Net Change in Fund Balances	(1,259,169)	105,790	(21,735)	(747,931)
Fund Balances, Beginning of Year	11,865,913	4,674,235	4,350,793	933,823
Fund Balances, End of Year	<u>\$ 10,606,744</u>	<u>\$ 4,780,025</u>	<u>\$ 4,329,058</u>	<u>\$ 185,892</u>

The accompanying notes are an integral part of these financial statements.

Capital Projects	Non-Major Governmental Funds	Totals
\$ -	\$ 143,353	\$ 14,852,527
-	11,903	661,381
-	-	566,907
897,880	740,688	2,417,126
13,459	109,283	2,010,205
735	110,396	548,687
20,000	53,757	1,699,519
<u>932,074</u>	<u>1,169,380</u>	<u>22,756,352</u>
170,285	785,662	4,443,680
-	-	8,136,943
-	18,250	1,101,178
-	-	2,525,010
-	-	3,469,525
1,245,998	292,623	2,965,401
-	230,881	230,881
-	22,187	22,187
<u>1,416,283</u>	<u>1,349,603</u>	<u>22,894,805</u>
<u>(484,209)</u>	<u>(180,223)</u>	<u>(138,453)</u>
2,255,958	292,066	2,622,024
(74,000)	(25,000)	(2,622,024)
<u>2,181,958</u>	<u>267,066</u>	<u>-</u>
1,697,749	86,843	(138,453)
<u>4,145,216</u>	<u>1,825,445</u>	<u>27,795,425</u>
<u>\$ 5,842,965</u>	<u>\$ 1,912,288</u>	<u>\$ 27,656,972</u>

CITY OF CAPITOLA
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2023

Net Change in Fund Balances - Total Governmental Funds \$ (138,453)

Amounts Reported for Governmental Activities in the Statement of Activities
are Different Because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	2,965,401
Capital outlay not capitalized	(11,455)
Depreciation	(1,053,001)

Repayment of debt service principal and financing liabilities are expenditures in the governmental funds but the repayment reduces long-term liabilities in the statement of net position.

230,881

Governmental funds report all contributions as expenditures in relation to Pensions and OPEB, however, in the statement of activities, OPEB and pension expenses are based on the change in these liabilities.

Change in net pension liability and related deferrals	5,052,594
Change in net OPEB and related deferrals	(108,244)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in compensated absences payable	(19,403)
Change in accrued interest expense	1,926

Change in net position of governmental activities	\$ 6,920,246
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The accompanying notes are an integral part of these financial statements.

CITY OF CAPITOLA
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2023

	<u>Private Purpose Trust Fund</u>
ASSETS	
Cash and investments	\$ -
Total Assets	<u>-</u>
NET POSITION	
Restricted in trust for successor agency and other purposes	<u>-</u>
Total Net Position	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF CAPITOLA
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2023

	<u>Private Purpose Trust Fund</u>
ADDITIONS	
Use of money and property	<u>\$ 2,086</u>
Total Additions	<u>2,086</u>
DEDUCTIONS	
Administrative expenses	<u>165,074</u>
Total Deductions	<u>165,074</u>
Change in Net Position	(162,988)
Net Position, Beginning of Year	<u>162,988</u>
Net Position, End of Year	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

**City of Capitola
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Year Ended June 30 2023**

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CITY OF CAPITOLA
Notes to Financial Statements
Year Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Reporting Entity

The City of Capitola (the City) was incorporated in 1949 under the laws of the State of California. Capitola is a General Law City and is subject to the framework and procedures established by State law. The City operates under the Council-City Manager form of government. The City provides police protection, street, park and facilities maintenance, recreation, building, planning, zoning, administrative, and financial services for Capitola. Independent special districts provide fire protection, water, sewer, and limited drainage services.

B. Basis of Presentation

The City's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues. All City activities are governmental; no business-type activities are reported in the statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are expenses that are clearly identifiable with a specific program, project, function, or segment. Program revenues of the City 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 that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items that are properly not included among program revenues are reported instead as general revenues.

Fund Financial Statements

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

CITY OF CAPITOLA
Notes to Financial Statements
Year Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

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*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the providers have been met.

Governmental fund 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 collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers the majority of revenues to be available if they are collected within 60 days of the end of the current fiscal period. The City's only exception to this timeline is Sales Tax receipts which are recorded as revenues if received within 90 days.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, pension and other postemployment benefits and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, transient occupancy taxes, franchise taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and are therefore recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund

The General Fund accounts for all financial resources except those to be accounted for in another fund. It is the general operating fund for the City.

Federal Home Loan Reuse Special Revenue Fund

The Federal Home Loan Reuse Fund accounts for housing loans due to the City from the recipients of previous HOME Program grants. Receipts in the Home Program Reuse Fund are restricted to affordable housing activities in accordance with the federal HOME program re-use guidelines.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation, (continued)

Capitola Housing Successor Special Revenue Fund

This fund is used to account for the assets of the former RDA Low- and Moderate-Income Fund, and related housing activities. The funds are restricted in their use, reuse, and repayment pursuant to the original program requirements. It is anticipated that as loan payments are received, the revenue generated would fund new housing activities.

RTC Streets Special Revenue Fund

This fund accounts for 0.5 percent user sales tax revenues to fund local roads.

Capital Projects Fund

The Capital Projects Fund accounts for financial resources segregated for the acquisition of major capital facilities and equipment by the City.

Nonmajor Governmental Funds

All remaining governmental funds are aggregated and reported as nonmajor funds.

The City also reports the following fiduciary fund:

Private Purpose Trust Fund

The Private Purpose Trust Fund accounts for the activities of the City of Capitola as Successor Agency to the Capitola Redevelopment Agency. The Successor Agency's primary purpose is to expedite the dissolution of the former Redevelopment Agency's assets in accordance with AB X1 26 and AB 1484. This fund was closed during the fiscal year.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance

1) Cash and Investments

Investments are reported in the accompanying balance sheet at fair value, except for nonparticipating certificates of deposit and investment contracts that would be reported at cost because they are not transferable, and they have terms that are not affected by changes in interest rates.

Changes in fair value that occur during a fiscal year are recognized as *investment income* reported for that fiscal year. *Investment income* includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (continued)

1) Cash and Investments (continued)

The City pools cash and investments of all funds. Each fund’s share in this pool is displayed in the accompanying financial statements as cash and investments.

The City pools idle cash from all funds in order to increase income earned through its investment program. Investment income from pooled investments is allocated to those funds that are required by law or administrative action to receive interest. Investment income is allocated on a quarterly basis based on the cash balance in each fund.

2) 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 either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans).

Noncurrent portions of long-term interfund loan receivables are reported as advances and such amounts are offset equally by a fund balance reserve account that indicates they do not constitute expendable available financial resources and therefore are not available for appropriation.

3) Property Taxes

California Constitution Article XIII A limits the combined property tax rate to one percent of a property’s assessed valuation. Additional taxes may be imposed with voter approval. Assessed value is calculated at one hundred percent of a property’s fair value, as defined by Article XIII A, and may be increased no more than two percent per year unless a change in ownership occurs. The state legislature has determined the method of distributing the one percent tax levy among the various taxing jurisdictions.

Property tax revenues are recognized in the fiscal year for which taxes have been levied and collected within sixty days of fiscal year end. Property taxes are billed and collected as follows:

	Secured	Unsecured
Valuation/Lien Date(s)	January 1	January 1
Levy Date	July 1	July 1
Due Date(s)	November 1 (50%) February 1 (50%)	August 1
Delinquency Date(s)	December 10 - 1st Installment April 10 - 2nd Installment	August 31

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance, (continued)

3) Property Taxes (continued)

The City adopted an alternative method of property tax distribution (the “Teeter Plan”). Under this method, the City receives 100% of its secured property tax levied in exchange for foregoing any interest and penalties collected on delinquent taxes. The City receives payments as a series of advances made by the County throughout the fiscal year. The secured property tax levy is recognized as revenue upon receipt including the final payment, which generally is received within 60 days after the fiscal year.

4) Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at acquisition value as of the date received. City policy is to capitalize all tangible property with a useful life of five or more years and a cost or assigned valued exceeding \$5,000, with the exception of infrastructure valued at \$50,000 or more.

The City recorded all its public domain (infrastructure) capital assets placed in service after June 30, 1980, which include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, in accordance with generally accepted accounting principles.

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each fiscal year represents that fiscal year’s pro rata share of the cost of capital assets. Generally accepted accounting principles requires that all capital assets with limited useful lives be depreciated over the estimated useful lives. Depreciation is provided using the straight-line method which means the cost of the assets is divided by its expected useful life in years and the result is charged to expense each fiscal year until the assets are fully depreciated. The City has assigned the useful lives listed below to capital assets.

Structures and Improvements	50 years
Equipment	5 – 20 years
Infrastructure	15 – 50 years

5) Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are reported as prepaid items in both government-wide and fund financial statements. The City accounts for such items using the consumption method.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance, (continued)

6) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial element, deferred outflows of resources, represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. In addition to liabilities, the statement of net position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial element, deferred inflows of resources, represents an acquisition of the net assets or fund balance that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

7) Compensated Absences

In compliance with generally accepted accounting principles, the City has established a liability for accrued vacation in relevant funds. Based on prior MOU language, a sick leave liability is also accrued for one remaining employee. For governmental fund types, the current liability appears in the respective funds, if due and payable, and the long-term liability appears in the government-wide financial statements. This liability is set up for the current employees at the current rates of pay. If vacation and the sick leave balances are not used by employees during the term of employment, compensation is payable to the employee at the time of retirement. Such compensation is calculated at the employee's prevailing rate at the time of retirement or termination. Each fiscal year, an adjustment to the liability is made based on pay rate changes and adjustments for the current portion. The General Fund is primarily responsible for the repayment of the governmental portion of compensated absences.

8) Reclassifications and Eliminations

Interfund balances must generally be eliminated in the government-wide statements, except for net residual amounts due between governmental activities and business-type activities. Amounts involving fiduciary funds should be reported as external transactions. Any allocations must reduce the expenses of the function from which the expenses are being allocated, so that the expenses are reported only once - in the function in which they are allocated.

9) Use of Estimates

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and necessarily include amounts or disclosures based on estimates and assumptions by management. Actual results could differ from those amounts.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance, (continued)

10) Fund Equity

The City has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. These classifications and constraints have been incorporated into the City's Fund Balance Policy, Administrative Policy III-10.

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable – Amounts that are not in a spendable form or are legally or contractually required to be maintained intact.

Restricted – Amounts that have constraints placed on them by third-party providers (grantors, bondholders, and higher levels of government) or by law through constitutional provisions or by enabling legislation.

Committed – Amounts constrained to specific purposes by a government itself, using the highest level of decision-making authority. This includes an action by the City Council passing a resolution. The Committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action it previously employed to commit those amounts. The City did not report committed fund balances this year.

Assigned – Amounts the City intends to use for a specific purpose but are neither restricted nor committed. Intended use can be established by the City Council, or by a City official designated as having that authority, such as the City Manager or Finance Director.

Unassigned – is the residual classification for the General Fund and residual fund deficits, if any, of other governmental funds. Unassigned amounts are technically available for any purpose.

When an expenditure is incurred for which both restricted and unrestricted (committed, assigned, or unassigned) are available, it is the City's policy to consider restricted amounts first, then unrestricted resources. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance appropriations could be used, it is the City's Policy that committed amounts would be used first, followed by assigned, and then unassigned fund balance classifications.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance, (continued)

11) Pension Plans

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the 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 currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

12) Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as reported by CalPERS. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

E. New Accounting Pronouncements

Effective this Fiscal Year

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The objectives of this Statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021, or FY 2022/2023. This Statement did not impact the City's financial statements.

GASB Statement No. 94 – In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objectives of this Statement improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022, or FY 2022/2023. This Statement did not impact the City's financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E. New Accounting Pronouncements (continued)

Effective this Fiscal Year (continued)

GASB Statement No. 96 – In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022, or FY 2022/2023. This Statement did not impact the City’s financial statements.

Effective in Future Fiscal Years

GASB Statement No. 93 – In May 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objectives of this Statement is to address those and other accounting and reporting implications resulting from the replacement of an IBOR by providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced and providing clarification to the hedge accounting termination provisions, removing LIBOR as a benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap, identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2021, or FY 2021/2022, except the removal of LIBOR as a benchmark interest rate which is effective for periods beginning after December 31, 2022, or FY 2023/2024. The City is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 99 – In April 2022, GASB Issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. Certain requirements of this statement have been implemented as of June 30, 2022. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The City is evaluating the impact of this Statement on the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E. New Accounting Pronouncements (continued)

Effective in Future Fiscal Years (continued)

GASB Statement No. 100 – In June 2022, GASB Issued Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*. The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The City is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 101 – In June 2022, GASB Issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of the financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The City is evaluating the impact of this Statement on the financial statements.

2. CASH AND INVESTMENTS

Cash and investments held by the City at June 30, 2023, are classified in the accompanying financial statement as follows:

Statement of Net Position:	
Cash and investments	\$ 18,059,133
Restricted cash and investments	<u>1,195,872</u>
Total cash and investments	<u><u>\$ 19,255,005</u></u>

Cash and investment held by the City consisted of the following:

Petty cash	\$ 1,444
Demand deposits	1,771,445
Investments with LAIF	11,712,906
Certificates of Deposit	4,581,438
PARS	<u>1,187,772</u>
Total cash and investments	<u><u>\$ 19,255,005</u></u>

2. CASH AND INVESTMENTS (continued)

Investments Authorized by the California Government Code and the City of Capitola's Investment Policy:

Allowable investment instruments are defined in the California Government Code Section 53600, et. seq., as amended. If the Code is further revised to allow additional investments or is changed regarding the limits on certain categories of investments, the City is authorized to conform to these changes, excluding those changes that may be prohibited by this policy. Where the Government Code specifies a percentage limitation for a particular category of investments, that percentage is applicable only at the date of purchase.

The table below identifies the investment types that are authorized by the City's investment policy and the California Government Code (or the City's investment policy, if more restrictive). The table also identifies certain provisions that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U. S. Treasury Bills	5 years	60%	None
Negotiable Certificates of Deposit (CD)	5 years	20%	None
Local Agency Investment Fund (LAIF)	N/A	None	\$75,000,000

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 is, the greater the sensitivity of its fair value to changes in interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. As of June 30, 2023, the City had the following investments.

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less than 1 year	1-5 years
Investments with LAIF	\$ 11,712,906	\$ 11,712,906	\$ -
Certificates of Deposit	4,581,438	-	4,581,438
PARS	1,187,772	1,187,772	-
Total Investments	<u>\$ 17,482,116</u>	<u>\$ 12,900,678</u>	<u>\$ 4,581,438</u>

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's investments in LAIF and in PARS were not rated as of June 30, 2023. Investments in the negotiable certificates of deposit were fully insured by the Federal Deposit Insurance Corporation (FDIC).

2. CASH AND INVESTMENTS (continued)

Concentration of Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total City investments required to be disclosed.

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, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government 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. As of June 30, 2023, the City had deposits with financial institutions in excess of federal depository insurance limits by \$1,521,445 that were held in collateralized accounts.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF). LAIF was established in 1977 under the California Government Code Section 16429.1 et seq. as an investment alternative for local California governments and cities. LAIF oversight is governed by a five-member board designated by law, with the State Treasurer as Board Chairman. The State Treasurer elected to invest these monies as part of the State's Pooled Money Investment Account (PMIA) to achieve the maximum rate of return, while maintaining the goals of safety, liquidity, and yield. All LAIF funds are insulated from State borrowing including State General Fund transfers or loans and AB 55 loans. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based on the City's pro rata share of the fair value provided by LAIF (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 as an amortized cost basis. LAIF is not registered with the Securities and Exchange Commission and is not rated.

2. CASH AND INVESTMENTS, (continued)

Fair Value Measurements

The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles (GAAP). These guidelines recognize a three-tiered fair value hierarchy as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than those in Level 1; and
- Level 3: Unobservable inputs.

Debt and equity securities classified as Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 are valued using the following approaches: debt securities are normally valued based on price data obtained from observed transactions and market price quotations from broker dealers and/or pricing vendors; equity securities are valued using fair value per share for each fund. Certificates of deposit classified in level 2 are valued using broker quotes that utilize observable market inputs. Securities classified as Level 3 have limited trade information, these securities are priced or using the last trade price or estimated using recent trade prices.

At June 30, 2023, the City had the following recurring fair value measurements:

Investment Type	June 30, 2023	Level 1	Level 2	Uncategorized
Investments with LAIF	\$ 11,712,906	\$ -	\$ -	\$ 11,712,906
Certificates of Deposit	4,581,438	4,581,438	-	-
PARS	1,187,772	-	1,187,772	-
Total Investments	<u>\$ 17,482,116</u>	<u>\$ 4,581,438</u>	<u>\$ 1,187,772</u>	<u>\$ 11,712,906</u>

3. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund Transfers

Interfund transfers for the year ended June 30, 2023, are as follows:

Transfers Out	Transfer In			Total
	General Fund	Capital Projects Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 2,255,958	\$ 267,066	\$ 2,523,024
Capital Projects Fund	74,000	-	-	74,000
Non-Major Governmental Funds	-	-	25,000	25,000
Total	<u>\$ 74,000</u>	<u>\$ 2,255,958</u>	<u>\$ 292,066</u>	<u>\$ 2,622,024</u>

The General Fund transferred \$127,000 to the Beach Village Lot and \$140,066 to the Pacific Coast Grove Debt Financing Funds for debt service payments. The Housing Trust Fund also transferred \$25,000 to the Pacific Cove Debt Financing Fund for debt service payments. The General Fund transferred \$2,255,958 to the Capital Projects Funds for various capital projects. In addition, the Capital Projects Fund transferred \$74,000 to the General Fund.

4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2023, is as follows:

	Ending Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 4,883,789	\$ -	\$ -	\$ 4,883,789
Construction in progress	2,715,304	1,845,872	(1,011,458)	3,549,718
Total capital assets, not being depreciated	<u>7,599,093</u>	<u>1,845,872</u>	<u>(1,011,458)</u>	<u>8,433,507</u>
Capital assets, being depreciated:				
Equipment	4,395,924	214,930	(90,721)	4,520,133
Building and improvements	17,913,338	116,007	(11,633)	18,017,712
Infrastructure	34,119,074	1,788,595	-	35,907,669
Total capital assets, being depreciated	<u>56,428,336</u>	<u>2,119,532</u>	<u>(102,354)</u>	<u>58,445,514</u>
Less accumulated depreciation for:				
Equipment	(3,875,265)	(183,429)	90,721	(3,967,973)
Building and improvements	(1,808,550)	(362,755)	11,633	(2,159,672)
Infrastructure	(23,304,327)	(506,817)	-	(23,811,144)
	<u>(28,988,142)</u>	<u>(1,053,001)</u>	<u>102,354</u>	<u>(29,938,789)</u>
Total capital assets, being depreciated, net	<u>27,440,194</u>	<u>1,066,531</u>	<u>-</u>	<u>28,506,725</u>
Total governmental activities capital assets, net of accumulated depreciation	<u>\$35,039,287</u>	<u>\$ 2,912,403</u>	<u>\$ (1,011,458)</u>	<u>\$ 36,940,232</u>

Depreciation Allocations

Depreciation expense was charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program were as follows:

Governmental Activities:	
General government	\$ 639,386
Public safety	84,556
Cultural and recreation	37,219
Transportation	<u>291,840</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,053,001</u>

5. OTHER LONG-TERM RECEIVABLES

Housing and Community Development Loan Program

The City uses Federal Home Loan Reuse, Affordable Housing and CDBG Program Income funds to provide housing loans to eligible applicants. Such loans are made to low and moderate-income households to improve or rehabilitate residences. These loans have been reflected in the financial statements as loans receivable. The City accounts for this program in the Special Revenue Funds. Total detail of loans receivable of \$6.7 million at June 30, 2023, is listed below:

	CDBG Program Income	Federal Home Loan Reuse	Capitola Housing Successor	Total
Individual Loans	\$ 397,646	\$ 210,287	\$ 426,384	\$ 1,034,317
Bay Avenue Senior Apartments	-	3,624,975	1,852,881	5,477,856
Wharf Road Manor	-	136,377	-	136,377
	<u>\$ 397,646</u>	<u>\$ 3,971,639</u>	<u>\$ 2,279,265</u>	<u>\$ 6,648,550</u>
Totals	<u>\$ 397,646</u>	<u>\$ 3,971,639</u>	<u>\$ 2,279,265</u>	<u>\$ 6,648,550</u>

6. LONG-TERM LIABILITIES

A summary of changes in long-term debt for the fiscal year ended June 30, 2023, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Cove Financing	\$ 807,729	\$ -	\$ (165,066)	\$ 642,663	\$ 642,663
Beach and Village Lot II Financing	895,732	-	(65,815)	829,917	67,302
Compensated Absences	896,141	444,299	(424,896)	915,544	321,000
	<u>\$ 2,599,602</u>	<u>\$ 444,299</u>	<u>\$ (655,777)</u>	<u>\$ 2,388,124</u>	<u>\$ 1,030,965</u>
Totals	<u>\$ 2,599,602</u>	<u>\$ 444,299</u>	<u>\$ (655,777)</u>	<u>\$ 2,388,124</u>	<u>\$ 1,030,965</u>

Loan Agreement Payable - Pacific Cove Debt Financing

On March 23, 2012, the City executed a \$2.39 million loan agreement to facilitate relocating the residents of the Pacific Cove Mobile Home Park. The City-owned mobile home park was permanently closed for safety reasons after a pipe failure flooded the park. This financing agreement used the existing City Hall site and the adjacent Upper Pacific Cove Parking lot as the subject property. The original agreement was for 20 years at 5.14% fixed interest rate for the first 10 years, with a reset to 10-year T-Bill plus 3%. The agreement was renegotiated during fiscal year 2012/13 to a tax-exempt lease with a 3.25% interest rate, with a reset in year 10 to a 10-year T-Bill plus 1.5%. As a result of the refinancing, annual loan payments were reduced by approximately \$28,000. Savings on interest over the first nine years is estimated to be \$350,000.

In FY 2012/13, the City made a decision to apply \$500,000 from the disaster recovery insurance settlement to the Pacific Cove Lease. This resulted in a principal reduction of \$476,190, with a prepayment penalty of \$23,810.

6. LONG-TERM LIABILITIES, (continued)

Loan Agreement Payable - Pacific Cove Debt Financing, (continued)

Future payments under the agreement as of June 30, 2023, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2024	\$ 642,663	\$ 7,277	\$ 649,940
Total	<u>\$ 642,663</u>	<u>\$ 7,277</u>	<u>\$ 649,940</u>

Loan Agreement Payable - Beach and Village Lot II Financing

On March 14, 2014, the City of Capitola executed a \$1,372,500 low-interest loan with the California Infrastructure and Economic Development Bank (IBank). This loan is considered an obligation with the General Fund as the source of repayment; and the City Public Works Corporation Yard serving as the leased asset. The loan term is 20 years at a fixed 2.26% interest rate.

Future payments under the agreement as of June 30, 2023, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2024	\$ 67,302	\$ 17,996	\$ 85,298
2025	68,823	16,457	85,280
2026	70,379	14,884	85,263
2027	71,969	13,276	85,245
2028	73,596	11,631	85,227
2029-2033	393,692	32,151	425,843
2034	84,156	951	85,107
Total	<u>\$ 829,917</u>	<u>\$ 107,346</u>	<u>\$ 937,263</u>

6. LONG TERM LIABILITIES, (continued)

Compensated Absences

Generally Accepted Accounting Principles identifies certain items that should be accrued as a liability as the benefits are earned by the employees but only to the extent it is probable that the employer will compensate the employees for the benefits through cash payments conditioned on the employee's termination or retirement.

City employees accumulate earned but unused benefits that can be converted to cash at termination of employment. The non-current portion of these vested benefits, payable in accordance with various collective bargaining agreements, totals \$594,544 as of June 30, 2023.

7. FUND BALANCES

The details of the fund balances as of June 30, 2023, are presented below:

	<u>General Fund</u>	<u>Federal Home Loan Reuse</u>	<u>Capitola Housing Successor</u>	<u>RTC Streets Fund</u>
Restricted for:				
Public safety	\$ -	\$ -	\$ -	\$ -
Transportation	-	-	-	185,892
Community development	-	4,780,025	4,329,058	-
Culture and recreation	-	-	-	-
Retiree benefits	1,195,872	-	-	-
Assigned to:				
Debt service	-	-	-	-
Other capital projects	-	-	-	-
Emergency reserve	1,314,206	-	-	-
Unassigned:				
Contingencies	3,812,832	-	-	-
Unassigned (deficit)	4,283,834	-	-	-
	<u>\$ 10,606,744</u>	<u>\$ 4,780,025</u>	<u>\$ 4,329,058</u>	<u>\$ 185,892</u>
Total	<u>\$ 10,606,744</u>	<u>\$ 4,780,025</u>	<u>\$ 4,329,058</u>	<u>\$ 185,892</u>

7. FUND BALANCES, (continued)

	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
Restricted for:			
Public safety	\$ -	\$ 151,613	\$ 151,613
Transportation	-	546,353	732,245
Community development	-	1,018,709	10,127,792
Culture and recreation	-	211,274	211,274
Retiree benefits	-	-	1,195,872
Assigned to:			
Debt service	-	55,229	55,229
Other capital projects	5,842,965	-	5,842,965
Emergency reserve	-	-	1,314,206
Unassigned:			
Contingencies	-	-	3,812,832
Unassigned (deficit)	-	(70,890)	4,212,944
	<u>\$ 5,842,965</u>	<u>\$ 1,912,288</u>	<u>\$ 27,656,972</u>
Total	<u>\$ 5,842,965</u>	<u>\$ 1,912,288</u>	<u>\$ 27,656,972</u>

Deficit Fund Balances

The following fund reported a deficit fund balance at June 30, 2023:

Community Development Block Grant Programs	\$ <u>(70,890)</u>
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This deficit is expected to be reduced by future revenues or transfers from other funds.

8. RISK MANAGEMENT

The City participates in the Monterey Bay Area Self-Insurance Agency (the Authority), a joint powers agency comprising the City and nine other local jurisdictions, created pursuant to California law for liability and workers compensation insurance services. The Authority's Board of Directors is elected from representatives of the member governments, and controls operations of the fund, including selection of management and approval of operating budgets. It is independent of the individual member influence, except for their representation on the board, and is therefore not a component unit of the City for reporting purposes.

8. RISK MANAGEMENT, (continued)

The City is exposed to various risks including worker injuries, tort liability, theft, damage or destruction of assets, errors and omissions, and natural disasters. With respect to risks other than workers' compensation, the City and other pool participants pay an annual premium estimated by the pool administrator to be sufficient to cover all liability claims for which the pool is obligated. If a covered entity's losses exceed its premiums, there is no individual supplemental assessment, and if a covered entity's losses are lower than its assessment, it does not receive a refund. However, annual budget appropriations are experience-based. The pool views its activities in the aggregate and makes overall adjustments to the premiums charged and is therefore intended to be self-sustaining through member contributions (premiums). Risk of loss is retained by the City for general liability claims up to \$10,000 per occurrence. The fund carries excess loss coverage for general liability claims between \$990,000 and \$20,000,000 per insured event and is uninsured for losses in excess of \$20,000,000 per event. Unpaid claims at fiscal year-end, as reported by the fund, were not material. There was no reduction in the City's insurance coverage as compared to the previous fiscal year, nor have there been any losses exceeding coverage during any of the five previous years.

Premium payment amounts are determined by the fund's Board and are charged to the City's general fund as expenditures when paid.

In the proper course of operation, the Authority issued debt in the aggregate principal amount of \$5,150,000 on October 1, 2004. The Authority is required to collect and disburse the loan premiums in accordance with the loan agreement, Article VI, Section 6.03. The Member agencies are required by the Amended and Restated Joint Powers Agreement Relating to the Authority, Article 20 to pay to the Authority their individual debt service amount and associated expenses, as determined by the Authority. Furthermore, the Member Agencies contribution will be payable from any source of available funds of the Member, including amounts on deposit in the general fund of the Member. Audited financial statements of the Authority can be obtained at 1 Civic Center Drive, Scotts Valley, California 90566.

9. JOINT VENTURES

Santa Cruz Consolidated Emergency Communications Center

The City is a member of the Santa Cruz Consolidated Emergency Communications Center, a Joint Powers Authority created to establish and operate a consolidated communications center which provides emergency call receiving and dispatching services. Other members of the Authority include the Cities of Santa Cruz and Watsonville, and the County of Santa Cruz. The members, including the City of Capitola, are responsible for funding the operations of the Authority through annual assessments. The annual assessments are based on percentages calculated for each member. Audited financial statements of the Authority can be obtained at 495 Upper Park Road, Santa Cruz, California 95065.

9. JOINT VENTURES (continued)

Santa Cruz Consolidated Emergency Communications Center (continued)

In addition, the Authority and member agencies have entered into a Use Agreement relating to the issuance of the Authority's Santa Cruz County Public Financing Authority 2002 Lease Revenue Refunding Bonds, Series A, in the aggregate principal amount of \$5,760,000. These bonds were refunded in May as 2012 Lease Revenue Bonds, Series A with a principal of \$3,965,000. The proceeds were used to refinance the existing debt that was used for building costs; purchase additional equipment and make a lease termination payment to the County to acquire space that is currently being used for the Emergency Operations Center (EOC). The term bonds are due on June 15, 2034.

Other Activities

The City participates in other joint activities for the provisions of law enforcement activities, including the Santa Cruz County Narcotics Enforcement Team (SCCNET) and the Criminal Justice Council. None of these activities are conducted as a separate legal entity; therefore, they are not joint ventures, but are cost-sharing arrangements only. No separate financial statements are prepared for these activities, nor is the City exposed to risk of additional costs beyond reimbursement of its share of on-going operating costs.

10. DEFINED BENEFIT PENSION PLANS

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (the Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. The City sponsors four rate plans (two miscellaneous and two safety). Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS' website at www.calpers.ca.gov.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans operate under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration.

10. DEFINED BENEFIT PENSION PLANS, (continued)

Benefits Provided (continued)

The Plan's provisions and benefits in effect at June 30, 2023, are summarized as follows:

	Miscellaneous	
	Classic	PEPRA
	Prior to	On or after
	January 1, 2013	January 1, 2013
Hire date		
Benefit formula	2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Earliest retirement age	50	52
Monthly benefits, as a % of eligible compensation	2%-2.5%	1.0%-2.5%
Required employee contribution rates	7.96%	6.75%
Required employer contribution rates*	12.21%	7.47%

*Annual employer UAL payment of \$966,725 is not included in the rates above

	Safety	
	Classic	PEPRA
	Prior to	On or after
	January 1, 2013	January 1, 2013
Membership date		
Benefit formula	3.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Earliest retirement age	50	50-57
Monthly benefits, as a % of eligible compensation	3.0%	2.0%-2.7%
Required employee contribution rates	8.99%	13.00%
Required employer contribution rates*	23.75%	12.78%

*Annual employer UAL payment of \$1,002,849 is not included in the rates above

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) 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. The total plan contributions are determined through CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. Employer Contributions to the Plan for the fiscal year ended June 30, 2023 for Safety Plan and Miscellaneous Plan were \$1,624,178 and \$1,290,739, respectively.

10. DEFINED BENEFIT PENSION PLANS, (continued)

Net Pension Liability

The City of Capitola's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2022, using an annual actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

	Miscellaneous	Safety
Valuation Date	June 30, 2021	June 30, 2021
Measurement Date	June 30, 2022	June 30, 2022
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions		
Discount Rate	6.90%	6.90%
Inflation	2.30%	2.30%
Salary Increases ⁽¹⁾	Varies by Entry Age and Service	Varies by Entry Age and Service
Investment Rate of Return ⁽²⁾	6.90%	6.90%
Mortality Rate Table ⁽³⁾	Derived using CALPERS' membership data for all Funds.	Derived using CALPERS' membership data for all Funds.
Post Retirement Benefit Increase	Contract COLA up to 2.5% until purchasing power protection allowance floor on purchasing power applies, 2.5% thereafter.	Contract COLA up to 2.5% until purchasing power protection allowance floor on purchasing power applies, 2.5% thereafter.

⁽¹⁾ Annual increases vary by category, entry age, and duration of service.

⁽²⁾ Net pension plan investment and administrative expenses; includes inflation.

⁽³⁾ The mortality table used was developed based on CalPERS' 2021 Study using data from 2001 to 2019. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The 2021 Experience Study report can be obtained at CalPERS' website at: www.calpers.ca.gov.

Changes of assumptions – In measurement period ended June 30, 2022, CalPERS changed the discount rate from 7.15 percent to 6.90 percent. Additionally, the inflation rate was adjusted from 2.50 percent to 2.30 percent.

Discount Rate

The discount rate used to measure the total pension liability was 6.90 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on the 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 benefit payments to determine the total pension liability.

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.

10. DEFINED BENEFIT PENSION PLANS, (continued)

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.

In determining the long-term expected rate of return, CalPERS considered both short-term and long-term market return expectations. Using historical returns of all the funds' asset classes expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 basis points. The expected real rates of return by asset class are as follows:

Asset Class ⁽¹⁾	Current Target Allocation	Real Return Years 1–10 ⁽²⁾
Global equity - cap-weighted	30.0%	4.54%
Global equity - non-cap-weighted	12.0%	3.84%
Private equity	13.0%	7.28%
Treasury	5.0%	0.27%
Motgage-backed securities	5.0%	0.50%
Investment grade corporates	10.0%	1.56%
High yield	5.0%	2.27%
Emerging market debt	5.0%	2.48%
Private debt	5.0%	3.57%
Real assets	15.0%	3.21%
Leverage	-5.0%	-0.59%
	100.0%	

(1) An expected inflation of 2.30% used for this period.

(2) Figures are based on the 2021 Asset Liability Management study.

Pension Plan Fiduciary Net Position

Information about the pension plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS' audited financial statements, which are publicly available reports that can be obtained at CalPERS' website at www.calpers.ca.gov. The plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

10. DEFINED BENEFIT PENSION PLANS, (continued)

Proportionate Share of Net Pension Liability

The following table shows the Plans' proportionate share of the net pension liability over the measurement period.

	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense (Credit)
Miscellaneous plan	\$ 14,263,748	\$ 5,686,007	\$ (2,020,906)	\$ (1,999,970)
Safety plan	15,792,854	6,964,795	(1,231,686)	(137,708)
Total pension plans	<u>\$ 30,056,602</u>	<u>\$ 12,650,802</u>	<u>\$ (3,252,592)</u>	<u>\$ (2,137,678)</u>

The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2022, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. The City's proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS' website at www.calpers.ca.gov. The City's proportionate share of the net pension liability for the Plan as of the June 30, 2022 and 2023 was as follows:

	Miscellaneous	Safety
Proportionate Share of NPL - June 30, 2022	0.429810%	0.0254940%
Proportionate Share of NPL - June 30, 2023	<u>0.304830%</u>	<u>0.0229830%</u>
Change - Increase (Decrease)	<u>-0.124980%</u>	<u>-0.0025110%</u>

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

The following presents the City's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.15 percent) or 1 percentage point higher (8.15 percent) than the current rate:

	Discount Rate -1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate +1% (7.90%)
Miscellaneous plan	\$ 20,619,956	\$ 14,263,748	\$ 9,034,165
Safety plan	22,809,923	15,792,854	10,057,985
Total pension plans	<u>\$ 43,429,879</u>	<u>\$ 30,056,602</u>	<u>\$ 19,092,150</u>

10. DEFINED BENEFIT PENSION PLANS, (continued)

Recognition of Gains and Losses

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

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

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

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

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the Public Agency Cost-Sharing Multiple-Employer Plan (PERF C). The EARSL for the Plan is 3.8 years.

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

For the year ended June 30, 2023, the City incurred a pension credit of \$1,999,970 and \$137,708 for the Miscellaneous plan and Safety plan, respectively.

10. DEFINED BENEFIT PENSION PLANS, (continued)

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

As of June 30, 2023, the City has deferred outflows and deferred inflows of resources related to pensions as follows:

Miscellaneous Plan		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,290,739	\$ -
Contributions in excess of proportionate share	34,465	(1,195,892)
Changes in assumptions	1,461,619	-
Difference in expected and actual experience	286,444	(191,848)
Adjustment due to differences in proportions	-	(633,166)
Net differences between projected and actual earnings on plan investments	<u>2,612,740</u>	<u>-</u>
Total	<u>\$ 5,686,007</u>	<u>\$ (2,020,906)</u>
Safety Plan		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,624,178	\$ -
Contributions in excess of proportionate share	600,698	-
Changes in assumptions	1,592,398	-
Difference in expected and actual experience	653,609	(171,498)
Adjustment due to differences in proportions	-	(1,060,188)
Net differences between projected and actual earnings on plan investments	<u>2,493,912</u>	<u>-</u>
Total	<u>\$ 6,964,795</u>	<u>\$ (1,231,686)</u>

10. DEFINED BENEFIT PENSION PLANS, (continued)

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

The Contributions subsequent to the measurement date with deferred outflows of resources will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Miscellaneous Plan	
Fiscal Year Ended June 30:	Deferred Outflows/(Inflows) of Resources, Net
2024	\$ 317,171
2025	294,613
2026	164,536
2027	1,598,042
	<u>\$ 2,374,362</u>
Safety Plan	
Fiscal Year Ended June 30:	Deferred Outflows/(Inflows) of Resources, Net
2024	\$ 1,133,977
2025	922,873
2026	530,762
2027	1,521,319
	<u>\$ 4,108,931</u>

11. PUBLIC AGENCY RETIREMENT PLAN

Overview

The Federal Omnibus Budget Reconciliation Act of 1990 (FOBRA 90), mandated that all public-sector employees not covered by their employers' existing retirement system(s) as of January 1, 1992, be covered by Social Security or an alternate plan. The City has provided these employees with a plan called The Public Agency Retirement System, which qualifies under *Internal Revenue Code* Sections 401(a) and 501.

Plan Description

The Public Agency Retirement System (PARS) is a defined contribution plan covering part-time, temporary, or seasonal employees and all employees not covered by another retirement plan. The Plan is sponsored and paid for by employees and employer contributions. Members are 100% vested. Benefits are paid to the members in lump sum payments at termination, or if payment is in excess of \$3,500, the employee has the option of a lump sum payment at termination or at normal retirement age (60).

11. PUBLIC AGENCY RETIREMENT PLAN (continued)

Plan Description (continued)

The City has the right to terminate or amend the Plan at any time.

Contributions

A total annual contribution of 7.5% of covered earnings is contributed to the PARS account for each eligible employee. The City contributes 1.3% and the employee contributes 6.2%. During the fiscal year ending June 30, 2023, contributions totaled \$111,732. The City acts as administrator with a trustee managing the investments and accounts. Fees are charged by the trustee and are paid from member earnings. Employer liabilities under the Plan are limited to the amount of the current contributions.

12. OTHER POST EMPLOYMENT BENEFITS

Plan Description

The City's defined benefit postemployment healthcare plan, (City of Capitola Retiree Healthcare Plan, CRHP), provides medical benefits to eligible retired City employees and spouses. CRHP is an agent multiple-employer plan administered by California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions, as well as other requirements, is established by State statute within the Public Employees' Retirement Law. The CRHP's plan provisions are established and may be amended through negotiation and Memoranda of Understanding between the City Council and the various bargaining units. All contracts with CalPERS are approved through City resolution. CalPERS issues publicly available reports that can be found on the CalPERS' website at www.calpers.ca.gov.

Employees Covered

At the June 30, 2022 measurement date, the following current and former employees were covered by the benefit terms under the OPEB Plan:

	Active employees	67
Inactive employees or beneficiaries currently receiving benefits payments		<u>23</u>
		<u>90</u>

Contributions

The obligation of the City to contribute to the plan is based on an actuarial determined rate. For the fiscal year ended June 30, 2023, the City's total contributions were \$169,270. The City makes contributions and participates in the California Employers' Retiree Benefit Trust (CERBT) Fund for the purpose of prefunding obligations for past services. Through this plan, the California Public Employees' Retirement System (CalPERS) Board of Administration has the sole and exclusive control and power over the administration and investment of the prefunding plan.

12. OTHER POST EMPLOYMENT BENEFITS, (continued)

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2021, that was based on the following actuarial methods and assumptions:

Discount Rate	7.00%
Inflation	2.75%
Salary Increases	2.75% per annum, in aggregate
Investment Rate of Return	7.00%
Mortality Rate	Mortality Rates from 2021 CalPERS Experience Study
Healthcare Trend Rate	5.25% in 2023 dropping to 5.20% for 2024-2069, and 4.00% for 2070 and later years

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

Asset Class	Target Allocation (Strategy 2)	5-Year Return (Strategy 2)
Global Equity	59%	4.8%
Fixed Income	25%	1.8%
TIPS	5%	1.6%
Real Estate	8%	3.7%
Commodities	3%	1.9%
	100%	

Discount Rate

The discount rate used to measure the total OPEB Liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that the City contribution will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

12. OTHER POST EMPLOYMENT BENEFITS, (continued)

Changes in Net OPEB Liability

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

	Increase/(Decrease)		
	Plan		
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balance at July 1	\$ 2,199,688	\$ 557,373	\$ 1,642,315
Changes recognized for year:			
Service Cost	109,131	-	109,131
Interest	158,499	-	158,499
Contributions	-	150,886	(150,886)
Net investment income	-	(74,613)	74,613
Administrative expenses	-	(141)	141
Benefit payments, including refunds of employee contributions	(90,636)	(90,636)	-
Net changes	176,994	(14,504)	191,498
Balance at June 30	\$ 2,376,682	\$ 542,869	\$ 1,833,813

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 (6 percent) or one percentage point higher (8 percent) than the current rate, for measurement period ended June 30, 2022:

Net OPEB Liability		
Discount Rate -1% (6.0%)	Current Discount Rate (7.0%)	Discount Rate +1% (8.0%)
\$ 2,095,216	\$ 1,833,813	\$ 1,610,342

Sensitivity of the Net OPEB Liability to Changes in the 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 higher than the current rate, for measurement period ended June 30, 2022:

Net OPEB Liability		
Trend Rate - 1% (4.25%-3.0%)	Healthcare Cost Trend Rates (5.25%-4.0%)	Trend Rate + 1% (6.25%-5.0%)
\$ 1,547,166	\$ 1,833,813	\$ 2,183,193

12. OTHER POST EMPLOYMENT BENEFITS, (continued)

OPEB expense and Deferred Items Summary

For the year ended June 30, 2023, the City recognized OPEB expenses of \$301,946. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to the OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 169,270	\$ -
Changes of Assumptions	802,241	-
Differences between Expected and Actual Experiences	-	(257,676)
Net differences between projected and actual earnings on plan investments	43,823	-
Total	<u>\$ 1,015,334</u>	<u>\$ (257,676)</u>

For the year ended June 30, 2023, the City reported deferred outflows of resources related to OPEB in the amount of \$169,270 for its contributions subsequent to the measurement date. This amount will be recognized as an OPEB expense in fiscal year 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB will be recognized as OPEB expense as follows:

Year Ended June 30		
2024	\$	99,877
2025		99,379
2026		96,793
2027		114,374
2028		91,650
Thereafter		86,315
Total	\$	<u>588,388</u>

13. COMMITMENTS AND CONTINGENT LIABILITIES

Claims and lawsuits have been filed against the City in the normal course of business. The outcome of these matters is not presently determinable. However, in the opinion of management, the resolution of these matters is not expected to have a significant impact on the financial condition of the City.

14. SUCCESSOR AGENCY TO THE FORMER CAPITOLA REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill X1 26 that provided for the dissolution of all redevelopment agencies in the State of California. Most cities in California established a redevelopment agency that was included in the reporting entity of the city as a blended component unit (since the governing board of the city or county in many cases, also served as the governing board for those agencies). The Bill provided that upon dissolution of a redevelopment agency, either the city or another unit of local government could agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On January 12, 2012, the City Council met and created a Successor Agency in accordance with the Bill as part of City resolution number 3906.

After the law was enacted on June 28, 2011, redevelopment agencies in the State of California could not enter into new projects, obligations, or commitments. Upon the date of dissolution, February 1, 2012, significant matters previously controlled by the City Councils of the cities that created each redevelopment agency were now subject to the approval of the seven-member Oversight Board, and typically the California Department of Finance (DOF):

- Sale and distribution of assets
- Any change in obligation of terms
- Prepayment or defeasance of debt
- Acceptance of grants
- Funding of debt service reserves
- Budget for any remaining activities

In the current and future years, successor agencies are only allocated tax revenue in the amount that is necessary to pay the estimated annual payments on approved Recognized Obligation Payment Schedules (ROPS) until all enforceable obligations are paid in full. All obligations listed on the Capitola ROPS were approved by the Successor Agency and the Oversight Board, however the Department of Finance disallowed payment requests on two City/RDA loans. These loans included a \$618,028 Loan and Repayment Agreement and a \$1.35 million loan to purchase the City-owned Rispin Mansion property.

In June 2012, the California legislature passed AB 1484. This legislation provided clarification regarding the dissolution process and imposed new requirements. AB 1484 declared Successor Agencies are separate legal entities distinct from the sponsoring government, clarified matters pertaining to the affordable housing programs previously performed by the former RDA; and clarified matters pertaining to Enforceable Obligation and Recognized Obligation Payment Schedules (EOPS/ROPS). The legislation also established a requirement for all Successor Agencies to complete a due diligence review, established a process to receive a Finding of Completion that will provide significant benefits to local agencies (allowing them to begin spending debt proceeds and providing a formula for the repayment of money previously borrowed from the sponsoring government); and made a number of other significant changes in the dissolution process and the post-dissolution activities of Successor Agencies.

14. SUCCESSOR AGENCY TO THE FORMER CAPITOLA REDEVELOPMENT AGENCY, (continued)

In FY 2012/13, the Successor Agency completed two Due Diligence Reviews as required by the legislation. The Due Diligence review resulted in a recapture of the residual fund balance in the Successor Agency's primary operating account of \$89,536 and a disallowed payment to the City in the amount of \$47,895 for a City/RDA loan. While the Successor Agency and the City disagreed with this determination, the combined amount of \$137,431 was remitted to the County Auditor-Controller to maintain compliance. The completion of these two reviews resulted in the Successor Agency receiving a finding of Completion on May 24, 2013.

The Bill also directed the California State Controller to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers was not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller was required to order the available assets to be transferred to the public body designated as the Successor Agency. The Capitola Successor Agency completed the Asset Transfer Review on October 7, 2013. The report findings required the City to return \$52,313 to the Successor Agency for an interest payment on a City/RDA loan. The Successor Agency and the City also disagreed with this determination.

The Successor Agency and Oversight Board have approved reinstatement of the \$618,028 Loan and Repayment Agreement at a reduced interest rate; however, this reinstatement was initially denied by the Department of Finance. The Department of Finance has indicated that application for this reinstatement should be subject to the timelines established in AB 1484.

The Successor Agency, City, and the Oversight Board approved a resolution to terminate the Rispin Property Purchase Loan in exchange for the return of the property. This would result in the reduction of \$1.35 million dollars in Successor Agency debt. The Department of Finance requested the Oversight Board reconsider this decision; and the Oversight Board unanimously reaffirmed their property transfer decision in August. The City did not receive a response from the Department of Finance in relation to this action, and the statutory time to deny the action has elapsed. The City's RDA attorney believed the action was effective due timing; however, the official property transfer was delayed until after the Successor Agency successfully completed a Long-Range Property Management Plan. This plan was completed on March 21, 2014; followed by the termination of the Rispin Purchase Loan and the City's acceptance of the property by Resolution on October 10, 2013. This transaction relieved the Successor Agency of all capital assets.

After the date of dissolution, activities of the dissolved redevelopment agency are reported in a fiduciary trust fund (private purpose trust fund) in the financial statements of the City. The Successor Agency was dissolved during the fiscal year.

15. RISKS AND UNCERTAINTIES

Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

City/Successor Agency Obligations

Deductions (expenses) incurred by the Successor Agency for the year ended June 30, 2023 (and subsequent years in which the Successor Agency is in operation) are subject to review by various State agencies and the County in which the Successor Agency resides. If any expenses incurred by the Successor Agency are disallowed by the State agencies or County, the City, acting as the Successor Agency could be liable for the repayment of the disallowed costs from either its own funds or by the State withholding remittances normally paid to the City. Over the last fiscal year, the Successor Agency has been successful in receiving funding for all approved obligations, with the exception of City/RDA loans. The amount, if any, of expenses that may be disallowed by the State agencies or County cannot be determined at this time as to be immaterial or not.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CAPITOLA
Required Supplementary Information
Year Ended June 30, 2023

	<u>2023</u>	<u>2022</u>
Total OPEB Liability		
Service cost	\$ 109,131	\$ 104,614
Interest	158,499	151,868
Differences between expected and actual experience	-	(168,232)
Change of assumptions	-	94,950
Benefit payments, included refunds of employee contributions	<u>(90,636)</u>	<u>(95,259)</u>
Net change in total OPEB liability	176,994	87,941
Total OPEB liability - beginning of year	<u>2,199,688</u>	<u>2,111,747</u>
Total OPEB liability - end of year (a)	<u><u>\$ 2,376,682</u></u>	<u><u>\$ 2,199,688</u></u>
Plan Fiduciary Net Position		
Net investment income	\$ (74,613)	\$ 116,763
Contributions		
Employer	150,886	155,509
Benefit payments, including refunds of employee contributions	(90,636)	(95,259)
Administrative expense	(141)	(164)
Other	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	<u>(14,504)</u>	<u>176,849</u>
Fiduciary net position - beginning of year	<u>557,373</u>	<u>380,524</u>
Fiduciary net position - end of year (b)	<u><u>542,869</u></u>	<u><u>557,373</u></u>
Net OPEB liability - end of year = (a) - (b)	<u><u>\$ 1,833,813</u></u>	<u><u>\$ 1,642,315</u></u>
Fiduciary net position as a percentage of the total OPEB liability	22.84%	25.34%
Covered employee payroll	\$ 6,286,092	\$ 6,145,766
Discount rate	7.00%	7.00%
Measurement date	6/30/2022	6/30/2021

* Fiscal year 2018 was the first year of implementation of the OPEB standards.

2021	2020	2019	2018
\$ 113,292	\$ 32,631	\$ 27,267	\$ 26,537
140,891	62,516	57,232	51,739
-	(203,258)	-	-
-	1,202,217	-	-
(82,353)	(28,801)	(27,697)	(26,632)
171,830	1,065,305	56,802	51,644
1,939,917	874,612	817,810	766,166
<u>\$ 2,111,747</u>	<u>\$ 1,939,917</u>	<u>\$ 874,612</u>	<u>\$ 817,810</u>
\$ 12,995	\$ 17,834	\$ 16,868	\$ 15,205
82,353	88,801	87,697	81,540
(82,353)	(28,801)	(27,697)	(26,632)
(180)	-	(397)	(127)
-	-	31	-
12,815	77,834	76,502	69,986
367,709	289,875	213,373	143,387
380,524	367,709	289,875	213,373
<u>\$ 1,731,223</u>	<u>\$ 1,572,208</u>	<u>\$ 584,737</u>	<u>\$ 604,437</u>
18.02%	18.95%	33.14%	26.09%
\$ 5,757,120	\$ 5,567,350	\$ 5,361,855	\$ 5,787,564
7.00%	7.00%	7.00%	7.00%
6/30/2020	6/30/2019	6/30/2018	6/30/2017

CITY OF CAPITOLA
Required Supplementary Information
Year Ended June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Actuarially determined contribution	\$ 169,270	\$ 99,732	\$ 155,509
Contributions in relation to the actuarially determined contribution	<u>(169,270)</u>	<u>(99,732)</u>	<u>(155,509)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 7,344,221	\$ 6,286,092	\$ 6,145,766
Contributions as a percentage of covered employee payroll	2.30%	1.59%	2.53%

* Fiscal year 2018 was the first year of implementation of the OPEB standards.

<u>2020</u>	<u>2019</u>	<u>2018</u>
\$ 82,353	\$ 88,801	\$ 87,697
<u>(82,353)</u>	<u>(88,801)</u>	<u>(86,090)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 5,757,120	\$ 5,567,350	\$ 5,361,855
1.43%	1.60%	1.61%

CITY OF CAPITOLA
Required Supplementary Information
Year Ended June 30, 2023

Schedule of City's Proportionate Share of the Plan's Net Pension Liability and Related Ratios
Last 10 Years*

Miscellenaous Plan	2023	2022	2021
Proportion of the Collective Net Pension Liability	0.30483%	0.42981%	0.29469%
Proportionate Share of the Collective Net Pension Liability	\$ 14,263,748	\$ 8,161,252	\$ 12,430,057
Covered Payroll	\$ 2,337,504	\$ 2,040,667	\$ 3,799,393
Proportionate Share of the Collective Net Pension Liability as a Percentage of the Employer's Covered Payroll	610.2%	399.9%	327.2%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	78.2%	90.5%	77.7%
Measurement Date	6/30/2022	6/30/2021	6/30/2020
Discount Rate	6.90%	7.15%	7.15%
Safety Plan	2023	2022	2021
Proportion of the Collective Net Pension Liability	0.02298%	0.25494%	0.20536%
Proportionate Share of the Collective Net Pension Liability	\$ 15,792,854	\$ 8,946,935	\$ 13,681,501
Covered Payroll	\$ 2,632,190	\$ 2,300,530	\$ 2,371,092
Proportionate Share of the Collective Net Pension Liability as a Percentage of the Employer's Covered Payroll	600.0%	388.9%	577.0%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	75.5%	86.6%	73.1%
Measurement Date	6/30/2022	6/30/2021	6/30/2020
Discount Rate	6.90%	7.15%	7.15%

* Fiscal year 2015 was the first year of implementation of the pension standards.

2020	2019	2018	2017	2016
0.29039%	0.28641%	0.27777%	0.27444%	0.27813%
\$ 11,628,468	\$ 10,793,804	\$ 10,949,665	\$ 9,533,602	\$ 7,630,270
\$ 3,504,309	\$ 3,434,216	\$ 3,370,438	\$ 3,245,529	\$ 3,147,103
331.8%	314.3%	324.9%	293.7%	242.5%
77.7%	77.7%	75.4%	75.9%	79.9%
6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
7.15%	7.15%	7.15%	7.65%	7.65%
2020	2019	2018	2017	2016
0.20056%	0.19718%	0.19088%	0.19118%	0.18590%
\$ 12,519,942	\$ 11,569,787	\$ 11,405,601	\$ 9,901,586	\$ 7,660,071
\$ 2,381,492	\$ 2,487,719	\$ 2,402,133	\$ 2,308,245	\$ 2,283,732
525.7%	465.1%	474.8%	429.0%	335.4%
73.4%	73.4%	71.7%	72.7%	77.3%
6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
7.15%	7.15%	7.15%	7.65%	7.65%

CITY OF CAPITOLA
Required Supplementary Information
Year Ended June 30, 2023

Schedule of Pension Contributions
Last 10 Years*

Miscellenaous Plan	2023	2022	2021
Contractually Determined Contribution	\$ 1,290,739	\$ 1,173,195	\$ 1,024,725
Contributions in Relation to the Contractually Determined Contribution	<u>(1,290,739)</u>	<u>(1,173,195)</u>	<u>(1,024,725)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 2,769,175	\$ 2,337,504	\$ 2,040,667
Contributions as a Percentage of Covered Payroll	46.61%	50.19%	50.22%
Safety Plan	2023	2022	2021
Contractually Determined Contribution	\$ 1,624,178	\$ 1,512,085	\$ 1,307,218
Contributions in Relation to the Contractually Determined Contribution	<u>(1,624,178)</u>	<u>(1,512,085)</u>	<u>(1,307,218)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 2,734,960	\$ 2,632,190	\$ 2,300,530
Contributions as a Percentage of Covered Payroll	59.39%	57.45%	56.82%

* Fiscal year 2015 was the first year of implementation of the pension standards.

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 913,110	\$ 838,617	\$ 832,631	\$ 516,728	\$ 448,910	\$ 261,550
<u>(913,110)</u>	<u>(838,617)</u>	<u>(832,631)</u>	<u>(516,728)</u>	<u>(448,910)</u>	<u>(261,550)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,799,393 24.03%	\$ 3,504,309 23.93%	\$ 3,434,216 24.25%	\$ 3,370,438 33%	\$ 3,245,529 14%	\$ 3,147,103 8%

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 1,199,415	\$ 954,292	\$ 937,396	\$ 536,507	\$ 741,692	\$ 640,785
<u>(1,199,415)</u>	<u>(954,292)</u>	<u>(937,396)</u>	<u>(536,507)</u>	<u>(741,692)</u>	<u>(640,785)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,371,092 50.58%	\$ 2,381,492 40.07%	\$ 2,487,719 37.68%	\$ 2,402,133 33%	\$ 2,308,245 32%	\$ 2,283,732 28%

CITY OF CAPITOLA
Required Supplementary Information
General Fund
Budgetary Comparison Schedule
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Taxes	\$ 14,811,770	\$ 14,811,770	\$ 14,709,174	\$ (102,596)
Licenses and permits	637,100	637,100	649,478	12,378
Fines and forfeitures	592,000	592,000	566,907	(25,093)
Intergovernmental	1,482,303	1,521,608	410,037	(1,111,571)
Charges for services	2,149,031	2,149,031	1,887,463	(261,568)
Use of money and property	99,800	99,800	272,701	172,901
Other revenue	1,547,842	1,547,842	1,625,762	77,920
Total revenues	<u>21,319,846</u>	<u>21,359,151</u>	<u>20,121,522</u>	<u>(1,237,629)</u>
Expenditures:				
Current:				
General government:				
City council	114,019	114,019	107,274	6,745
City manager	960,704	989,883	1,089,679	(99,796)
Personnel	448,585	463,585	362,138	101,447
City attorney	280,000	280,000	371,305	(91,305)
Finance	858,798	858,798	824,575	34,223
Community grants	133,425	133,425	125,000	8,425
General operations	2,344,500	3,158,279	604,062	2,554,217
Public safety	8,064,965	8,104,270	8,136,943	(32,673)
Community development	1,025,395	1,045,395	1,019,260	26,135
Culture and recreation	1,519,138	1,629,258	2,525,010	(895,752)
Transportation	3,853,503	3,769,146	3,469,525	299,621
Capital Outlay	560,000	1,390,911	296,896	1,094,015
Total expenditures	<u>20,163,032</u>	<u>21,936,969</u>	<u>18,931,667</u>	<u>3,005,302</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,156,814</u>	<u>(577,818)</u>	<u>1,189,855</u>	<u>1,767,673</u>
Other financing sources (uses):				
Transfers In	-	-	74,000	74,000
Transfers out	(3,886,203)	(3,996,203)	(2,523,024)	1,473,179
Total Other Financing Sources (Uses)	<u>(3,886,203)</u>	<u>(3,996,203)</u>	<u>(2,449,024)</u>	<u>1,547,179</u>
Net change in fund balance	(2,729,389)	(4,574,021)	(1,259,169)	3,314,852
Fund balance, beginning of year	11,865,913	11,865,913	11,865,913	-
Fund balance, end of year	<u>\$ 9,136,524</u>	<u>\$ 7,291,892</u>	<u>\$ 10,606,744</u>	<u>\$ 3,314,852</u>

CITY OF CAPITOLA
Required Supplementary Information
Federal Home Loan Reuse Fund
Budgetary Comparison Schedule
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ 1,000	\$ 1,000	\$ 109,490	\$ 108,490
Total revenues	1,000	1,000	109,490	108,490
Expenditures:				
Current:				
General government:	3,700	3,700	3,700	-
Total expenditures	3,700	3,700	3,700	-
Net change in fund balance	(2,700)	(2,700)	105,790	108,490
Fund balance, beginning of year	4,674,235	4,674,235	4,674,235	-
Fund balance, end of year	<u>\$ 4,671,535</u>	<u>\$ 4,671,535</u>	<u>\$ 4,780,025</u>	<u>\$ 108,490</u>

CITY OF CAPITOLA
Required Supplementary Information
Capitola Housing Successor Fund
Budgetary Comparison Schedule
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ 2,000	\$ 2,000	\$ 41,933	\$ 39,933
Total revenues	2,000	2,000	41,933	39,933
Expenditures:				
Current:				
Community development	82,525	102,525	63,668	38,857
Total expenditures	82,525	102,525	63,668	38,857
Net change in fund balance	(80,525)	(100,525)	(21,735)	78,790
Fund balance, beginning of year	4,350,793	4,350,793	4,350,793	-
Fund balance, end of year	<u>\$ 4,270,268</u>	<u>\$ 4,250,268</u>	<u>\$ 4,329,058</u>	<u>\$ 78,790</u>

CITY OF CAPITOLA
Required Supplementary Information
RTC Streets Fund
Budgetary Comparison Schedule
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 358,000	\$ 358,000	\$ 368,521	\$ 10,521
Use of money and property	-	-	13,432	13,432
Total revenues	358,000	358,000	381,953	23,953
Expenditures:				
Capital outlay	358,000	337,655	1,129,884	(792,229)
Total expenditures	358,000	337,655	1,129,884	(792,229)
Net change in fund balance	-	20,345	(747,931)	(768,276)
Fund balance, beginning of year	933,823	933,823	933,823	-
Fund balance, end of year	<u>\$ 933,823</u>	<u>\$ 954,168</u>	<u>\$ 185,892</u>	<u>\$ (768,276)</u>

CITY OF CAPITOLA
Notes to Required Supplementary Information
Year Ended June 30, 2023

BUDGETS AND BUDGETARY ACCOUNTING

The City adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for governmental funds. The City's budget ordinance requires that in April of each fiscal year, the City Manager must submit a preliminary budget that includes projected expenditures and the means of financing them, to the City Council for the fiscal year commencing the following July 1. As modified during public study sessions, the preliminary budget becomes the proposed budget. Following public hearings on the proposed budget, the final annual budget is adopted by the City Council in June of the following fiscal year. After adoption of the final budget, transfers of appropriations within a general fund department, or within each fund can be made by the City Manager. Budget modifications between funds, increases, or decreases to a fund's overall budget, transfers between general fund departments or transfers that affect capital projects must be approved by the City Council or Agency Board. Numerous properly authorized amendments are made during the fiscal year. Appropriations lapse at fiscal year-end.

Budgetary control is enhanced by integrating the budget into the general ledger. Encumbrance accounting is employed (e.g., purchase orders) to avoid over-expenditure. Encumbrances outstanding at fiscal year-end are automatically rebudgeted in the following fiscal year, unless specifically cancelled by Council action. Per *Capitola Municipal Code* 3.20.060.C: "The appropriation for the uncompleted balance of executory contracts should not lapse at year-end but is automatically appropriated for the succeeding fiscal year unless specifically cancelled by council action".

There were no excess expenditures over appropriations in the General Fund departments.

SUPPLEMENTARY INFORMATION

CITY OF CAPITOLA
Capital Projects Fund
Major Capital Projects Fund
Budgetary Comparison Schedule
Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues:				
Licenses and permits	\$ 5,000	\$ 5,000	\$ -	\$ (5,000)
Intergovernmental	1,900,000	2,097,000	897,880	(1,199,120)
Charges for services	15,000	15,000	13,459	(1,541)
Use of money and property			735	735
Other revenue	<u>587,000</u>	<u>587,000</u>	<u>20,000</u>	<u>(567,000)</u>
Total revenues	<u>2,507,000</u>	<u>2,704,000</u>	<u>932,074</u>	<u>(1,771,926)</u>
Expenditures:				
General government	43,500	11,500	170,285	(158,785)
Capital outlay	<u>6,857,140</u>	<u>6,852,993</u>	<u>1,245,998</u>	<u>5,606,995</u>
Total expenditures	<u>6,900,640</u>	<u>6,864,493</u>	<u>1,416,283</u>	<u>5,448,210</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,393,640)</u>	<u>(4,160,493)</u>	<u>(484,209)</u>	<u>3,676,284</u>
Other financing sources (uses):				
Transfers in	3,886,203	3,966,203	2,255,958	(1,710,245)
Transfers out	<u>-</u>	<u>-</u>	<u>(74,000)</u>	<u>(74,000)</u>
Total other financing sources (uses)	<u>3,886,203</u>	<u>3,966,203</u>	<u>2,181,958</u>	<u>(1,784,245)</u>
Net change in fund balance	(507,437)	(194,290)	1,697,749	1,892,039
Fund balance, beginning	<u>4,145,216</u>	<u>4,145,216</u>	<u>4,145,216</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 3,637,779</u></u>	<u><u>\$ 3,950,926</u></u>	<u><u>\$ 5,842,965</u></u>	<u><u>\$ 1,892,039</u></u>

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CITY OF CAPITOLA
Non-Major Governmental Funds
Combining Statements
June 30, 2023

NON-MAJOR FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

SB1 Road Rehab Fund - This fund accounts for receipts and expenditures received from the passage of Senate Bill 1 – Road Repair and Accountability Act of 2017.

Supplemental Law Enforcement Fund - This fund accounts for the receipt and expenditure of Supplemental Law Enforcement revenues provided by the State of California.

Gas Tax Fund - This fund accounts for receipts and expenditures of gasoline tax revenues as provided by State law.

Wharf Fund - In accordance with the State law and contractual commitments, this fund accounts for wharf operating revenues and expenditures.

Parking Reserve Fund - This fund accounts for 16% of parking meter revenue from the village area (Parking Meter Zone A1). The fund was established to fund parking improvement projects throughout the village.

Technology Fees Fund - This fund accounts for revenues received from technology fees to be used for new permit processing program.

PEG Cable TV Access Fee Fund - This fund accounts for Public Education and Government (PEG) Cable TV access fees.

Capitola Village and Wharf BIA Fund - This fund accounts for the receipt and expenditure of assessments for the Business Improvement Area (BIA).

Community Development Block Grants (CDBG) Fund - This fund accounts for grant revenue applied for and received from the Federal Department of Housing and Urban Development (HUD) through the California Small Cities Grant Program administered by California Department of Housing and Community Development (HCD) to address local community development needs.

CDBG Program Income - This fund accounts for housing loan principal and interest repayments for the Community Development Block Grant (CDBG) Program.

Affordable Housing - This fund accounts for a flexible local source of funding for the creation of new affordable housing, rehabilitation of existing affording housing, funding of local programs to assist lower and moderate-income buyers purchase affordable housing, or as leverage of local funds for larger State and Federal grants.

CITY OF CAPITOLA
Non-Major Governmental Funds
Combining Statements
June 30, 2023

Restricted Transient Occupancy Tax (TOT) Fund - This fund accounts for the 0.75% of restricted Transient Occupancy Tax (TOT) as approved by Capitola voters in 2018. The Restricted TOT Fund is used receive and distribute the 0.40% of restricted TOT revenues for local business groups and the 0.35% of restricted TOT revenue dedicated to early childhood and youth programming.

DEBT SERVICE FUNDS

Beach and Village Lot II Debt Financing Fund - This fund accounts for the debt proceeds and the corresponding expenditures for the Beach and Village Lot II project. This fund is also used for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs of the long-term debt issued by the City.

Pacific Cove Debt Financing Fund - This fund accounts for the debt proceeds and the corresponding expenditures for the Pacific Cove Mobile Home Park Relocation Plan. This fund is also used for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs of the long-term debt issued by the City.

CITY OF CAPITOLA
Non-Major Governmental Funds
Combining Balance Sheet
June 30, 2023

	SPECIAL REVENUE FUNDS		
	SB1 Road Rehab and Maintenance	Supplemental Law Enforcement	Gas Tax
ASSETS			
Cash and investments	\$ 289,701	\$ 153,612	\$ 249,401
Accounts receivable	-	-	-
Due from other governments	19,735	-	21,864
Loans receivables, net	-	-	-
Total Assets	\$ 309,436	\$ 153,612	\$ 271,265
LIABILITIES			
Accounts payable	\$ 20,286	\$ 1,999	\$ 14,799
Deposits payable	-	-	-
Total Liabilities	20,286	1,999	14,799
FUND BALANCES			
Restricted	289,150	151,613	256,466
Assigned	-	-	-
Unassigned	-	-	-
Total Fund Balances	289,150	151,613	256,466
Total Liabilities and Fund Balances	\$ 309,436	\$ 153,612	\$ 271,265

SPECIAL REVENUE FUNDS

Wharf	Parking Reserve	Technology Fees	PEG Cable TV Access Fee	Capitola Village and Wharf BIA	CDBG
\$ 169,874	\$ 737	\$ 93,312	\$ 42,254	\$ 39,227	\$ (41,176)
-	-	-	-	10,686	-
-	-	-	2,826	-	-
-	-	-	-	-	-
<u>\$ 169,874</u>	<u>\$ 737</u>	<u>\$ 93,312</u>	<u>\$ 45,080</u>	<u>\$ 49,913</u>	<u>\$ (41,176)</u>
\$ 2,680	\$ -	\$ -	\$ -	\$ 5,670	\$ 29,714
1,000	-	-	-	-	-
<u>3,680</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,670</u>	<u>29,714</u>
166,194	737	93,312	45,080	44,243	-
-	-	-	-	-	-
-	-	-	-	-	(70,890)
<u>166,194</u>	<u>737</u>	<u>93,312</u>	<u>45,080</u>	<u>44,243</u>	<u>(70,890)</u>
<u>\$ 169,874</u>	<u>\$ 737</u>	<u>\$ 93,312</u>	<u>\$ 45,080</u>	<u>\$ 49,913</u>	<u>\$ (41,176)</u>

CITY OF CAPITOLA
Non-Major Governmental Funds
Combining Balance Sheet (continued)
June 30, 2023

	SPECIAL REVENUE FUNDS		
	CDBG Program Income	Affordable Housing	Restricted Transient Occupancy Tax
ASSETS			
Cash and investments	\$ 45,793	\$ 379,242	\$ 86,590
Accounts receivable	-	-	-
Due from other governments	-	-	-
Loans receivables, net	397,646	-	-
Total Assets	<u>\$ 443,439</u>	<u>\$ 379,242</u>	<u>\$ 86,590</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ 28,117
Deposits payable	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>28,117</u>
FUND BALANCES			
Restricted	443,439	379,242	58,473
Assigned	-	-	-
Unassigned	-	-	-
Total Fund Balances	<u>443,439</u>	<u>379,242</u>	<u>58,473</u>
Total Liabilities and Fund Balances	<u>\$ 443,439</u>	<u>\$ 379,242</u>	<u>\$ 86,590</u>

DEBT SERVICE FUNDS		
Beach & Village Lot II Debt Financing	Pacific Cove Debt Financing	Non-Major Governmental Funds
\$ 12	\$ 55,217	\$ 1,563,796
-	-	10,686
-	-	44,425
-	-	397,646
<u>\$ 12</u>	<u>\$ 55,217</u>	<u>\$ 2,016,553</u>
\$ -	\$ -	\$ 103,265
-	-	1,000
-	-	104,265
-	-	1,927,949
12	55,217	55,229
-	-	(70,890)
<u>12</u>	<u>55,217</u>	<u>1,912,288</u>
<u>\$ 12</u>	<u>\$ 55,217</u>	<u>\$ 2,016,553</u>

CITY OF CAPITOLA
Non-Major Governmental Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Year Ended June 30, 2023

	SPECIAL REVENUE FUNDS		
	SB1 Road Rehab and Maintenance	Supplemental Law Enforcement	Gas Tax
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental	218,001	103,114	250,805
Charges for services	-	-	-
Use of money and property	9,378	3,968	5,019
Other revenue	-	-	-
Total Revenues	<u>227,379</u>	<u>107,082</u>	<u>255,824</u>
EXPENDITURES			
Current:			
General government	-	88,140	149,949
Community development	-	-	-
Capital outlay	253,428	21,813	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total Expenditures	<u>253,428</u>	<u>109,953</u>	<u>149,949</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	<u>(26,049)</u>	<u>(2,871)</u>	<u>105,875</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(26,049)	(2,871)	105,875
Fund Balances, beginning of year	<u>315,199</u>	<u>154,484</u>	<u>150,591</u>
Fund Balances, end of year	<u>\$ 289,150</u>	<u>\$ 151,613</u>	<u>\$ 256,466</u>

SPECIAL REVENUE FUNDS

Wharf	Parking Reserve	Technology Fees	PEG Cable TV Access Fee	Capitola Village and Wharf BIA	CDBG
\$ -	\$ -	\$ -	\$ -	\$ 38,227	\$ -
-	-	-	11,903	-	-
-	-	-	-	-	168,768
-	-	14,659	-	53,384	-
72,309	-	-	1,535	977	-
-	-	-	-	53,201	-
<u>72,309</u>	<u>-</u>	<u>14,659</u>	<u>13,438</u>	<u>145,789</u>	<u>168,768</u>
61,002	-	-	14,777	140,941	220,885
-	-	18,250	-	-	-
-	-	-	17,382	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>61,002</u>	<u>-</u>	<u>18,250</u>	<u>32,159</u>	<u>140,941</u>	<u>220,885</u>
11,307	-	(3,591)	(18,721)	4,848	(52,117)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>11,307</u>	<u>-</u>	<u>(3,591)</u>	<u>(18,721)</u>	<u>4,848</u>	<u>(52,117)</u>
<u>154,887</u>	<u>737</u>	<u>96,903</u>	<u>63,801</u>	<u>39,395</u>	<u>(18,773)</u>
<u>\$ 166,194</u>	<u>\$ 737</u>	<u>\$ 93,312</u>	<u>\$ 45,080</u>	<u>\$ 44,243</u>	<u>\$ (70,890)</u>

CITY OF CAPITOLA
Non-Major Governmental Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Year Ended June 30, 2023

	SPECIAL REVENUE FUNDS		
	CDBG Program Income	Affordable Housing	Restricted Transient Occupancy Tax
REVENUES			
Taxes	\$ -	\$ -	\$ 105,126
Licenses and permits	-	-	-
Intergovernmental	-	-	-
Charges for services	-	41,240	-
Use of money and property	8,512	8,624	-
Other revenue	-	-	556
Total Revenues	<u>8,512</u>	<u>49,864</u>	<u>105,682</u>
EXPENDITURES			
Current:			
General Government	-	-	109,968
Community development	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>109,968</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	<u>8,512</u>	<u>49,864</u>	<u>(4,286)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	(25,000)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(25,000)</u>	<u>-</u>
Net change in fund balances	8,512	24,864	(4,286)
Fund Balances, beginning of year	<u>434,927</u>	<u>354,378</u>	<u>62,759</u>
Fund Balances, end of year	<u>\$ 443,439</u>	<u>\$ 379,242</u>	<u>\$ 58,473</u>

<u>DEBT SERVICE FUNDS</u>		
<u>Beach and Village Lot II Debt Financing</u>	<u>Pacific Cove Debt Financing</u>	<u>Non-Major Governmental Funds</u>
\$ -	\$ -	\$ 143,353
-	-	11,903
-	-	740,688
-	-	109,283
-	74	110,396
-	-	53,757
<u>-</u>	<u>74</u>	<u>1,169,380</u>
-	-	785,662
-	-	18,250
-	-	292,623
65,815	165,066	230,881
<u>22,187</u>	<u>-</u>	<u>22,187</u>
<u>88,002</u>	<u>165,066</u>	<u>1,349,603</u>
<u>(88,002)</u>	<u>(164,992)</u>	<u>(180,223)</u>
127,000	165,066	292,066
<u>-</u>	<u>-</u>	<u>(25,000)</u>
<u>127,000</u>	<u>165,066</u>	<u>267,066</u>
38,998	74	86,843
<u>(38,986)</u>	<u>55,143</u>	<u>1,825,445</u>
<u>\$ 12</u>	<u>\$ 55,217</u>	<u>\$ 1,912,288</u>

CITY OF CAPITOLA
Senate Bill 1 – Road Rehab Fund
Non-Major Governmental Fund
Budgetary Comparison Schedule
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 230,000	\$ 230,000	\$ 218,001	\$ (11,999)
Use of money and property	-	-	9,378	9,378
Total revenues	230,000	230,000	227,379	(2,621)
Expenditures:				
Capital Outlay	230,000	230,000	253,428	(23,428)
Total expenditures	230,000	230,000	253,428	(23,428)
Net change in fund balance	-	-	(26,049)	(26,049)
Fund balance, beginning of year	315,199	315,199	315,199	-
Fund balance, end of year	<u>\$ 315,199</u>	<u>\$ 315,199</u>	<u>\$ 289,150</u>	<u>\$ (26,049)</u>

CITY OF CAPITOLA
Supplemental Law Enforcement Fund
Non-Major Governmental Fund
Budgetary Comparison Schedule
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 103,114	\$ 3,114
Use of money and property	400	400	3,968	3,568
Total revenues	<u>100,400</u>	<u>100,400</u>	<u>107,082</u>	<u>6,682</u>
Expenditures:				
Current:				
General government:	57,500	57,500	88,140	(30,640)
Capital outlay	<u>40,000</u>	<u>65,000</u>	<u>21,813</u>	<u>43,187</u>
Total expenditures	<u>97,500</u>	<u>122,500</u>	<u>109,953</u>	<u>12,547</u>
Net change in fund balance	2,900	(22,100)	(2,871)	19,229
Fund balance, beginning of year	<u>154,484</u>	<u>154,484</u>	<u>154,484</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 157,384</u></u>	<u><u>\$ 132,384</u></u>	<u><u>\$ 151,613</u></u>	<u><u>\$ 19,229</u></u>

CITY OF CAPITOLA
Gas Tax Fund
Non-Major Governmental Fund
Budgetary Comparison Schedule
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 247,505	\$ 247,505	\$ 250,805	\$ 3,300
Use of money and property	-	-	5,019	5,019
Total revenues	<u>247,505</u>	<u>247,505</u>	<u>255,824</u>	<u>8,319</u>
Expenditures:				
Current:				
General government:	<u>247,000</u>	<u>249,852</u>	<u>149,949</u>	<u>99,903</u>
Total expenditures	<u>247,000</u>	<u>249,852</u>	<u>149,949</u>	<u>99,903</u>
Net change in fund balance	505	(2,347)	105,875	108,222
Fund balance, beginning of year	<u>150,591</u>	<u>150,591</u>	<u>150,591</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 151,096</u></u>	<u><u>\$ 148,244</u></u>	<u><u>\$ 256,466</u></u>	<u><u>\$ 108,222</u></u>

CITY OF CAPITOLA
Wharf Fund
Non-Major Governmental Fund
Budgetary Comparison Schedule
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ 27,625	\$ 27,625	\$ 72,309	\$ 44,684
Total revenues	27,625	27,625	72,309	44,684
Expenditures:				
Current:				
General government:	20,431	20,431	61,002	(40,571)
Total expenditures	20,431	20,431	61,002	(40,571)
Net change in fund balance	7,194	7,194	11,307	44,684
Fund balance, beginning of year	154,887	154,887	154,887	-
Fund balance, end of year	\$ 162,081	\$ 162,081	\$ 166,194	\$ 44,684

**CITY OF CAPITOLA
 Parking Reserve Fund
 Non-Major Governmental Fund
 Budgetary Comparison Schedule
 Year Ended June 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Other financing sources (uses):				
Transfers in	\$ 100,000	\$ 100,000	\$ -	\$ (100,000)
Transfers out	(100,000)	(100,000)	-	100,000
Total Other Financing Sources (Uses)	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	737	737	737	-
Fund balance, end of year	<u>\$ 737</u>	<u>\$ 737</u>	<u>\$ 737</u>	<u>\$ -</u>

**CITY OF CAPITOLA
Technology Fees Fund
Non-Major Governmental Fund
Budgetary Comparison Schedule
Year Ended June 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 12,000	\$ 12,000	\$ 14,659	\$ 2,659
Total revenues	12,000	12,000	14,659	2,659
Expenditures:				
Current:				
Community development	8,000	8,000	18,250	(10,250)
Total expenditures	8,000	8,000	18,250	(10,250)
Net change in fund balance	4,000	4,000	(3,591)	(7,591)
Fund balance, beginning of year	96,903	96,903	96,903	-
Fund balance, end of year	<u>\$ 100,903</u>	<u>\$ 100,903</u>	<u>\$ 93,312</u>	<u>\$ (7,591)</u>

**CITY OF CAPITOLA
PEG Cable TV Access Fee Fund
Non-Major Governmental Fund
Budgetary Comparison Schedule
Year Ended June 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
Licenses and permits	\$ 15,000	\$ 15,000	\$ 11,903	\$ (3,097)
Use of money and property	-	-	1,535	1,535
Total revenues	<u>15,000</u>	<u>15,000</u>	<u>13,438</u>	<u>(1,562)</u>
Expenditures:				
Current:				
General government	10,000	10,000	14,777	(4,777)
Capital outlay	<u>15,000</u>	<u>15,000</u>	<u>17,382</u>	<u>(2,382)</u>
Total expenditures	<u>25,000</u>	<u>25,000</u>	<u>32,159</u>	<u>(7,159)</u>
Net change in fund balance	(10,000)	(10,000)	(18,721)	(8,721)
Fund balance, beginning of year	<u>63,801</u>	<u>63,801</u>	<u>63,801</u>	-
Fund balance, end of year	<u>\$ 53,801</u>	<u>\$ 53,801</u>	<u>\$ 45,080</u>	<u>\$ (8,721)</u>

CITY OF CAPITOLA
Capitola Village and Wharf BIA Fund
Non-Major Governmental Fund
Budgetary Comparison Schedule
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 35,000	\$ 35,000	\$ 38,227	\$ 3,227
Charges for services	51,775	51,775	53,384	1,609
Use of money and property	100	100	977	877
Other revenue	56,500	56,500	53,201	(3,299)
Total revenues	143,375	143,375	145,789	2,414
Expenditures:				
Current:				
General government:	159,700	159,700	140,941	18,759
Total expenditures	159,700	159,700	140,941	18,759
Net change in fund balance	(16,325)	(16,325)	4,848	21,173
Fund balance, beginning of year	39,395	39,395	39,395	-
Fund balance, end of year	\$ 23,070	\$ 23,070	\$ 44,243	\$ 21,173

**CITY OF CAPITOLA
CDBG Fund
Non-Major Governmental Fund
Budgetary Comparison Schedule
Year Ended June 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 497,196	\$ 497,196	\$ 168,768	\$ (328,428)
Total revenues	<u>497,196</u>	<u>497,196</u>	<u>168,768</u>	<u>(328,428)</u>
Expenditures:				
General government:	497,196	497,196	220,885	276,311
Total expenditures	<u>497,196</u>	<u>497,196</u>	<u>220,885</u>	<u>276,311</u>
Net change in fund balance	-	-	(52,117)	(52,117)
Fund balance, beginning of year	<u>(18,773)</u>	<u>(18,773)</u>	<u>(18,773)</u>	<u>-</u>
Fund balance, end of year	<u>\$ (18,773)</u>	<u>\$ (18,773)</u>	<u>\$ (70,890)</u>	<u>\$ (52,117)</u>

**CITY OF CAPITOLA
CDBG Program Income Fund
Non-Major Governmental Fund
Budgetary Comparison Schedule
Year Ended June 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Use of money and property	\$ -	\$ -	\$ 8,512	\$ 8,512
Net change in fund balance	-	-	8,512	8,512
Fund balance, beginning of year	434,927	434,927	434,927	-
Fund balance, end of year	<u>\$ 434,927</u>	<u>\$ 434,927</u>	<u>\$ 443,439</u>	<u>\$ 8,512</u>

CITY OF CAPITOLA
Affordable Housing Fund
Non-Major Governmental Fund
Budgetary Comparison Schedule
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 15,000	\$ 15,000	\$ 41,240	\$ 26,240
Use of money and property	500	500	8,624	8,124
Total revenues	<u>15,500</u>	<u>15,500</u>	<u>49,864</u>	<u>34,364</u>
Other financing sources (uses):				
Transfers out	<u>(25,000)</u>	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>
Net change in fund balance	(9,500)	(9,500)	24,864	34,364
Fund balance, beginning of year	<u>354,378</u>	<u>354,378</u>	<u>354,378</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 344,878</u></u>	<u><u>\$ 344,878</u></u>	<u><u>\$ 379,242</u></u>	<u><u>\$ 34,364</u></u>

CITY OF CAPITOLA
Restricted TOT Fund
Non-Major Governmental Fund
Budgetary Comparison Schedule
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 131,250	\$ 131,250	\$ 105,126	\$ (26,124)
Other revenue	-	-	556	556
	<u>131,250</u>	<u>131,250</u>	<u>105,682</u>	<u>(25,568)</u>
Total revenues				
Expenditures:				
Current:				
General government:	96,250	96,250	109,968	(13,718)
	<u>96,250</u>	<u>96,250</u>	<u>109,968</u>	<u>(13,718)</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	35,000	35,000	(4,286)	(39,842)
Other financing sources (uses):				
Transfers out	(35,000)	(35,000)	-	35,000
	<u>(35,000)</u>	<u>(35,000)</u>	<u>-</u>	<u>35,000</u>
Total Other Financing Sources (Uses)				
Net change in fund balance	-	-	(4,286)	(4,842)
Fund balance, beginning of year	62,759	62,759	62,759	-
Fund balance, end of year	<u>\$ 62,759</u>	<u>\$ 62,759</u>	<u>\$ 58,473</u>	<u>\$ (4,842)</u>

CITY OF CAPITOLA
Beach and Village Lot II Debt Financing Fund
Non-Major Governmental Fund
Budgetary Comparison Schedule
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures:				
Debt service expenditures:				
Principal	\$ 65,815	\$ 65,815	\$ 65,815	\$ -
Interest	22,187	22,187	22,187	-
Total expenditures	88,002	88,002	88,002	-
Other financing sources (uses):				
Transfers in	127,000	127,000	127,000	-
Net change in fund balance	38,998	38,998	38,998	-
Fund balance, beginning of year	(38,986)	(38,986)	(38,986)	-
Fund balance, end of year	\$ 12	\$ 12	\$ 12	\$ -

CITY OF CAPITOLA
Pacific Cove Debt Financing Fund
Non-Major Governmental Fund
Budgetary Comparison Schedule
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ -	\$ -	\$ 74	\$ 74
Total revenues	-	-	74	74
Expenditures:				
Debt service expenditures:				
Principal	126,828	126,828	165,066	(38,238)
Interest	38,238	38,238	-	38,238
Total expenditures	165,066	165,066	165,066	-
Excess (deficiency) of revenues over (under) expenditures	(165,066)	(165,066)	(164,992)	74
Other financing sources (uses):				
Transfers in	165,066	165,066	165,066	-
Net change in fund balance	-	-	74	74
Fund balance, beginning of year	55,143	55,143	55,143	-
Fund balance, end of year	\$ 55,143	\$ 55,143	\$ 55,217	\$ 74

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CITY OF CAPITOLA
Annual Comprehensive Financial Report
Statistical Section (Unaudited)
Table of Contents
Fiscal Year Ended June 30, 2023

This part of The City of Capitola's Annual Comprehensive Financial Report presents detailed information as context for understanding the information in the financial statements, note disclosures, and required supplementary information and provides additional information useful in assessing the City's economic condition.

Financial Trends

The financial trends shown on the following charts are designed to help the reader understand the City's performance trends and relative well-being over time.

Net Position by Component	106
Changes in Net Position	107
Fund Balances of Government Funds	109
Change in Fund Balances of Governmental Funds	112
General Revenues by Source	113

Revenue Capacity

The sources and relative value of revenues shown on the following charts are designed to assist the reader in assessing the City's most significant sources of revenue and the performance of these sources over time.

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Assessed Value of Taxable Property	115
Direct and Overlapping Property Tax Rates	116
Top Ten Property Taxpayers	117
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Top 25 Sales Tax Taxpayers	119

CITY OF CAPITOLA
Annual Comprehensive Financial Report
Statistical Section (Unaudited)
Table of Contents, Continued
Fiscal Year Ended June 30, 2023

Debt Capacity

Debt is a useful tool for financing capital acquisition, construction, and meeting long term financing needs. The following charts present information to help the reader assess the City's current debt levels and capacity for future debt.

Ratios of Outstanding Debt by Type	120
Ratios of General Bonded Debt Outstanding	121
Direct and Overlapping Debt	122
Legal Debt Margin Information	123
Pledged-Revenue Coverage	124

Demographic and Economic Information

The demographic and economic information provided in the charts below is designed to help the reader understand the general socio-economic environment in which the City's financial activities take place.

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Principal Employers - Top Ten	126
Full-time and Part-time City Employees by Function	127

Operating Information

The following charts provide information to show the size and nature of the City's operations in order to assist the reader in understanding the services the City is able to provide and activities it is able to undertake within its available financial framework.

Operating Indicators by Function	128
Capital Asset Statistics by Function	129

Unless otherwise noted, the source of the information noted in the tables below were from the prior year's City's Annual Comprehensive Financial Reports.

CITY OF CAPITOLA, CALIFORNIA
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	2014	2015*	2016	2017	2018	2019	2020	2021	2022	2023
Primary Government activities										
Net Investment in Capital Assets	\$12,751	\$11,604	\$13,154	\$14,457	\$15,773	\$18,563	\$27,367	\$32,053	\$33,336	\$ 35,468
Restricted for										
Public Safety	119	101	98	8	10	17	72	99	154	152
Transportation	416	393	113	119	420	630	26	917	1,400	732
Community Development	3,852	6,357	6,599	8,811	11,191	14,105	14,221	10,821	9,995	10,128
Culture and Recreation	116	141	143	159	121	146	175	218	219	211
Total Restricted	4,503	6,992	6,953	9,097	11,742	14,898	14,494	12,055	11,768	11,223
Unrestricted	5,957	(9,381)	(8,884)	(9,883)	(11,536)	(10,563)	(12,887)	(10,987)	(11,571)	(6,238)
Total Primary Government net position	\$ 23,211	\$ 9,215	\$ 11,223	\$ 13,671	\$ 15,979	\$ 22,898	\$ 28,974	\$ 33,121	\$ 33,533	\$ 40,453

NOTES: The City of Capitola has no business-type activities; governmental and primary government figures are the same.

*FY 2014/15 reflects the first year of the implementation of GASB Statement Nos. 68 and 71, which resulted in a prior period restatement of (\$15,436,035) to the Governmental Activities.

Source: City of Capitola Finance Department.

CITY OF CAPITOLA, CALIFORNIA
 Changes in Net Position
 Last Ten Fiscal Years
 (accrual basis of accounting)
 (amounts expressed in thousands)

	Fiscal Year			
	2014	2015*	2016	2017
EXPENSES:				
Primary government activities				
General government	\$ 3,403	\$ 3,582	\$ 3,557	\$ 3,975
Public safety	5,412	6,181	6,211	7,462
Community development	741	809	1,076	1,090
Culture and recreation	970	974	1,150	1,302
Transportation	3,070	2,866	3,218	3,212
Interest and other charges	211	217	158	119
Total primary government expenses	<u>13,807</u>	<u>14,629</u>	<u>15,370</u>	<u>17,160</u>
PROGRAM REVENUES:				
Primary government activities				
Charges for services:				
General government	1,109	1,012	970	911
Public safety	782	806	701	597
Community development	683	633	727	637
Culture and recreation	749	765	751	640
Transportation	131	120	112	116
Operating grants and contributions	313	657	400	3,329
Capital grants and contributions	15	12	511	146
Total primary govt program revenues	<u>3,782</u>	<u>4,005</u>	<u>4,172</u>	<u>6,376</u>
NET PRIMARY GOVT REV/(EXP)	<u>(10,025)</u>	<u>(10,624)</u>	<u>(11,198)</u>	<u>(10,784)</u>
GENERAL REVENUES AND OTHER				
CHANGES IN NET POSITION:				
Primary government activities				
Taxes:				
Property Taxes	1,849	2,041	2,194	2,288
Sales and Use tax	2,036	7,330	7,860	7,959
Transient occupancy taxes	1,263	1,276	1,452	1,458
Franchise taxes	497	508	524	535
Business license tax	287	284	298	302
Intergovernmental, unrestricted	327	265	226	201
Investment income, unrestricted	107	119	227	264
Other general revenues	238	242	424	225
Total primary government activities	<u>6,604</u>	<u>12,065</u>	<u>13,205</u>	<u>13,232</u>
CHANGES IN NET POSITION:				
Total primary government activities	<u>\$ (3,421)</u>	<u>\$ 1,441</u>	<u>\$ 2,007</u>	<u>\$ 2,448</u>

* Fiscal year 2014-15 reflects the first year of the implementation of GASB Statement Nos. 68 and 71, which resulted in a prior restatement of (\$15,436,035) to the Governmental Activities. GASB 75 restatement was reflected in 2018 for \$172,688.

Source: City of Capitola Finance Department

Fiscal Year						
2018	2019	2020	2021	2022	2023	
\$ 3,594	\$ 3,595	\$ 3,876	\$ 3,736	\$ 6,117	\$ 3,443	
6,822	7,037	7,810	7,237	7,554	5,703	
1,057	956	1,097	979	1,998	635	
1,228	1,192	1,793	1,107	1,421	2,181	
3,382	3,384	3,263	3,092	4,222	2,409	
77	76	68	67	56	20	
<u>16,160</u>	<u>16,240</u>	<u>17,907</u>	<u>16,218</u>	<u>21,368</u>	<u>14,391</u>	
1,057	1,132	1,022	1,057	1,678	744	
601	579	554	509	509	624	
695	528	619	539	539	901	
636	614	633	274	274	710	
34	44	47	39	39	48	
1,832	650	501	3,125	2,970	866	
413	5,678	7,357	1,167	865	1,646	
<u>5,268</u>	<u>9,225</u>	<u>10,733</u>	<u>6,710</u>	<u>6,874</u>	<u>5,539</u>	
<u>(10,892)</u>	<u>(7,015)</u>	<u>(7,174)</u>	<u>(9,508)</u>	<u>(14,494)</u>	<u>(8,852)</u>	
2,498	2,630	2,712	2,794	2,883	3,058	
7,688	8,077	7,441	7,705	8,485	708	
1,457	1,582	1,263	1,529	2,171	8,542	
555	545	557	562	635	2,131	
308	308	330	292	316	314	
223	224	233	232	341	307	
237	450	699	335	(129)	549	
406	119	16	204	204	163	
<u>13,372</u>	<u>13,935</u>	<u>13,251</u>	<u>13,653</u>	<u>14,906</u>	<u>15,772</u>	
<u>\$ 2,480</u>	<u>\$ 6,920</u>	<u>\$ 6,077</u>	<u>\$ 4,145</u>	<u>\$ 412</u>	<u>\$ 6,920</u>	

CITY OF CAPITOLA, CALIFORNIA
Fund Balances of Government Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
GENERAL FUND					
Fund Balance GASB 54					
Nonspendable	\$ 620	\$ 618	\$ 524	\$ 426	\$ 58
Restricted	-	-	300	300	816
Assigned	584	1,049	1,262	1,277	1,277
Unassigned	<u>3,686</u>	<u>4,338</u>	<u>4,599</u>	<u>5,345</u>	<u>4,603</u>
Total General Fund	<u>4,890</u>	<u>6,005</u>	<u>6,685</u>	<u>7,348</u>	<u>6,754</u>
ALL OTHER GOVERNMENT FUNDS					
Fund Balance GASB 54					
Restricted	1,043	985	736	834	11,742
Assigned	1,764	2,457	2,745	1,927	1,633
Unassigned	<u>(2)</u>	<u>(41)</u>	<u>(215)</u>	<u>(39)</u>	<u>(39)</u>
Total All Other Govt Funds	<u>2,805</u>	<u>3,401</u>	<u>3,266</u>	<u>2,722</u>	<u>13,336</u>
TOTAL	<u>\$ 7,695</u>	<u>\$ 9,406</u>	<u>\$ 9,951</u>	<u>\$ 10,070</u>	<u>\$ 20,090</u>

Source: City of Capitola Finance Department.

<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$ 21	\$ -	\$ -	\$ -	\$ -
867	917	1,016	904	1,196
1,344	1,344	1,374	1,374	1,314
5,627	5,044	8,923	9,588	8,097
<u>7,859</u>	<u>7,305</u>	<u>11,313</u>	<u>11,866</u>	<u>10,607</u>
14,896	14,493	12,110	11,768	11,223
2,110	2,603	1,842	4,200	5,898
(39)	(365)	(39)	(39)	(71)
<u>16,967</u>	<u>16,731</u>	<u>13,913</u>	<u>15,929</u>	<u>17,050</u>
<u>\$ 24,826</u>	<u>\$ 24,036</u>	<u>\$ 25,226</u>	<u>\$ 27,795</u>	<u>\$ 27,657</u>

CITY OF CAPITOLA
Change in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	2014	2015	2016	2017
REVENUES:				
Taxes	\$11,112	\$11,416	\$12,250	\$12,436
Licenses & permits	703	629	671	626
Intergovernmental	637	757	656	560
Fines and forfeitures	731	671	787	1,475
Charges for services	2,053	2,078	2,165	1,970
Use of money and property	219	228	324	376
Other	128	132	328	114
Total revenues	<u>15,583</u>	<u>15,911</u>	<u>17,181</u>	<u>17,557</u>
EXPENDITURES:				
Current:				
General government	2,749	2,443	2,712	3,153
Public safety	5,838	5,917	6,134	6,495
Community development	722	823	1,005	976
Culture and recreation	966	978	1,039	1,137
Transportation	2,782	2,577	2,744	2,637
Capital outlay	<u>3,328</u>	<u>535</u>	<u>2,074</u>	<u>2,113</u>
Subtotal	<u>16,385</u>	<u>13,273</u>	<u>15,708</u>	<u>16,511</u>
Debt service:				
Debt issuance costs	12	-	-	-
Principal retirement	616	699	764	788
Interest and agent fees	210	229	163	139
Subtotal	<u>838</u>	<u>928</u>	<u>927</u>	<u>927</u>
Total expenditures	<u>17,223</u>	<u>14,201</u>	<u>16,635</u>	<u>17,438</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>(1,640)</u>	<u>1,710</u>	<u>546</u>	<u>119</u>
OTHER FINANCING SOURCES/(USES):				
Transfers in	1,861	2,091	2,784	1,815
Transfers out	(1,861)	(2,091)	(2,784)	(1,815)
Issuance of bonds	<u>1,372</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources/(uses)	<u>1,372</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(268)</u>	<u>1,710</u>	<u>546</u>	<u>119</u>
Beginning fund balance, as restated	7,963	7,695	9,405	9,951
Changes in fund balance	<u>(268)</u>	<u>1,710</u>	<u>546</u>	<u>119</u>
Ending fund balance	<u>\$ 7,695</u>	<u>\$ 9,405</u>	<u>\$ 9,951</u>	<u>\$10,070</u>
Debt Service as a percentage of non-capital expenditures				
Total Expenditures	\$17,223	\$14,201	\$16,635	\$17,438
Capitalized Portion of Capital Outlay	<u>3,809</u>	<u>(153)</u>	<u>2,079</u>	<u>2,231</u>
Total Non-Capitalized Expenditures	<u>13,414</u>	<u>14,354</u>	<u>14,556</u>	<u>15,207</u>
Debt service: Principal and Interest	838	928	927	927
Debt service as a percentage of noncapital expenditures	6.25%	6.47%	6.37%	6.10%

Note: Debt service as a percentage of noncapital expenditures reflects total governmental fund expenditures less the capital outlay shown separately in the Changes in Fund Balances schedule and any expenditures for capitalized assets contained within the functional expenditure categories. The sum of these items is reported in this calculation, as well as appearing as a reconciling item in the reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities.

Source: City of Capitola Finance Department

2018	2019	2020	2021	2022	2023
\$12,416	\$13,097	\$12,307	\$13,064	\$14,757	\$14,853
766	663	726	679	746	662
558	522	520	496	589	567
2,250	6,030	7,521	3,832	3,093	2,417
2,007	2,020	1,959	1,536	2,020	2,009
237	450	699	335	(129)	548
406	378	252	422	704	1,700
<u>18,640</u>	<u>23,160</u>	<u>23,984</u>	<u>20,364</u>	<u>21,780</u>	<u>22,756</u>
2,824	2,819	2,965	3,021	4,198	4,444
6,333	6,552	6,467	6,075	6,995	8,137
967	913	963	859	1,464	1,101
1,154	1,130	1,710	1,026	1,202	2,525
2,852	2,981	2,714	2,529	2,921	3,470
1,924	3,770	9,698	5,410	2,178	2,965
<u>16,054</u>	<u>18,165</u>	<u>24,517</u>	<u>18,920</u>	<u>18,958</u>	<u>22,642</u>
-	-	-	-	-	-
829	182	186	187	191	231
95	78	71	67	62	22
<u>924</u>	<u>260</u>	<u>257</u>	<u>254</u>	<u>253</u>	<u>253</u>
<u>16,978</u>	<u>18,425</u>	<u>24,774</u>	<u>19,174</u>	<u>19,211</u>	<u>22,895</u>
<u>1,662</u>	<u>4,735</u>	<u>(790)</u>	<u>1,190</u>	<u>2,569</u>	<u>(139)</u>
2,865	1,676	1,734	324	4,023	2,622
(2,865)	(1,676)	(1,734)	(324)	(4,023)	(2,622)
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,662</u>	<u>4,735</u>	<u>(790)</u>	<u>1,190</u>	<u>2,569</u>	<u>(139)</u>
<u>10,070</u>	<u>20,091</u>	<u>24,826</u>	<u>24,036</u>	<u>25,226</u>	<u>27,795</u>
<u>1,662</u>	<u>4,735</u>	<u>(790)</u>	<u>1,190</u>	<u>2,569</u>	<u>(139)</u>
<u>\$11,732</u>	<u>\$24,826</u>	<u>\$24,036</u>	<u>\$25,226</u>	<u>\$27,795</u>	<u>\$27,656</u>
\$16,978	\$18,425	\$24,774	\$19,174	\$19,211	\$22,895
2,063	3,681	9,535	5,410	2,178	2,965
14,915	14,744	15,239	13,764	17,033	19,930
924	260	257	254	253	253
6.20%	1.76%	1.69%	1.85%	1.49%	1.27%

Source: City of Capitola Finance Department.

CITY OF CAPITOLA, CALIFORNIA
 General Revenues by Source
 Last Ten Fiscal Years
 (amounts expressed in thousands)
 General Revenue By Source

Fiscal Year	General Revenue By Source							Total General Revenues
	Sales Tax Revenue ⁽¹⁾	Property Taxes ⁽²⁾	Transient Occupancy Tax	Franchise Taxes	Business Licenses	Investment Income	Miscellaneous, Intergovernmental and Other Revenues	
2014	\$ 7,179,727	\$ 1,849,375	\$ 1,263,175	\$ 496,759	\$ 286,638	\$ 107,218	\$ 564,801	\$ 11,747,693
2015	7,330,443	2,041,248	1,275,716	507,517	284,474	118,770	506,803	12,064,971
2016	7,859,511	2,193,588	1,451,512	524,214	298,020	227,142	650,656	13,204,643
2017	7,959,086	2,288,341	1,457,704	534,513	301,545	264,040	426,525	13,231,754
2018	7,687,959	2,721,299	1,456,899	555,475	308,236	237,383	406,456	13,373,707
2019	8,076,583	2,854,103	1,581,864	545,424	307,930	450,099	119,011	13,935,014
2020	7,440,745	2,945,342	1,262,816	556,708	329,711	699,199	16,383	13,250,904
2021	7,705,348	3,026,024	1,529,015	561,969	291,590	335,472	203,806	13,653,224
2022	8,484,799	3,224,366	2,170,541	634,511	315,604	(128,502)	205,129	14,906,448
2023	8,542,419	3,365,235	2,131,470	708,277	313,993	549,243	162,352	15,772,989

NOTES:

⁽¹⁾ A 0.25% District Transactions and Use Tax took effect April 1, 2005 and in 2008 was extended through December 2017. An additional 0.25% Permanent Retail Transactions and Use Tax took effect April 1, 2013, bringing the local tax rate to 0.50%.

⁽²⁾ As of 2006, Property Taxes In Lieu of Vehicle License Fees were included as part of Property Tax distributions by the State of California. Dissolution of California Redevelopment Agencies in February 2012 lowered agency property tax receipts by the size of the previous redevelopment tax increment.

Source: City of Capitola Finance Department.

CITY OF CAPITOLA, CALIFORNIA
 Net Taxable Assessed Value History
 Last Ten Fiscal Years
 (amounts expressed in thousands)

City of Capitola					
Fiscal Year	Secured	Unsecured	SBE Nonunitary	Total Assessed Value	% Change
2014	\$ 1,784,629	\$ 75,387	\$ 84	\$ 1,860,100	3.50%
2015	1,906,637	81,887	84	1,988,608	6.91%
2016	2,026,035	76,862	83	2,102,980	5.75%
2017	2,156,464	77,622	84	2,234,170	6.24%
2018	2,294,174	84,389	84	2,378,647	6.47%
2019	2,412,636	87,922	111	2,500,669	5.13%
2020	2,530,955	81,815	111	2,612,881	4.49%
2021	2,657,657	77,632	111	2,735,400	4.69%
2022	2,785,901	79,332	111	2,865,344	4.75%
2023	2,923,890	72,799	157	2,996,846	4.59%

NOTES: California Constitution Article 13A establishes a county assessor "full cash value" property valuation formulated on varying base years and not at current fair market value. As a result, there is not a reasonable basis available for estimating actual value of taxable property for the City of Capitola for comparative purposes.

Source: HdL Companies, Santa Cruz County Assessor 2021-22 Combined Tax Rolls.

CITY OF CAPITOLA, CALIFORNIA
 Assessed Value of Taxable Property
 Last Ten Fiscal Years
 (amounts expressed in thousands)

Category	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Residential	\$ 1,289,844	\$ 1,413,964	\$ 1,515,227	\$ 1,590,959	\$ 1,681,534	\$ 1,782,996	\$ 1,878,890	\$ 1,981,312	\$2,093,954	\$2,225,831
Commercial	384,916	379,721	392,427	439,224	476,377	487,098	501,612	523,379	524,820	535,445
Industrial	14,079	14,130	14,437	14,612	19,124	19,557	21,914	22,319	22,545	23,320
Institutional	14,662	14,716	15,134	15,966	15,054	9,927	10,943	9,290	19,436	7,407
Miscellaneous	6	6	6	6	267	272	277	283	293	292
Recreational	10,609	8,844	9,705	9,791	9,996	10,311	10,525	10,592	8,849	9,878
Vacant	13,823	14,934	15,263	16,274	15,393	21,333	19,848	19,308	21,278	22,137
SBE Nonunitary	84	84	83	84	84	110	110	111	111	157
Cross Reference	56,690	60,322	63,836	69,632	76,429	81,138	86,943	91,174	94,726	99,581
Unsecured	75,387	81,887	76,862	77,622	84,389	87,922	81,815	77,632	79,332	72,799
TOTALS	\$ 1,860,100	\$ 1,988,608	\$ 2,102,980	\$ 2,234,170	\$ 2,378,648	\$ 2,500,664	\$ 2,612,877	\$ 2,735,400	\$ 2,865,344	\$ 2,996,847
Total Direct	0.05510	0.05461	0.05456	0.05452	0.05452	0.05438	0.05441	0.05372	0.05372	0.05372
Property Tax Rate										

NOTES: Exempt values are not included in Total.

In 1978, the voters of the State of California passed Proposition 13, which limited taxes to a total maximum rate of 1%, based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum of 2%). With few exceptions, property is only reassessed as a result of new construction activity or at the time it is sold to a new owner. At that point, the property is reassessed based upon the added value of the construction or at the purchase price (market value) or economic value of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Source: HdL Companies, Santa Cruz County Assessor 2013-14 and 2022-23 Combined Tax Rolls.

CITY OF CAPITOLA, CALIFORNIA
 Direct and Overlapping Property Tax Rates
 Last Ten Fiscal Years
 (Rate per \$100 of taxable value)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
City Direct Property Tax Rates										
Basic Levy ⁽¹⁾	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Total Direct Property Tax Rate ⁽²⁾	0.05510	0.05461	0.05456	0.05452	0.05452	0.05438	0.05441	0.05372	0.05372	0.05372
Overlapping Property Tax Rates ⁽³⁾										
Santa Cruz High School	0.02333	0.02087	0.01961	0.01848	0.04461	0.04272	0.03889	0.03800	0.03706	0.03767
Soquel Elementary School	0.02238	0.02045	0.01846	0.01811	0.04539	0.04251	0.03948	0.04140	0.04123	0.04113
Live Oak Elementary School	0.05383	0.05279	0.04600	0.03574	0.01988	0.02117	0.02072	0.02106	0.02116	0.02003
Cabrillo College	0.04047	0.03694	0.03669	0.03260	0.02425	0.02102	0.02117	0.02475	0.02370	0.02405
Total Overlapping Property Tax Rate ⁽²⁾	0.14001	0.13105	0.12076	0.10493	0.13413	0.12742	0.12026	0.12521	0.12315	0.12288
City Share of 1% levy per Proposition 13 ⁽⁴⁾	0.07471	0.07471	0.07471	0.07471	0.07471	0.07471	0.07471	0.07471	0.07471	0.07471
Total Direct Rate ⁽³⁾	0.0551	0.05461	0.05456	0.05452	0.05452	0.05438	0.05441	0.05438	0.05434	0.05434
Total Direct & Overlapping Rate	1.14001	1.13105	1.12076	1.10493	1.13413	1.12742	1.12026	1.12521	1.12315	1.12288

NOTES:

(1) In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.

(2) Because basic and debt rates vary by tax rate area individual rates cannot be summed. The Total Direct Rate is the weighted average of all individual direct rates applied by the government preparing the statistical section information.

(3) Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city property owners.

(4) City's Share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the city. ERAF general fund tax shifts may not be included in tax ration figures.

SOURCE: HdL Companies, Santa Cruz County Assessors Office.

CITY OF CAPITOLA, CALIFORNIA
 Top Ten Property Taxpayers
 Last Ten Fiscal Years

Taxpayer	2022-23			2013-14		
	Net Assessed Valuation	Rank	Percent of Total City Net Assessed Valuation	Net Assessed Valuation	Rank	Percent of Total City Net Assessed Valuation
MGP XI Capitola LLC	\$ 117,711,928	1	3.93%			
Santa Cruz Seaside Company	34,025,558	2	1.14%			
Aspromonte Hotels LLC	22,011,302	3	0.73%	\$ 17,472,100	3	0.94%
Target Corporation	19,281,742	4	0.64%	12,034,680	5	0.65%
George Ow Jr. Trustees	16,275,777	5	0.54%			
Loma Vista Estates Owners Assoc. Inc.	16,228,814	6	0.54%	13,896,163	4	0.75%
Brown Ranch Properties	12,887,904	7	0.43%	111,236,403	6	0.60%
Blai LP	12,145,193	8	0.41%	10,477,000	7	0.56%
Melanie Kett Wirtanen Trustee	11,025,000	9	0.37%			
850 Rosedale LLC	9,604,402	10	0.32%	8,277,680	8	0.45%
Macerich Partnership LP	-			8,069,600	9	0.43%
Macerich Capitola Adjacent LP	-			62,889,921	1	3.38%
Macquire Capitola Villas INC	-			22,368,000	2	1.20%
Macy's	-					
1100 41st Avenue LLC	-			7,578,743	10	0.41%
	<u>\$ 271,197,620</u>		<u>9.05%</u>	<u>\$ 274,300,290</u>		<u>9.37%</u>
Memo: Gross Assessed Value	\$ 2,996,846,336		100.00%	\$ 1,860,100,004		100.00%

Source: HdL Companies, Santa Cruz County Assessor 2013-14 and 2022-23 Combined Tax Rolls and the SBE Non Unitary Tax Roll.

CITY OF CAPITOLA, CALIFORNIA
 Property Tax Levies and Collections
 Last Ten Fiscal Years

Fiscal Year Ended June 30,	Property Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2014	\$ 927,676	\$ 927,676	100%	\$ -	\$ 927,676	100%
2015	1,060,919	1,060,919	100%	-	1,060,919	100%
2016	1,104,034	1,104,034	100%	-	1,104,034	100%
2017	1,203,689	1,203,689	100%	-	1,203,689	100%
2018	1,331,609	1,331,609	100%	-	1,331,609	100%
2019	1,406,900	1,406,900	100%	-	1,406,900	100%
2020	1,452,553	1,452,553	100%	-	1,452,553	100%
2021	1,420,380	1,420,380	100%	-	1,420,380	100%
2022	1,503,589	1,503,589	100%	-	1,503,589	100%
2023	1,601,360	1,601,360	100%	-	1,601,360	100%

NOTES: Figures presented include City property taxes and Redevelopment Agency tax increment, as well as amounts collected by the City and Redevelopment Agency that are pass throughs for other agencies, and real and personal property. The figures do not include Property Taxes In Lieu of Vehicle License Fees. In FY 1993-94, Santa Cruz County adopted the Teeter Plan under which the City of Capitola receives its entire tax levy, regardless of delinquencies as long as it qualifies for the Teeter Plan.

Reduction in property taxes levied from 2011 through 2020 reflects the 2/1/2012 State of California dissolution of Redevelopment Agencies and the associated elimination of tax increment received by the City of Capitola.

Source: Santa Cruz County Auditor-Controller, City of Capitola Finance Department.

CITY OF CAPITOLA, CALIFORNIA
Top 25 Sales Tax Taxpayers
Listed Alphabetically

TOP 25 SALES TAX TAXPAYERS

As of June 30, 2023

Ajs Fuel Market Of Capitola Service Stations
BevMo Convenience Stores/Liquor
Capitola Coast Service Stations
Capitola Shell Service Stations
Chevron Service Stations
CVS Pharmacy Drug Stores
Greentech Renewables
Kohls Department Stores
Macys Department Stores
Margaritaville
Nob Hill General Store Grocery Stores
O Neill Surf Shop Sporting Goods/Bike Stores
Outdoor Supply Hardware Building Materials
Pizza My Heart
Ross Family Apparel
Santa Cruz Subaru New Motor Vehicle Dealers
Santa Cruz Toyota
Shadowbrook Fine Dining
Sierra Utility Sales
Target Discount Dept Stores
Toyota Lease Trust Auto Lease
Trader Joes Grocery Stores
Ulta Beauty
Whole Foods Market Grocery Stores
Zelda's on the Beach

NOTES:

The list is in alphabetical order and is not indicative of relative nor total sales volume.

Source: HdL

CITY OF CAPITOLA, CALIFORNIA
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(amounts expressed in dollars unless otherwise noted)

Government/Total Primary Government Activities							
Fiscal Year Ended June 30	General Obligation Bonds	Lease Revenue Bonds	Other debt	Tot. Gov't./ Primary Gov't. Activities	Debt as a % of Taxable Assessed Property Value	Debt as a % of Total Personal Income	Debt per Capita
2014	\$ 2,375,000	\$ -	\$ 3,153,788	\$ 5,528,788	0.30%	1.55%	545
2015	1,830,000	-	3,000,243	4,830,243	0.24%	1.32%	483
2016	1,255,000	-	2,811,059	4,066,059	0.19%	1.07%	401
2017	645,000	-	2,632,952	3,277,952	0.15%	0.84%	323
2018	-	-	2,449,251	2,449,251	0.10%	0.58%	232
2019	-	-	2,267,652	2,267,652	0.09%	0.58%	221
2020	-	-	2,081,485	2,081,485	0.08%	0.47%	206
2021	-	-	1,894,649	1,894,649	0.07%	0.45%	188
2022	-	-	1,703,461	1,703,461	0.06%	0.41%	174
2023	-	-	1,472,580	1,472,580	0.05%	0.35%	150

NOTES: The City of Capitola has no business-type activities; governmental and total primary government figures are the same. Details regarding the City's outstanding debt can be found in the notes to the financial statements.

In July 2007, the City of Capitola issued a \$5,040,000 Pension Obligation Bond (POB), which was used to pay off the City's CalPERS unfunded pension liability as of that point in time.

Other debt includes tax anticipation notes, county library long term debt, financed purchase, notes payable, and RDA deferred pass throughs. Compensated absences, OPEB liability and net pension liability amounts are no longer included per GASB implementation guidelines.

Source: City of Capitola Financial Statements.

CITY OF CAPITOLA, CALIFORNIA
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(amounts expressed in dollars unless otherwise noted)

Fiscal Year Ended June 30,	Government/Total Primary Government Activities			
	General Obligation Bonds	Debt as a % of Taxable Assessed Property Value	Debt as a % of Total Personal Income	Debt per Capita
2013	\$ 2,375,000	0.13%	0.67%	\$ 234
2014	1,830,000	0.10%	0.50%	183
2015	1,255,000	0.06%	0.33%	124
2016	645,000	0.03%	0.17%	63
2017	-	0.00%	0.00%	-
2018	-	0.00%	0.00%	-
2019	-	0.00%	0.00%	-
2020	-	0.00%	0.00%	-
2021	-	0.00%	0.00%	-
2022	-	0.00%	0.00%	-

NOTES: The City of Capitola has no business-type activities; governmental and total primary government figures are the same. Details regarding the City's outstanding debt can be found in the notes to the financial statements.

In July 2007, the City of Capitola issued a \$5,040,000 Pension Obligation Bond (POB), which was used to pay off the City's CalPERS unfunded pension liability as of that point in time.

CITY OF CAPITOLA, CALIFORNIA
 Direct and Overlapping Debt
 Fiscal Year ended June 30, 2023

2022-23 Assessed Valuation			\$ 2,996,846,336
OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable ⁽¹⁾	Total Debt 6/30/2023	City's Share of Debt 6/30/2023
Cabrillo Joint Community College District	5.360%	\$ 104,214,571	\$ 5,585,901
Santa Cruz City High School District	11.559%	145,243,365	16,788,681
Live Oak School District	5.836%	9,151,000	534,052
Soquel Union School District	39.161%	44,045,000	17,248,462
Santa Cruz Libraries Facilities Community Facilities District	5.979%	37,725,000	2,255,578
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$ 340,378,936	\$ 42,412,674
Santa Cruz County Certificates of Participation	5.405%	\$ 87,894,145	\$ 4,750,679
Santa Cruz County Office of Education Certificates of Participation	5.405%	7,409,779	400,499
Santa Cruz City High School District Certificates of Participation	11.559%	1,401,383	161,986
Live Oak School District Certificates of Participation	5.836%	11,783,973	687,713
Soquel Union School District Certificates of Participation	39.161%	5,617,205	2,199,754
Santa Cruz City Schools Certificates of Participation	11.559%	720,000	83,225
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$ 114,826,485	\$ 8,283,854
TOTAL CITY'S DIRECT DEBT			\$ 1,472,580
COMBINED TOTAL DEBT			\$ 50,696,528 ⁽²⁾
RATIOS TO 2021-22 ASSESSED VALUATION:			
Total Overlapping Tax and Assessment Debt			1.42%
Total Direct Debt			0.05%
Combined Total Debt			1.69%

(1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

(2) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and non-bonded financing obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Source: MuniServices, LLC, City of Capitola Finance Department

CITY OF CAPITOLA
 Legal Debt Margin Information
 Last Ten Fiscal Years
 (amounts expressed in thousands)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Assessed Valuation	\$ 1,860,100	\$ 1,988,608	\$ 2,102,980	\$ 2,234,170	\$ 2,378,648	\$ 2,500,669	\$ 2,612,882	\$ 2,735,400	\$ 2,821,643	\$ 2,996,846
RDA Base Valuation	246,771	256,500	264,195	272,121	280,284	288,693	297,354	306,274	315,462	324,926
Adj. assessed valuation	1,613,329	1,732,108	1,838,785	1,962,049	2,098,364	2,211,976	2,315,528	2,429,126	2,506,181	2,671,920
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	241,999	259,816	275,818	294,307	314,755	331,796	347,329	364,369	375,927	400,788
Total net applicable debt										
Gen. obligation bonds	2,375	1,830	1,255	645	-	-	-	-	-	-
Legal debt margin	<u>\$ 239,624</u>	<u>\$ 257,986</u>	<u>\$ 274,563</u>	<u>\$ 293,662</u>	<u>\$ 314,755</u>	<u>\$ 331,796</u>	<u>\$ 347,329</u>	<u>\$ 364,369</u>	<u>\$ 375,927</u>	<u>\$ 400,788</u>
Ratio of Total Net Applicable Debt to Debt Limit	0.99%	0.71%	0.46%	0.22%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

NOTES: The bonded indebtedness of the City may not in the aggregate exceed the sum of fifteen (15%) of the total assessed valuation of property within the City, exclusive of any indebtedness that has been or may hereafter be incurred for the purposes of acquiring, constructing, extending, or maintaining municipally owned assets for which purposes a further indebtedness may be incurred by the issuance of bonds, subject only to the provisions of the City of Capitola bylaws and the State Constitution.

Source: Santa Cruz County Auditor-Controller, Santa Cruz County Assessor, City of Capitola Finance Department.

CITY OF CAPITOLA
Pledged-Revenue Coverage
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year Ended June 30,	Other Revenue Bonds				Tax Allocation Bonds			
	Available Revenue	Debt Service		Coverage	Tax Increment	Debt Service		Coverage
		Principal	Interest			Principal	Interest	
2014	\$ -	\$ -	\$ -	n/a	\$ -	\$ -	\$ -	n/a
2015	-	-	-	n/a	-	-	-	n/a
2016	-	-	-	n/a	-	-	-	n/a
2017	-	-	-	n/a	-	-	-	n/a
2018	-	-	-	n/a	-	-	-	n/a
2019	-	-	-	n/a	-	-	-	n/a
2020	-	-	-	n/a	-	-	-	n/a
2021	-	-	-	n/a	-	-	-	n/a
2022	-	-	-	n/a	-	-	-	n/a
2023	-	-	-	n/a	-	-	-	n/a

NOTES: The City of Capitola has no tax allocation bonds or other revenue bonds.

SOURCE: City of Capitola Finance Department.

CITY OF CAPITOLA
 Demographic and Economic Statistics
 Last Ten Fiscal Years

Calendar Year	Population	Total Personal Income (In Thousands)	Per Capita Personal Income	Median Age	Unemployment Rate
2014	10,004	\$ 364,656	\$ 36,451	41.5	7.0%
2015	10,150	381,027	37,540	43.3	6.0%
2016	10,162	390,369	38,414	42.8	5.5%
2017	10,563	421,494	39,902	42.6	3.3%
2018	10,240	388,326	37,922	42.0	2.2%
2019	10,108	440,760	43,605	42.7	1.4%
2020	10,091	419,398	41,561	42.2	2.1%
2021	9,794	484,927	49,512	45.3	2.1%
2022	9,794	484,927	49,512	45.3	2.1%
2023	9,794	484,927	49,512	45.3	2.1%

Sources: HdL Companies, California State Department of Finance, California Employment Development Department, ESRI, U. S. Census Bureau, American Community Survey.

CITY OF CAPITOLA
Principal Employers - Top Ten
Current year and nine years ago

Employer	2023			2014		
	Ranking	Number of Employees	% of Total Employment	Ranking	Number of Employees	% of Total Employment
Subaru, Toyota, Kia of Santa Cruz	1	224	4.31%	3	175	2.61%
Soquel Union Elementary School District	2	172	3.31%			
Target*	3	166	3.19%	1	175	2.61%
Culinary Enterprises Inc DBA Shadowbrook Restaurant	4	158	3.04%	6	135	2.01%
Pacific Coast Manor*	5	150	2.88%	4	99	1.48%
Gayle's Bakery & Rosticceria	6	141	2.71%	5	170	2.54%
Trader Joe's*	7	139	2.67%	8	103	1.54%
City of Capitola*	8	127	2.44%			
Whole Foods Market	9	120	2.31%	7	134	2.00%
Oceanside Supported Living	10	120	2.31%			
Macy's				2	160	2.39%
Zelda's On the Beach				9	96	1.43%
New Leaf Community Markets				10	95	1.42%
		1,517	29.17%		1,342	20.03%
Total Labor Force		5,200	100.00%		6,700	100.00%

*Includes full-time and part-time employees.

**Includes full-time and seasonal employees.

SOURCE: MuniServices, LLC

CITY OF CAPITOLA
 Full-time and Part-time City Employees by Function
 Last Ten Fiscal Years

Function	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General government										
City Manager	7.65	7.65	7.65	6.50	6.50	6.00	7.50	5.50	5.50	7.00
Finance	4.50	4.50	4.50	4.50	3.75	3.75	3.75	2.75	3.00	3.00
City Attorney	1.00	1.00	1.00	1.00	1.00	1.00	0.00	0.00	0.00	0.00
	<u>13.15</u>	<u>13.15</u>	<u>13.15</u>	<u>12.00</u>	<u>11.25</u>	<u>10.75</u>	<u>11.25</u>	<u>8.25</u>	<u>8.50</u>	<u>10.00</u>
Police										
Chief, Captain, Sgts.	6.00	6.00	6.00	6.00	6.00	7.00	7.00	7.00	7.00	7.00
Officers	15.00	15.00	16.00	16.00	16.00	15.00	15.00	14.00	15.00	15.00
CSOs	3.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Parking Enforcement	3.00	3.00	3.00	3.00	3.00	2.00	2.00	2.00	2.00	3.00
Administrative	4.65	4.65	4.65	4.50	4.50	4.50	4.50	4.50	4.00	4.00
	<u>31.65</u>	<u>30.65</u>	<u>31.65</u>	<u>31.50</u>	<u>31.50</u>	<u>30.50</u>	<u>30.50</u>	<u>29.50</u>	<u>30.00</u>	<u>31.00</u>
Public Works										
Streets	8.00	9.00	9.00	11.00	12.00	11.50	10.00	10.00	10.00	11.00
Parks	4.00	4.00	4.00	4.00	3.00	3.00	3.00	3.00	3.00	3.00
Fleet Maintenance	1.00	1.50	1.25	1.00	1.00	1.50	2.00	1.00	1.00	1.00
	<u>13.00</u>	<u>14.50</u>	<u>14.25</u>	<u>16.00</u>	<u>16.00</u>	<u>16.00</u>	<u>15.00</u>	<u>14.00</u>	<u>14.00</u>	<u>15.00</u>
Recreation										
Supervisor	1.00	2.00	2.00	2.50	2.50	2.50	1.00	1.00	1.00	1.00
Other - full year	2.00	2.25	2.75	1.25	1.25	1.25	4.00	4.00	3.50	3.50
	<u>3.00</u>	<u>4.25</u>	<u>4.75</u>	<u>3.75</u>	<u>3.75</u>	<u>3.75</u>	<u>5.00</u>	<u>5.00</u>	<u>4.50</u>	<u>4.50</u>
Community Development	2.50	3.00	3.50	3.50	3.50	3.00	3.00	3.00	3.00	3.00
Building	2.00	2.00	2.00	2.00	2.00	3.00	3.00	3.00	2.75	3.00
Total City Employees	<u><u>65.30</u></u>	<u><u>67.55</u></u>	<u><u>69.30</u></u>	<u><u>68.75</u></u>	<u><u>68.00</u></u>	<u><u>67.00</u></u>	<u><u>67.75</u></u>	<u><u>62.75</u></u>	<u><u>62.75</u></u>	<u><u>66.50</u></u>

NOTES: Full time equivalents (FTE); does not include temporary or seasonal employees.

SOURCE: City of Capitola Finance Department.

CITY OF CAPITOLA
Operating Indicators by Function
Last Ten Fiscal Years (except as noted)

INDICATOR	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<u>Police department</u>										
Adult arrests	856	956	904	939	692	587	503	317	345	424
Calls for service (thousands)	20	18	17	20	19	15	19	15	14	6
<u>Public works</u>										
Miles paved	26	26	26	26	26	26	26	26	26	26
<u>New construction</u>										
Commercial units	-	-	1	2	1	1	-	-	-	-
Valuation (millions)	\$ -	\$ -	\$ 4	\$ 5	\$ 2	\$ 2	\$ -	\$ -	\$ -	\$ -
Residential units ⁽¹⁾	9	3	3	9	6	8	9	9	9	8
Valuation (millions)	\$ 3	\$ 1	\$ 1	\$ 3	\$ 4	\$ 3	\$ 4	\$ 4	\$ 4	\$ 3
<u>Recreation Revenue (thousands)</u>										
Classes	\$ 338	\$ 282	\$ 275	\$ 260	\$ 240	\$ 231	\$ 214	\$ 79	\$ 199	\$ 225
Sports fees	41	32	19	21	24	23	19	8	26	22
Junior Guard	268	312	328	258	238	244	160	85	268	264
Camp Capitola	103	139	129	100	96	111	100	105	175	150
Aquatics	-	-	-	-	-	-	24	48	52	68
Events	-	-	-	-	-	-	-	-	1	3
Net Class Revenue	\$ 750	\$ 765	\$ 751	\$ 639	\$ 598	\$ 609	\$ 517	\$ 325	\$ 721	\$ 732
Jade St. Rental	5	7	7	6	8	5	5	-	7	7
Net Recreation Rev	<u>\$ 755</u>	<u>\$ 772</u>	<u>\$ 758</u>	<u>\$ 645</u>	<u>\$ 606</u>	<u>\$ 614</u>	<u>\$ 522</u>	<u>\$ 325</u>	<u>\$ 728</u>	<u>\$ 739</u>

(1) Residential units and associated valuations are total additional, new or substantially new (by code definition) units.

CITY OF CAPITOLA
 Capital Asset Statistics by Function
 Last Ten Fiscal Years

Indicator	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Public works										
Streets (miles)	26	26	26	26	26	26	26	26	26	26
Streetlights	71	71	71	71	71	71	71	71	71	71
Traffic signals	8	8	8	8	8	8	8	8	8	8
Parks and recreation										
Parks	8	8	8	8	8	8	8	8	8	8
Community centers	1	1	1	1	1	1	1	1	1	1
General										
Commercial buildings	2	2	2	2	2	2	2	2	2	2

Source: City of Capitola Public Works Department.