

City of Salinas California



Basic Financial Statements **Fiscal Year Ended June 30, 2020**

Basic Financial Statements

Fiscal Year Ended June 30, 2020



PREPARED BY
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City of Salinas

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January 25, 2021

***Honorable Mayor and Members of the City Council
City of Salinas, California***

We are pleased to submit the City of Salinas (City) Basic Financial Statements for the fiscal year ended June 30, 2020. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) and are audited in accordance with generally accepted auditing standards.

Responsibility for the accuracy of the data and the fairness of presentation, including all notes and disclosures, rests with the City. We believe the data presented in this report is accurate in all material respects and all statements and disclosures necessary for the reader to obtain a thorough understanding of the City's financial activities have been included. Management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements.

While traditionally addressed to the governing body of the City, this report is intended to provide relevant financial information to the residents of the City of Salinas, City staff, creditors, investors and other concerned readers. We encourage all readers to contact the Finance Department with any questions or comments concerning this report.

McGilloway, Ray, Brown & Kaufman, a firm of certified public accountants, have audited the City's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2020, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Based upon the audit, the independent auditors concluded that there was reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2020, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on fair presentation of the financial statements, but also on the government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City’s separately issued Single Audit Report.

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 immediately following the report of the independent auditors.

This report is divided into two sections:

- The **Introductory Section** includes this letter of transmittal and an organizational overview of the City government.
- The **Financial Section** consists of the independent auditors’ report, Management’s Discussion and Analysis, Basic Financial Statements; which include the Government-Wide Financial Statements, Fund Financial Statements, Notes to Financial Statements, Required Supplementary Information and other Supplementary Information.

The Reporting Entity and Its Services

In defining the reporting entity, there are no other governmental units over which the City Council has financial accountability. Under new state law, the Salinas Redevelopment Agency, which was a component unit of the City, ceased to exist as of February 1, 2012, and therefore the assets and activities of the dissolved redevelopment agency are reported in a Fiduciary Fund (private purpose trust fund) in the financial statements of the City.

The City of Salinas was incorporated as a charter City on March 4, 1874 and operates under the Council-Manager form of government. The City is governed by a six-member Council elected by districts for four-year alternating terms and a Mayor elected at large for a two-year term. The Council appoints the City Attorney and the City Manager who is responsible for day-to-day administration of the City under the policy direction of the Council.

The City of Salinas is the “county seat” of Monterey County, and is located in the Central Coast region of California, 17 miles inland from the Monterey Bay, 325 miles north of Los Angeles and 106 miles south of San Francisco. Salinas is a charter City providing all typical City services: Public safety - police and fire, Public Works - maintenance services (streets, lighting, signals, facilities, parks and trees), development and permit services, current and advanced planning and traffic and facilities engineering, Library, Recreation and General administrative services. Business-type City services include: a Municipal Airport, Industrial Waste system, two municipal golf courses, Sanitary Sewer and Storm Drain systems, Water Utility and a Parking District. The

State Department of Finance reports the City's population at 162,222 as of January 1, 2020. The City FY 2020-21 budget includes 606.50 positions authorized on a full-time equivalent basis.

Three elementary school districts, a unified high school district and several private schools at both the primary and secondary level operate in the City of Salinas. Hartnell College, a State Community College, offers two-year degrees and occupational certificate programs. California State University Monterey Bay is located less than 15 miles away on the former Fort Ord site. Graduate studies through Golden Gate University, Monterey Institute of International Studies and Chapman College are available nearby. Also in the area are Moss Landing Marine Laboratory, Monterey College of Law, Stanford University's Hopkins Marine Station and San Jose State University.

Salinas has extensive health and medical services with two of Monterey County's four hospitals located within the City. Salinas also offers skilled nursing and convalescent homes and residential retirement facilities for seniors, as well as over 220 practicing physicians.

Fire protection and basic and advanced life support are provided by the City's full service Fire Department. Advanced life support services are provided by the Fire Department's paramedic program. The City of Salinas has a Police Department and receives additional support, as required, from the Monterey County Sheriff's Office and other regional, state and federal agencies.

The City's moderate climate encourages year-round use of its 550 plus acres of municipal parks, which include golf courses, tennis courts and swimming pools. The Salinas Community Center regularly hosts symphonies, ballets, concerts and conventions. Salinas is host to the annual Steinbeck Festival, the California Rodeo, and the California International Airshow. Salinas has a modern California Sports Complex and the National Steinbeck Center. Surrounding Salinas are diverse recreational opportunities including beautiful beaches and the world famed golf courses of the Monterey Bay Peninsula.

As the retail hub of the Central Coast, Salinas enjoys a wide selection and diversity in its stores. Northridge Shopping Center contains over 120 specialty shops and four major department stores – Macy's, Sears, Best Buy and J.C. Penney. Harden Ranch Plaza includes Wal-Mart, Target, Safeway, specialty stores, restaurants, and banking institutions. The Westridge Shopping Center is home to Costco, Wal-Mart, Office Max, Dick's Sporting Goods and a variety of national chain restaurants. The Salinas Auto Center houses nine local dealers and its retail area hosts Home Depot, Beverages and More (BevMo), Kohl's, and other specialty stores. Additionally, Salinas' location allows quick access to the Monterey Peninsula, as well as the San Jose area.

The City utilizes various Boards and Commissions in the conduct of its affairs. Commissions and Committees established by City Ordinance are:

- Airport Commission
- Library and Community Services Commission
- Traffic and Transportation Commission
- Planning Commission
- Measure G Oversight Committee
- Measure E Oversight Committee

Boards and Committees established by Resolution of the City Council are:

- Police Community Advisory Committee
- Animal Services Committee
- Design Review Board
- Board of Appeals
- Grievance Advisory Board
- Finance Committee
- Historical Resources Board

FINANCIAL INFORMATION

The City's management staff is responsible for establishing and maintaining internal controls that safeguard the assets of the government from loss, theft, or misuse and allow the compilation of adequate accounting data for the preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed its likely benefits and that the evaluation of costs and benefits is subject to management estimates and judgments.

Single Audit

As a recipient of Federal, State and County financial assistance, the City is responsible for providing assurance that adequate internal controls are in place to ensure compliance with applicable laws and regulations relating to these award programs. Internal controls are subject to periodic evaluation by management, the Finance Department staff, and the City's outside independent auditors.

As part of the City's single audit procedures, tests are performed to determine the effectiveness of the internal controls over major Federal award programs and the City's compliance with applicable laws and regulations related to these award programs.

Accounting System and Budgetary Control

The City's accounting and budgeting records for general governmental operations are maintained on a modified accrual basis, with the revenues being recorded when available and measurable. Expenditures are recorded when the services or goods are received or the liabilities incurred. Accounting and budgeting for the City's proprietary funds are maintained on the accrual basis.

The City also uses encumbrance accounting as another technique for accomplishing budgetary control. An encumbrance is a commitment of a future expenditure earmarked for a particular purpose that reduces the amount of budgetary authority available for general spending. At the end of the fiscal year, encumbered appropriations are carried forward and become part of the following year's budget while appropriations that have not been encumbered lapse and are available to be appropriated through the following fiscal year's budget process.

The City Council approves operating appropriations at the department and fund level prior to July 1, each year and may amend the budget during the fiscal year. Please refer to Required Supplementary Information to the financial statements for a more detailed discussion of budget policy and control. The City continues to meet its responsibility for sound financial management as demonstrated by the statements and schedules included in the financial section of this report.

Annual Financial Report

The purpose of the City's Annual Financial Report is to summarize the administrative and operational performance of the City during the previous fiscal year. The report is intended to highlight significant accomplishments that were achieved during the fiscal year ended June 30, 2020 and to provide a financial analysis of City performance.

Capital Assets and Depreciation

As of June 30, 2020, capital assets, including infrastructure assets, of the City of Salinas totaled \$821.8 million; accumulated depreciation totaled \$423.2 million, with the difference providing net capital assets of \$398.6 million. Net capital assets of the City's governmental activities (general government) are \$284.7 million and net capital assets for the City's business-type activities (enterprise funds) are \$113.9 million.

Capital assets include buildings, infrastructure (streets, curbs, gutters, sidewalks, bridges, streetlights, traffic signals, etc.), improvements other than buildings (park improvements, etc.), and machinery and equipment.

During FY 2019-20, depreciation expense on capital assets of the City's governmental activities (general government) was \$9.8 million and depreciation expense on capital assets of the City's business-type activities (enterprise funds) was \$6.5 million. Depreciation expense represents the amount at which assets are being used-up annually. Due to budget constraints over the years, the City has been unable to invest in the maintenance of capital assets at anywhere near the annual depreciation amount.

Please refer to the Notes to Basic Financial Statements, Note 12 for a complete discussion of the City's Capital Assets.

Long-term Debt Payable

At June 30, 2020, the City had \$441.9 million in long-term debt. Long-term debt includes liabilities for annual leave, long-term portion of Worker's Compensation claims payable, capital leases and notes and bonds payable, and net pension liability. While the General Fund guarantees most of the City's long-term debt, other funds, agencies or property owners make the majority of principal and interest payments. Examples of other funds, agencies or property owners include, the Industrial Waste Fund, Golf Courses Fund, the Sanitary Sewer Fund, Successor Agency to the former Salinas Redevelopment Agency property tax increments, and payments from property owners who are included in the City's various assessment districts.

Please refer to the Notes to Basic Financial Statements, Note 18, for a complete discussion of the City's Long-term Debt.

Fund Financial Statements-General Governmental Revenues

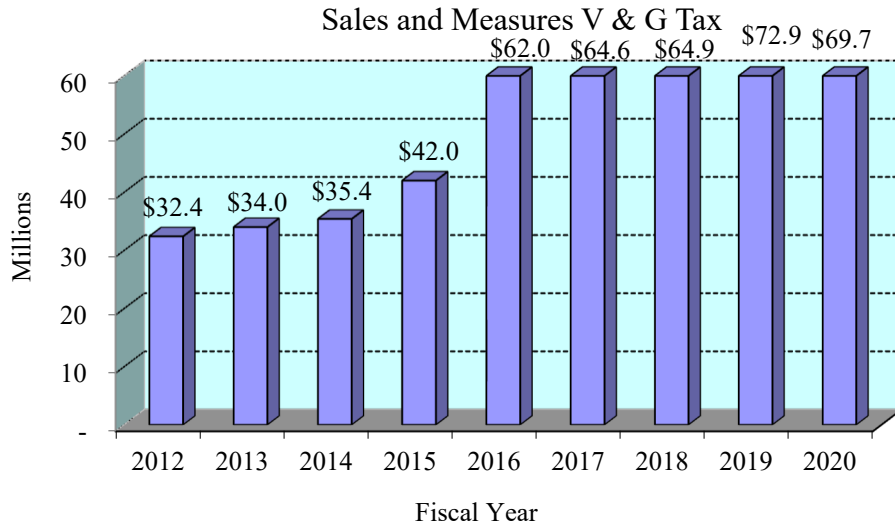
The current governmental operations of the City are accounted for in the General, Special Revenue, Debt Service, and Capital Project Funds. For the fiscal year ended June 30, 2020, total revenues for general governmental functions totaled \$171.8 million, an increase of 0.2% over the previous fiscal year.

Sales Tax

The City has a well-diversified economy and sales tax base. Sales tax receipts decreased for the first year after eight years of increases, which was preceded by the three consecutive years of significant declines. The sales and transaction and use tax decreased \$3.1 million, or 4.4% from FY 2018-19. This decrease can be attributed to the COVID-19 pandemic and the effects it had on the economy. Sales tax was still the largest single category of revenue this fiscal year producing 17.7% of the combined governmental fund type revenues. Transactions and Use Tax (Measures E and G) represents 22.9% of the combined governmental fund type revenues. Measures E and G transactions and use tax is a general tax and is reported as part of the General Fund. Combined, sales tax and transactions and use tax revenue total \$69.7 million or 40.6% of the combined governmental fund type revenues.

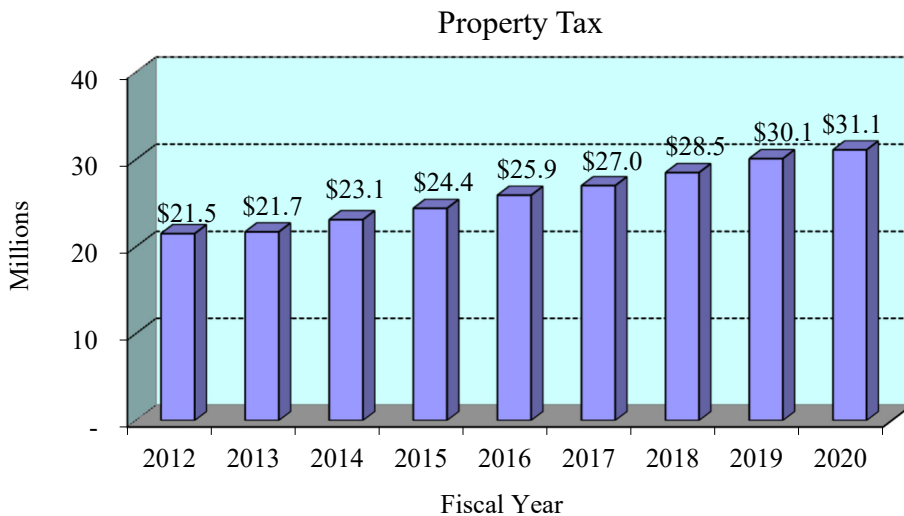
On November 8, 2005, the voters of Salinas approved Measure V, a 0.50% transactions and use tax. On November 6, 2012, the voters of Salinas approved to extend the 0.50% transaction and use tax with no sunset (Measure E). Measure E is a general tax and is reported as part of the General Fund, although the tax is accounted for in a separate sub-fund of the General Fund.

On November 4, 2014, the voters of Salinas approved Measure G, an ordinance imposing a one-cent general transactions and use tax. Measure G has a fifteen-year term and requires the City Council to establish an Oversight Committee. Measure G is a general tax and is reported as part of the General Fund, although the tax is accounted for in a separate sub-fund of the General Fund.



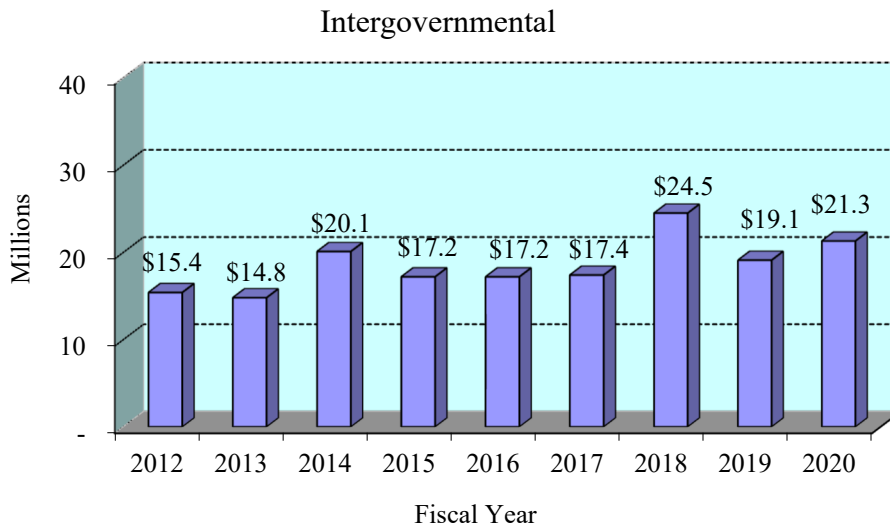
Property Tax

Property tax revenue was the second largest source of revenue during this fiscal year, producing 18.1% of the combined governmental fund type revenues. Property tax revenue includes Property tax-in-lieu of vehicle license fees (2/3 of VLF) of \$13.7 million that is now determined by the City's growth in assessed property values. Property tax experienced a low in 2012 of \$21.5 million and is now \$31.1 million, which is more than a full recovery to the high of \$27.5 million in 2009.



Intergovernmental

Intergovernmental revenue was the third largest single category of revenue during the fiscal year producing 12.4% of the combined governmental fund revenues. Intergovernmental revenues consist of vehicle licenses fees (1/3 of VLF), Federal and State Public Safety Funds, Federal Block Grants, State Gas Taxes and Federal and State Construction Grants. Intergovernmental revenue recovered from a 10-year low seven years ago. Intergovernmental revenue had an increase from the prior year of \$2.2 million, or 11.7%, mainly from increased Housing and Urban Development Grants.



Utility User's Tax and Other Taxes

Utility user's tax and other taxes produced 18.3% of the combined governmental fund type revenues. Other taxes include business license tax and franchise fees, among others. Utility user's tax remained unchanged from the prior year at \$11.7 million, as do Other taxes at \$19.8 million.

Taxes receivable total \$16.4 million for the year ended June 30, 2020 and are further explained in Note 6 to the financial statements.

Assessment District Taxes

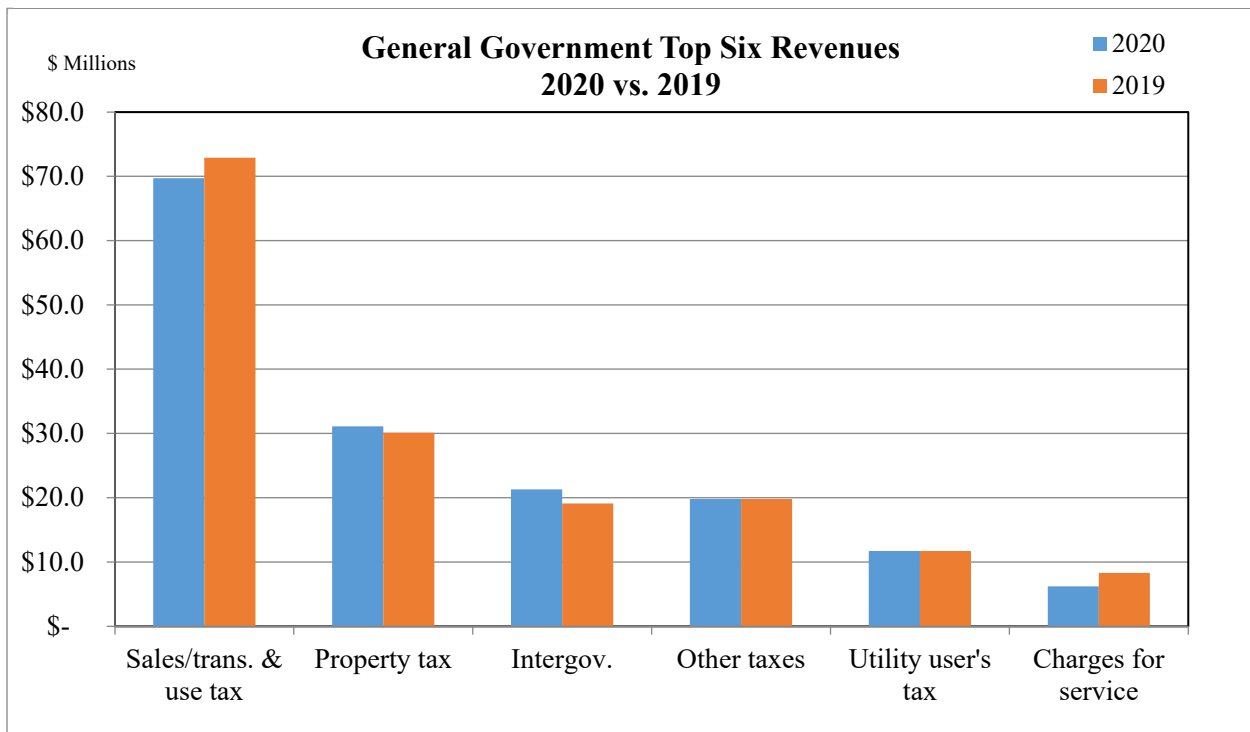
The Assessment District Debt Service Fund taxes also remained unchanged from the prior year at \$2.5 million.

Charges for Services

The Charges for Services revenue decreased by \$2.0 million, or 25.0% as a result of a halt in service due to the COVID-19 pandemic.

Revenues from various sources and the resulting changes over the last year are shown below.

Source of Revenues	2020 Amounts	Percent of Total	2019 Amounts	2020 vs. 2019 Increase/(decrease)	
				Dollars	Percent
Assessment districts:					
Taxes	\$ 2,521,100	1.5%	\$ 2,479,777	\$ 41,323	1.7%
Property tax	31,148,765	18.1%	30,099,616	1,049,149	3.5%
Sales/transaction & use tax	69,670,899	40.6%	72,866,480	(3,195,581)	-4.4%
Utility user's tax	11,654,328	6.8%	11,663,551	(9,223)	-0.1%
Other taxes	19,831,691	11.5%	19,804,395	27,296	0.1%
License & permits	824,569	0.5%	996,409	(171,840)	-17.2%
Intergovernmental	21,287,712	12.4%	19,052,616	2,235,096	11.7%
Charges for service	6,224,883	3.6%	8,304,237	(2,079,354)	-25.0%
Interest	2,989,595	1.7%	3,416,428	(426,833)	-12.5%
Rental income	545,137	0.3%	635,882	(90,745)	-14.3%
Fines/forfeitures	640,262	0.4%	549,831	90,431	16.4%
Contributions	159,169	0.1%	282,004	(122,835)	-43.6%
Miscellaneous	4,354,449	2.5%	1,423,363	2,931,086	205.9%
TOTAL	\$ 171,852,559	100.0%	\$ 171,574,589	\$ 277,970	0.2%

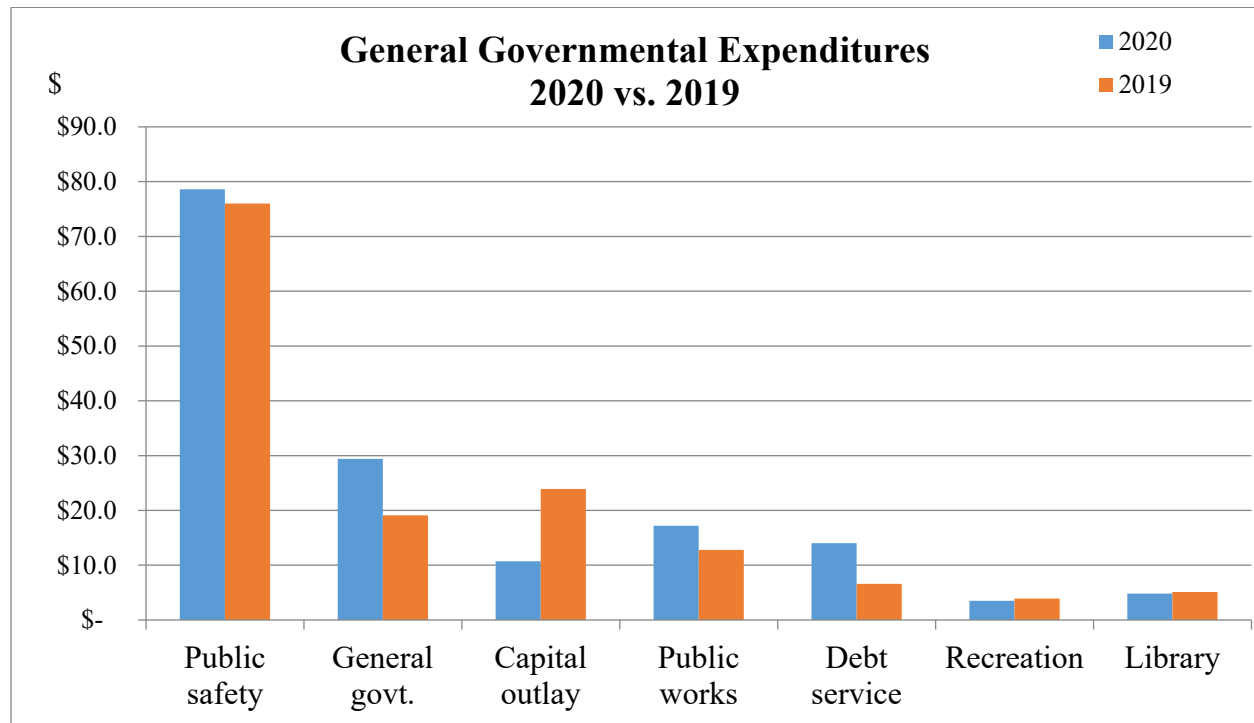


Fund Financial Statements-General Governmental Expenditures

Expenditures for governmental operations during the fiscal year ended June 30, 2020 were \$158.2 million, a net increase of 7.3% in total expenditures over the previous year.

Changes in expenditures by major function are as follows:

Function	2020	Percent of Total	2019	2020 vs. 2019 Increase/(decrease)	
				Dollars	Percent
General government	\$ 29,432,887	18.6%	\$ 19,092,506	\$ 10,340,381	54.2%
Public safety	78,580,637	49.7%	75,960,561	2,620,076	3.4%
Public works	17,231,621	10.9%	12,789,997	4,441,624	34.7%
Recreation	3,493,581	2.2%	3,941,411	(447,830)	-11.4%
Library	4,781,223	3.0%	5,113,905	(332,682)	-6.5%
Subtotal operations	133,519,949	84.4%	116,898,380	16,621,569	14.2%
Capital outlay	10,658,987	6.7%	23,944,191	(13,285,204)	-55.5%
Debt service:					
Principal	9,905,582	6.3%	3,159,338	6,746,244	213.5%
Interest	4,102,067	2.6%	3,397,650	704,417	20.7%
Total	\$ 158,186,585	100.0%	\$ 147,399,559	\$ 10,787,026	7.3%



Operating expenditures increased by \$16.6 million or 14.2% from \$116.9 million in FY 2018-19 to \$133.5 million in FY 2019-20.

General Government increased by \$10.3 million, or 54.2%. This increase was due to the City making an \$5.0 million New York Life Pension payment and a \$3.9 million CalPERS UAL payment. Recreation decreased by \$0.4 million, or 11.4%, Public Safety increased by \$2.6 million, or 3.4%, Public Works increased by \$4.4 million, or 34.7%, and Library expenditures decreased by \$0.3 million, or 6.5%.

Principal payments increased by \$6.7 million while interest payments increased by \$0.7 million mostly due to a large \$5.5 million pay down of the El Gabilan Library debt.

Capital Outlay (Project) expenditures decreased \$13.3 million or 55.5% from \$23.9 million in FY 2018-19 to \$10.7 million in FY 2019-20. During the year, there were 135 capital projects worked on. The largest project was the Slurry Seal Improvements project with \$1.8 million spent in 2020. The second largest project was \$1.1 million spent on the Sanborn Road/US 101 Improvements. The third and fourth largest projects were \$0.9 and \$0.8 million on the Street Maintenance Equipment Replacement and the Lincoln Avenue Storm Drain Improvement projects, respectively.

Business-type Activities-Enterprise Funds

Enterprise Funds are the City's business-type activities (activities supported, at least in part, by fees or charges) and include the Salinas Municipal Airport, the Industrial Waste Facility, the Municipal Golf Courses (Fairways and Twin Creeks), the Storm Sewer System, the Sanitary Sewer System, the Hitchcock Road Water Utility, the Parking District, Permit Services and the Landfill Garbage Surcharge Fund (which is used to account for the proceeds of the installment sale of the Crazy Horse Landfill to the Salinas Valley Solid Waste Authority).

The Enterprise Fund's net position totaled \$87.3 million at June 30, 2020.

Internal Service Funds

Internal Service Funds are used to account for the City's fleet maintenance program and risk management program which administers employee benefits and the City's insurance programs including; 1) General Insurances-employee assistance program, unemployment claims, biennial physical exams and property insurance; 2) Workers' Compensation self-insurance program; and 3) General Liability self-insurance program.

At June 30, 2020, the Internal Service Funds liabilities for estimated claims payable totaled \$26.6 million, with \$20.0 million representing Workers' Compensation and \$6.6 million representing General Liability.

Total Workers' Compensation insurance claims liabilities are \$21.7 million at June 30, 2020. A portion of the liability is reported in the Internal Service Fund (\$20.0 million) and a portion is treated as long-term debt (\$1.7 million). The long-term debt portion represents future obligations of the Workers' Compensation Plan.

Fiduciary Funds

Fiduciary Funds are used to account for assets held in trust for others and cannot be used for general government purposes. The City maintains the following Fiduciary Funds: Private Purpose Trust Funds, Pension Trust Funds and Agency Funds.

Private Purpose Trust Funds include a net position of \$0.3 million held by the City, which increased by \$0.3 million from the prior year. Of the net position, a net deficit of \$0.3 million is held by the City for the dissolved Redevelopment Agency, which is accounted for in the Successor Agency Trust, and a net position of \$0.6 million held by the City for Community Center and Sherwood Hall activities, Monterey One Water Fees, Sales Tax, Payroll Taxes, Deposits, Construction Bonds and other trust arrangements not properly reported in a pension trust.

Pension Trust Funds held by the City of \$11.6 million are employee deferred compensation funds.

Agency Funds are assets held by the City for Business Improvement District, Economic Development, Salinas Valley Enterprise Zone, Employee Cafeteria Plan and Retired Employees Health Insurance Program. Agency assets held by the City total \$0.1 million.

Cash Management

In accordance with the provisions of California Government Code Section 53600 et. seq., the City is restricted to certain types of legal investments. These investments are included in the City's investment policy and are approved by City Council annually. In addition, the City's investment activity is reported to the City Council monthly pursuant to the California Government Code.

The City invests all idle funds daily. The cash management system of the City is designed to monitor revenues and expenditures to ensure the investment of monies to the fullest extent possible. The criteria, in order of priority, for selecting investments are safety, liquidity, and yield.

The majority of City funds (67.45% of investment at FMV) are invested in the State's Local Agency Investment Fund (LAIF). LAIF yielded average returns of 1.94% for fiscal year ended June 30, 2020 and decreased from 2.43% to 1.22% during the fiscal year.

The City's investment in certificates of deposit and investment contracts are reported at cost, which is fair value. While recorded at fair market value in the financial statements, the City's investments are redeemable at 100% of cost.

The City's investment in the State Local Agency Investment Fund at June 30, 2020 is as follows:

Balance at cost - June 30, 2020	\$ 125,449,060
Unrealized gain	<u>610,892</u>
Balance at fair value - June 30, 2020	<u><u>\$ 126,059,952</u></u>

Please refer to Note 4 for a complete discussion of the City's Cash and Investments.

Property Assessment

Assessed valuation of citywide taxable properties increased \$555.4 million to \$12,636 million representing an increase of 4.6% over FY 2019-20. Last year, the Assessed value exceeds the assessed value high of \$11,460 million in FY 2018-19.

The following table summarizes the growth and declines in assessed valuation.

<u>Fiscal year</u>	<u>Before Redevelopment Increment</u>	<u>After Redevelopment Increment</u>	<u>Percent Change</u>
2020-21	\$ 12,636,068,210	\$ 11,642,994,299	4.60%
2019-20	12,080,694,193	11,149,838,970	5.41%
2018-19	11,460,172,316	10,577,591,282	5.02%
2017-18	10,912,115,449	10,071,741,861	4.70%
2016-17	10,422,521,577	9,614,776,155	4.60%
2015-16	9,963,782,622	9,195,146,472	6.49%
2014-15	9,356,177,997	8,629,207,052	8.82%
2013-14	8,597,836,189	7,904,316,402	2.72%
2012-13	8,370,116,351	7,693,329,440	0.72%
2011-12	8,310,478,479	7,628,550,860	-0.61%
2010-11	8,361,701,633	7,473,844,928	-6.75%
2009-10	8,966,761,801	7,981,760,147	-11.25%
2008-09	10,102,973,741	9,158,540,984	-5.10%
2007-08	10,645,974,648	9,750,295,032	7.25%
2006-07	9,926,023,729	9,107,918,547	12.72%
2005-06	8,806,009,783	8,305,434,488	12.90%
2004-05	7,799,653,100	7,373,407,370	10.70%
2003-04	7,045,521,979	6,643,698,145	6.90%

Significant Events and Accomplishments

Through the leadership of the City Council and the City Manager, the city continues to produce amazing accomplishments. The City Council is committed to five strategic goals, which guide the initiatives and activities of each City department. Those goals were updated in January 2020 with a new set of four goals, which parallel the previous five goals. The following is a list of accomplishments during the year for each of the five strategic goals and well as the parallel alignment to the four new 2020-2023 goals adopted in January 2020:

❖ **Economic Diversity and Prosperity (Investment Strategies / Risk Management)**

City Attorney's Department

- Support/Work on Future Growth Area Project. Worked with Community Development staff to complete and bring forward the West Area Specific Plan for approval and certification of the EIR. Will defend the litigation brought against the City under CEQA so the project may move forward.

Community Development Department

- Completed the Alisal Vibrancy and Chinatown Revitalization Plans.
- Completed and entitled the West Area Specific Plan, Final Environmental Impact Report, Rezoning and Development Agreement to allow 4,300 residential dwelling units, 571,000 sq. ft. of mixed-use commercial, schools, parks and open space land uses on approximately 797 acres located in the North of Boronda Future Growth Area.
- Continued to process the Central Area Specific Plan and (DEIR) with approximately 3,800 units and 200,000 square feet of mixed-use commercial, schools, parks and open space.
- Enhanced Permit Center Operations resulting in the following outcomes:
 - ✓ Issued 1,595 permits with a valuation over \$35 million and issued 594 discretionary planning approvals.
 - ✓ Offered counter service from 8:00 am – 5:00 pm, Monday – Friday serving 7,042 building customers and 4,033 planning customers.
 - ✓ Current Planning and Permit Services coordinated 1,040 building permit applications.
 - ✓ Conducted 177 Plan Check Appointments.
 - ✓ Completed 607 “over-the-counter” reviews; 2,134 total reviews at an average time of 10 calendar days.
- Provided 153 hours individual technical support to 26 small businesses and 39 hours of business education and training to 27 entrepreneurs and supported final stages of the opening of The Village Deli and Bakery in the Tynan Village Development through master agreement with El Pájaro Community Development Corporation.

- Served as lead for coordinating Small Business Disaster Relief during COVID-19 crisis.
- Completed the annexation and parcel map for the Salinas Travel Center and initiated the processing of site plan review for development.
- Secured two new VISTA volunteers to support EDE and AVP implementation in the areas of Health and Housing.
- Supported Lincoln Avenue Corridor Master Plan Request for Proposal development and process, including partnering with Monterey-Salinas Transit (MST) to submit a federal transit-oriented grant application to conduct feasibility studies for relocating MST to the Intermodal Transportation Center (ITC).
- Amended Greater-Salinas Area (GSA) Memorandum of Understanding to coordinate processing of proposed projects along City/County periphery and/or in EDE Target Areas.

Police Department

- Used creative staffing allocations and continued to focus on increasing staff to reduce overtime costs. This included the implementation of an expedited recruitment process, including the regular screening of applicants and weekend interviews.
- Enhanced police presence to create a safe, business friendly environment to promote economic growth in the City of Salinas.
- Created an Enduro Downtown Outreach Team to augment the efforts of the Homeless Outreach Team and provide safety and community policing efforts to the downtown corridor.

Library and Community Services

- Provided community service opportunities for youth and adults to strengthen skill development and workforce readiness. Residents performed nearly 30,000 volunteer service hours.
- Provided adult learner instruction to 406 students and 8,511 hours of attendance (including computer literacy, basic literacy or high school equivalency). More than 34 adults passed part, or all of their GED and 34 adults became citizens because of the Library.
- The Youth Leadership Academy served 22 high school aged students and resulted in 22 internship placements for the Summer of 2019.
- Approximately 1,500 children took part in the Summer Reading Challenge and attendance for Summer Learning program was 3,300. The goal was to encourage reading and reduce and/or reverse the summer slide (a well-documented phenomenon that affects many students during the summer months and reduces grade level readiness).
- Nearly 250 parents and children participated in weekly playgroups over the course of 4 months. These First 5 funded playgroups seek to improve child and parent

bonding and relationships with an emphasis on healthy child development and increased kindergarten readiness.

- Celebrated third year anniversary of successful partnership and teen programming with the Digital NEST. Digital Nest programming supports classes at the John Steinbeck and Cesar Chavez Libraries.
- The Library connected over 2,700 kindergarteners to library books with its Kindermobile (dedicated Bookmobile for kindergartners), reaching nearly every public-school kindergartner once a month for the entire school year.

Public Works Department

- Downtown Vibrancy Plan Implementation
 - ✓ Plan approval for the Main Street Streetscape Project and began construction in April 2020.
 - ✓ Plan approval of the Downtown Complete Streets Design and start construction in April 2020.
- Support development of Salinas Travel Center project, Airport Lease Project, Unikool (John Street) project and Sywest Project.
- Advancing Design of the Boronda Road Congestion Relief Project (future growth area).
- Technical Support for the West Area and Central Area Specific Plans approval process
- Provide engineering and street maintenance support for various City special events.
- Construction for Freight Building remodel at Train Station to lease to Welcome Center.
- Complete construction for Sanitary and Storm line installation for Lincoln Ave Extension into the Train Station.
- Advancing Design for the Williams Road Improvements.
- Continuing work to develop sustainable parking enterprises which help support the city's economic sectors.
- Complete construction for Sanborn/Elvee/HWY 101.
- Begin implementation of the Downtown Fiber Optic Network plan.

Assessments and Maintenance Districts

- Met with various district groups through-out the year to address common concerns.
- Responded to citizen inquires and attended property owner meetings.
- Kept expenses within budget and below the anticipated revenues to insure adequate reserves.

Enterprise Operations

- Provided economic role and benefit of the airport for the Salinas Economic Development Element.

- Commenced Economic Benefit Study for the Salinas Municipal Airport.
- Provide parking services in support of the Downtown Vibrancy Plan.
- Provide parking support for other commercial areas in Salinas.
- Develop parking strategies in support of encouraging housing development in downtown.

❖ **Safe, Livable Community (Public Safety)**

Police Department

- Focus on re-establishing and maintaining special units (i.e., SRO, Place Based Police Officers, Gang Enforcement Officers, etc.) Established effective communications strategy with the homeless in Chinatown.
- Supported City yard personnel in ongoing cleanups of homeless encampments.
- Collaborated with Federal Law Enforcement partners targeting violent criminals and fugitives in Salinas and surrounding areas.
- Implemented Red Light Camera Program at four locations to increase safety at designated traffic intersections.

Fire Department

- Grants- The City received a Staffing for Adequate Fire and Emergency Response (SAFER) grant with a total value of \$2,269,314. This has funded six firefighter positions for three years starting February 2018 and ending in February 2021. Personnel savings to the city after matching funds are contributed is \$1,399,409. The six firefighters funded by the grant are now part of daily staffing.
Assistance to Firefighters Grant (AFG) - The fire department designated 3 suppression personnel to attend local paramedic training and they are in the final field internship phase of their training. They are expected to be eligible for local accreditation by August 2020.
- Recruitment and Hiring - The Fire Department recruit fire academy completed in June of 2019 with 6 recruits having since become Salinas firefighters, three of which are paramedics.
Labor and fire department management have collaborated to create a lateral hiring program for experienced firefighters that are currently employed by other agencies. The department has received over 60 applications for an abbreviated fire academy (30-Days) projected to commence in July 2020 with a goal of recruiting additional firefighters and paramedics, with a focus on a more diversified hiring model and reduction in recruitment and training costs. We are entering the 2020-2021 FY with several vacancies that we are working to fill as rapidly as possible to help reduce overtime costs. We are also seeking collaborative training opportunities with other agencies to reduce fiscal impacts as highlighted in the Salinas Plan.
- Haz/Mat Response Program- The Salinas Fire Department HazMat Team has maintained certification as a Type I hazardous materials team by the State of California. This enables the team to respond and mitigate both accidental and

intentional releases of hazardous materials, and is available as a statewide asset if needed for these types of emergencies. We continue in our agreement with Monterey and San Benito Counties for HazMat Response. These agreements garner reimbursements of approximately \$150,000 annually to fund the personnel costs associated with the team. Additional personnel were trained and certified through the use of additional grant funding through the Governor's Office of Emergency Services (CalOES).

- Promotional Exams –The Fire Department has completed promotional assessments and established eligibility lists for Deputy Fire Chief, Battalion Chief, Fire Captain, and Fire Engineer. Promotions have been made at the rank of Fire Captain and Engineer. Reclassification of Administrative Secretary to Management Analyst with an active list of candidates.
- Fire Prevention Division – This Division effected a 23.83% reduction in annual false alarm responses and greatly improved the consistency in false alarm cost recovery. The addition of two part-time inspection staff helped the division to achieve completion of nearly 76% of current state-mandated inspections and cleared over 86% of backlogged inspections. The Fire Prevention Division is working to maintain this momentum as staffing allows and new technology is implemented to improve efficiency in inspections and compliance.
The division was able to maintain 3 full-time Fire Inspector positions and is proposing a re-classification/re-organization plan to further improve the efficiency and accountability of inspections and help with recruitment and retention of staff.
- Wellness/Safety – The Salinas Fire Department continues to partner with the County of Monterey and allied public safety agencies to participate in a regional Critical Incident Stress Management Team (CISM). With grants and other non-general fund sources, the team provides critical peer support in response to critical events and cumulative stressors that affect first responders' ability to serve.
Using funds from CSA-74, the department has procured body armor in sufficient quantities to help protect our staff when operating at active shooter incidents, violence-related medical emergencies, and any other potentially dangerous incident. Additionally, the department was able to procure a complement of additional structural firefighter protective clothing to aid in compliance with NFPA and OSHA standards.

City Attorney's Department

- Supported Continued expansion of Code Enforcement Litigation. Continued support of Code Enforcement staff and assistance with outside counsel on commencement and resolution of Receivership litigation and other code enforcement efforts.
- Continued Criminal Prosecution of Municipal Code Violations.
- Solid Waste.

Community Development Department

- Addressed 1,557 code complaints with approximately 240 of those cases relating to life safety concerns and collected over \$152,000 in fines and inspections.
- Continued our Proactive Code Enforcement Program (P.A.C.E.) along with citizen complaints, opening over 900 zoning and blight cases throughout the City with the help of a new full-time Code Enforcement Officer and two part-time officers.
- Facilitated the issuance of over 60 permits to correct code violations.
- Worked collaboratively with the Legal Department for successful receivership of a property on Acacia.
- Helped the Housing Division establish a Technical Advisory Committee to explore the development of a Rental Registration and Inspection Program.

Library and Community Services

- Implemented a weekly Saturday Night Teen Program at five locations logging over 1,860 visits and 766 unduplicated participants in order to reduce violence and provide positive alternatives for youth.
- Over 286,000 residents visited recreation centers and 3,800 youth ages 5-18 participated in various sports programs.
- Conducted 7 community clean ups and issued 74 special event permits.
- Implemented the Youth and Government Institute with 28 High School youth participants.
- Implemented the third year of the Building Strong Neighborhood Meeting Series connecting residents to services provided by the Salinas Police Department, Community Development and Code Enforcement and Public Works.
- Earned a \$120,000 Grant from the California Endowment to further the advancement of Governing for Race Equity work over two years for the City of Salinas.
- Continued implementation of the Street Outreach Intervention program providing mentorship and safe opportunities to over 50 gang impacted youth most at risk of becoming a victim or a perpetrator of violence.
- Street Outreach intervened twice in partnership with the Salinas Police Department to prevent real time gang violence.
- Co-planned and Hosted a Violence Prevention Conference in Long Beach, CA for the California Violence Prevention Network.

Public Works Department

- Continuing work with Monterey County Health Department to develop Traffic Safety education programs.
- Continued homeless encampment cleanups, and responded to health concerns related to the spread of Hepatitis A.
- Initiated a re-forestation program following the storms of 2017.
- Completed Design of East Laurel Drive Pedestrian Improvements.

- Completed construction of Old Muni Pool phase 3.
- Completed design on the Bardin Road SRTS Improvements.
- Completed design of the Alvin Drive Safe Routes to School Project for construction in Fall 2019.
- Completed the North Sanborn Road Safety Improvement Project (Fall 2018).
- Completed the East Market Street Safe Routes to School Project.
- Completed design of 3 of 5 traffic signal priority projects and a mini roundabout.
- Completing approval process for Priority Traffic Calming Projects and currently working with the communities on remaining two locations.
- Begin construction of Job Order Contract (JOC) Sidewalk Improvement Program.
- Acquire Right of Way from Hartnell College and farmer for Bardin Road Safe Routes to School (SRTS) project.
- Began work on Safe Routes to School Plan with the Transportation Agency for Monterey County, Monterey County Health Department and all school districts in Salinas.

Assessments and Maintenance Districts

- Removed graffiti within 24-hours; removed homeless encampments monthly.
- Removed overgrowth from creek beds reducing impacts from potential flooding and wildfires.
- Responded to concerns related to traffic and security as soon as possible.

Enterprise Operations

- Hosted 2019 California International Airshow.
- Added two Rental Car Concessions at the Salinas Municipal Airport.
- Provide Parking enforcement support for Code enforcement activities.
- Provide Parking enforcement support for traffic safety at school locations.

❖ **Effective, Sustainable Government (Operational Efficiencies)**

Administration Department

- Continued dialogue with City leaders, site selectors and major business corporations in preparation and planning for future Forbes AgTech Summit.
- Continued Council and community engagement regarding City services, fiscal management, and completion of the strategic plan objectives for FY 2017-19.
- Continue to work with local service providers and County officials to mitigate homeless encampments, construction of a permanent shelter, and solidify housing and commercial development in the Chinatown area.
- Continued oversight and implementation of the Economic Development Element Plan, Housing Element, Downtown Vibrancy, Chinatown Vibrancy, the Alisal Vibrancy, Parks, Recreation and Libraries Master Plan to the General Plan.

- Continues to lead the efforts between the City and County animal shelter consolidated services.
- Participating in multijurisdictional efforts toward the development of clean energy electricity generation.
- Ongoing management of the City Council, Measure E, and Measure G agenda process.
- Continue to inventory and destroyed City records pursuant to the Records Retention Policy; ongoing management and implement a new electronic records and contact management system.
- Continues to process Republic Services low-income senior discounts.

Human Resources Department

- Human Resources Division conducted approximately 60 recruitments and processed over 1,500 applications. Staff conducted over 60 new employee intakes for regular and temporary hires.
- Human Resources continues to meet weekly with the Police Department to discuss/implement recruitment strategies and processing of sworn and non-sworn public safety positions.
- This fiscal year staff attended nine community and college job fairs to include Hartnell Community College, Monterey Peninsula College, San Jose State, CSUMB, CSU Northridge and Fresno State, among others.
- Health Fair – Human Resources coordinated a successful health fair attended by over 150 staff from across all City departments. Forty vendors participated at the event to include AFLAC, CalPERS, Anthem Blue Cross, Concern EAP, Pinnacle HealthCare, CHOMP, SVMH, Natividad, among many others. A new attendee at this year's health fair was Blue Zones of Monterey County!
- Human Resources implemented the use of NEOGOV human resources software for public sector. NEOGOV is a cloud-based management suite that supports organizations throughout the entire employee lifecycle, automating applicant tracking, onboarding, training and performance management.
- Human Resources assumed payroll administration for the Fire Department, approximately 90 positions, to include preparation of Personnel Action Forms, Certification Reimbursements, and Performance Evaluation Tracking.
- Human Resources actively participated in labor negotiations with various bargaining units and participated in monthly labor managements meetings with various units.
- Participated and coordinate interactive process meetings/accommodation for various personnel.
- Worked directly with Directors, Managers, Supervisors to address personnel performance.
- Transitioned administration of protected leaves from individual Departments to Human Resources, including preparation of Personnel Actions Forms and tracking.

- Human Resources continues to participate on the Blue Zones Project Worksite Committee in order to achieve “approved” Blue Zone Project Worksite designation. This remains work in progress.
- Tracked all of the severance and retirement incentives.

City Attorney’s Department

- Employee Relations. Continued working with other City departments to resolve labor relations matters. Assisted with labor negotiations. Defended PERB unfair practice charges and any litigation. Responded to request for information. Directed investigations and advised re grievances and meet/confer matters.
- Personnel Policies. Ensured legal compliance with employment laws to prevent liability: continue work on personnel policy updates; assisted with review and revision of department policies; continued to advise on employment situations; investigated employee complaints.
- Civil Litigation. Continued to handle the majority of civil litigation in-house, at less expense to the City. Included are at least two employment related litigation matters which were handled in-house and resolved with a minimum of cost to the City.
- Insurance Joint Powers Agency. Continued participation in the ACCEL joint powers authority; improved the City’s insurance coverages with better policies.
- Workers Compensation. Continued management of the City’s Workers Compensation program with resolution of cases through compromise and release in order to bring down the City’s long-term liability.
- Internal Services (Insurance). Completed a full evaluation of the City’s insurance portfolio, added transparency to the insurance program, and took action to decrease brokerage and insurance fees and to significantly increase scope and quality of coverages for the City.
- Internal Services (Risk Management/Liability). Completed a full evaluation and modification of contracts with service providers (third party administrators) to add accountability to their handling of City account.
- Internal Services (Workers Compensation). Commissioned a full audit of the City’s third-party administrator of workers’ compensation claims and implemented protocols and standards for improved performance.

Community Development Department

- Coordinated ongoing community engagement of multiple planning efforts throughout the City including the departments of Library and Community Services and Public Works through Vision Salinas.
- Shepherded the approval of Guiding Principles (consisting of a core value and 7 topic principles) by City Council to be incorporated into city plans and to inform the update of the General Plan.
- Maintained the Vision Salinas website and increased the number of followers (1,890+ and growing) on the City’s Instagram account to actively engage the public.

- Coordinated monthly meetings of the 2020 Census Salinas Action Team (comprised of community-based organizations, City staff and other interested parties) to focus on City outreach efforts especially for hard-to-reach populations to ensure an accurate count of Salinas residents.
- Conducted 80+ Census outreach events to engage with the public about the benefits from participating in the 2020 Census.
- Provided up to date information about the entire department's activities during the COVID-19 pandemic.
- Ensured that the City's federal HUD Programs (CDBG, HOME, & ESG) was compliant with federal regulations and that all reports including the Annual Action Plan and Consolidate Annual Performance and Evaluation Report (CAPER) were submitted in a timely manner.

Finance Department

- Strategically and collaboratively worked with departments and City Manager to balance the FY 2020-21 budget.
- Coordinated Monte Bella CFD #2 Financing.
- Closed on the \$30.6 million Refunding, saving \$2 million, maintaining a good credit rating during COVID, and unencumbering facilities.
- Continue to manage all City Debt, including the lease of the new El Gabilan and Police Station debt and operating expenses, through the monthly lease payments.
- Coordinated nexus study for Parks impact fee for Future Growth Area and City-wide and brought West Area fee to City Council for approval. The Central Area and the City-wide portion was also finalized, and the fees will be brought back to City Council in November 2020.
- Setup accounting and claiming for FEMA and CARES Act Funding.
- Coordinated mid-year budget.
- Continue to manage, facilitate and support the Measure E and G Committee and the Finance Committee.
- Completed the annual financial statements and audit with a clean audit opinion for the fifth consecutive year with no audit findings, which has reduced audit costs.
- Monitored compliance of agreements and purchasing policy.
- Continuously supported DPW through the CIP and construction grant drawdowns and compliance.
- Completed business license system conversion to TRAKit.
- Implemented new online payment system with HdL and improved business license process to allow more virtual applications and interaction through email for the Revenue Division.
- Worked with Central Coast Credit Union to get them to take over the full operation of the deferred compensation for the employees who have selected them. The City would be eliminated as the middle man making things more efficient for the City and the employees.

- Continue successful collection efforts of the Cannabis tax including follow-up emails to businesses to remind them of the payments due and any late penalties owed.
- Established performance monitoring system for business license workload performance.
- Department staff initiated and conducted annual year-end meeting with all departments to discuss year-end process and answer any concerns from the departments.
- Significantly increased the cross training of staff including multi-layer back-ups for the lead payroll, payroll support, grant management, cashiering at the Permit Center and other key positions.
- Successfully transitioned retirement of the Assistant Finance Director and Payroll Supervisor with temporary measures until a permanent selection can be made.
- Continue to test new Horizon Virtual Desktop Infrastructure (VDI) and plan roll-out, which improves graphics, performance, and resiliency.
- Continue to implement data center upgrades and improve redundancy (dual networking equipment, dual fire walls, multi links for LAN) and speeds across the data center.
- Improved core competencies of all IT staff members and focused on keeping them positive.
- Focused on staff development through training.
- Developed new Intranet that will provide better customer service.
- Continue to improve communication between all departments and the IT department for responsiveness and to better understand how we can help them.
- Worked with consulting firm to begin a City-wide IT Assessment and Strategic Plan study (study is currently on hold).
- Provided significant support and leadership in navigating through labor negotiations with bargaining groups and holding the line on a 1.5% net increase to control costs.

Police Department

- Continued to evaluate and implementation of the Department of Justice's Collaborative Reform Initiative recommendations as appropriate.
- Continued to implement the community policing concept to increase communication with the community.
- Completed the Police Service of Salinas building at 312 E. Alisal Street which emphasized a community-based design and incorporated positive, community-based features such as community meeting space.
- Implemented the Salinas Police Service's Collision Reporting Center to streamline accident reporting and reduce Officer time spent taking non-injury accident reports.

Library and Community Services

- Continued to explore methods where Library and Recreation services can collaborate to provide increased programming opportunities.
- Expanded self-service options, which includes self check-out, e-commerce payment system, self-service holds pickup, and study room reservation system for the new El Gabilan Library.
- Continued to provide alternative library services at the Library Connection @ Northridge Mall through January 2020. This satellite location helped to provide awareness of library services and allowed for connection with residents through programs and collection while the new El Gabilan Library was under construction. On average, the Library Connection issued 100 new library cards per month and circulated over 2,000 items per month.
- Supported the community use of the Bread Box Recreation Center with nearly twenty use permits for community events throughout the year with more than a dozen different community groups.
- Continued to implement and expand our web-based recreation software to allow residents to register for youth sports programs on-line and allow for credit card purchases.

Public Works Department

- Developing Sustainable Citywide Parking Management Program
 - ✓ Created Parking Enterprises to better manage parking programs.
 - ✓ Demonstrated successful implementation of Parking Enforcement Enterprise; improving services while continuing to cover costs at the same time supporting the City's economic and safety objectives.
 - ✓ Adjusted rates in the Downtown Parking District for the first time in a decade to reduce dependence of the enterprise on the City General Fund.
- Utilized Geographic Information Systems (GIS) for spatial analysis. Spatial analysis lets staff evaluate suitability and capability, estimate, predict, interpret and understand data. This capability is delivered to all City Departments to provide new perspectives to data driven decision-making.
- Implemented innovative and emerging technology solutions to increase efficiency and effectiveness of City services
- Coordination of EV stations transformer for the ITC center.
- Embarked upon the development of a Community-Based Public/Private Partnership (P3) process to potentially fund green infrastructure projects throughout the City.
- Developing Proposition 26 fees to fund the costs of NPDES inspection and plan review activities.
- Continuing Implementation of the City Traffic Fee Ordinance.

Assessments and Maintenance Districts

- Managed district budgets with positive fund balances at year-end and built reserves.
- Implemented water conservation techniques in compliance with State water reduction mandates.

Enterprise Operations

- Secured \$69,000 in Coronavirus Aid, Relief, and Economic Security Act Emergency Funding.
- Continued support of the Airport Commission.
- Continued development of sustainable City Parking programs.
- Creation of the Parking Enterprise.
- Successful development of sustainable Parking enforcement program that provide city services and covers cost.
- Adjusted rates of Downtown Parking enterprise for next 2 fiscal years with the goal for enterprise to self-sustaining.

❖ **Well-Planned & Excellent Infrastructure (Investment Strategies/Risk Management)**

City Attorney's Department

- City/County GSA MOU Update. Worked with Community Development staff to begin updating the GSA MOU to allow for development on the north boundary of the City's limits.

Community Development Department

- Facilitated the completion of Moon Gate Plaza (90-units) in Chinatown, the City's largest permanent supportive housing project.
- Facilitated the completion of 9 inclusionary ownership units in Monte Bella.
- Completed the Regional Analysis of Impediments to Fair Housing Choice (AI).
- Initiated preliminary work on the General Plan including an evaluation of the vehicle miles traveled policy in conjunction with Public Works.
- Completed amendments to the Zoning Code to expand the availability of safe employee housing.
- Continued to implement the Farmworker Housing and Action Plan, meeting quarterly with regional partners to improve housing conditions and facilitate housing production.

Library and Community Services

- Completed Phase III and initiated Phase IV of the Old Muni Pool Retrofit Project which will allow for additional venues for recreation and meeting space.
- Completed construction on the new El Gabilan Library and celebrated the grand opening of the facility in February 2020 with more than 1,000 attendees.

- Raised more than half million dollars from private donors and foundations in order to support new construction enhancements, collections, and technology for the new El Gabilan Library.
- The Park, Recreation & Library Master Plan was adopted by the City Council in July 2019.
- The Public Art Master Plan was adopted by the City Council in February 2020.

Public Works Department

- Complete Mitigated Negative Declaration for Boronda Road Improvements which provides increase capacity to four lanes and 5 new roundabouts at key intersections.
- Completed construction of 2018 Slurry Seal project City Wide.
- Complete 80% design of San Juan Grade Road rehabilitation.
- Complete 90% design of Monte Bella Detention Basin De-siltation and Repair.
- Complete 80% design of High Priority Sanitary Sewer and manhole repairs.
- Completed Weatherproofing Women’s Club Building.
- Continuing Development of City’s Active Transportation Plan.
- Completed East Alisal Corridor Plan.
- Secured grant funding to stretch transportation dollars.
- Hired consultant to update City Standard Plans and Specifications.
- Applied for RSTP and Local Partnership Program Grants to fund the Boronda/McKinnon Roundabout project.
- Refreshed over 17,000 linear feet of crosswalks.

Assessments and Maintenance Districts

- Implemented traffic calming for Monte Bella.
- Painted curbs and replaced signs as needed.

Enterprise Operations

- Completed Rehabilitation of Runway 8/26 and 13/31 at the Salinas Municipal Airport.
- Completed preventative maintenance inspection on all City owned Aircraft Hangars.

❖ **Quality of Life (Investment Strategies/Risk Management)**

Police Department

- Hired additional CSO’s to address quality of life issues such as abandoned vehicles and community engagement.
- Worked collaboratively with Code Enforcement and the City Attorney’s Office to address quality of life issues.

- Increase community engagement throughout all levels of the department.
- Awarded a multi-year grant to employ a Victim Advocate position with our Investigations Unit to provide services to victims and their families.

Community Development Department

- Funded 25 public services agencies (CDBG, ESG, HCD ESG, CESH, and General Fund) to provide critical programming to youth, seniors, and homeless. In FY 18/19, these organization served 1,314 youth, 799 individuals experiencing homelessness, and 74 persons at risk of homelessness.
- Continued to coordinate with the County of Monterey on completion of the Permanent Homeless Shelter at 855 East Laurel, which received nearly \$7 million in grant funds, and on the operations of the temporary Warming Shelter at 111 West Alisal Street.
- Secured eight trailers through the Governor Newsom’s Office and the Homeful Foundation to provide additional bridge housing opportunities (approximately 25-30 spaces) for those experiencing homelessness.
- Initiated emergency services for homeless encampments to reduce the spread of COVID-19 including establishment of 21 sanitation centers, distribution of 2,100 meals per week, and removal of trash.
- Increased funding to the Food Bank for Monterey County to assist more families due to the pandemic.
- Continued to work with Public Works and Library and Community Services Departments on the final phase of Sherwood Recreation Center CDBG capital improvement project.

Library and Community Services

- Provided over 14,000 meals to youth and seniors at seven locations through the Summer Lunch/Snack Program and Firehouse Senior Program.
- The department continued to play a key leadership and planning role in the decentralization of National Night Out Salinas 2019 resulting in over community led 14 block parties simultaneously all over the city celebrating community and police partnerships.
- Expanded Library Adult Programming to include more health and wellness and workforce development programs.
- The library introduced Mango Languages to its digital library service that provides alternative, mobile-friendly option for language learning.
- Expanded programming at the Firehouse Recreation Center to include recreational fee-based programming.
- Implemented a Healthy Living Series for adults at the Bread Box Recreation Center.

Public Works Department

- Completed the pre-development work for both the Salinas Public Safety Services Headquarters and new El Gabilan Library.
- Traffic Calming Improvements at Curtis Street, Riker Street and Ambrose Drive neighborhoods. Currently constructing traffic calming projects at Chaparral Street and working on Traffic Calming Plan for Cherokee Street neighborhood.

Labor Relations

All employee groups have approved Memorandum of Understandings (MOUs) with the City. SPOA's MOU became effective September 23, 2019 after going through the imposition process. Negotiations have start again with the SPOA. Police Manager's Association (PMA)'s MOU expires December 31, 2021. Fire Supervisors Association (FSA) and the International Association of Firefighters (IAFF) MOU's expire December 31, 2022. All of the non-safety groups have contracts that expire June 30, 2023.

Acknowledgements

The preparation of this Annual Financial Report could not have been accomplished without the professional, efficient, and dedicated service of the staff of the Finance Department. In particular, I would like to acknowledge and give a very special thanks to Accounting Manager, Mary Lagasca, who is dedicated to the sound fiscal management of the City. I also would like to express my appreciation to our professional senior accountants: Alma Gonzales-Delgado, Juan Hernandez, and Abe Pedroza. The entire Finance staff deserves a special word of thanks for another year of hard work and quality performance. I also wish to thank our auditors, McGilloway, Ray, Brown & Kaufman, Accountants & Consultants, for their diligence, cooperation and assistance.

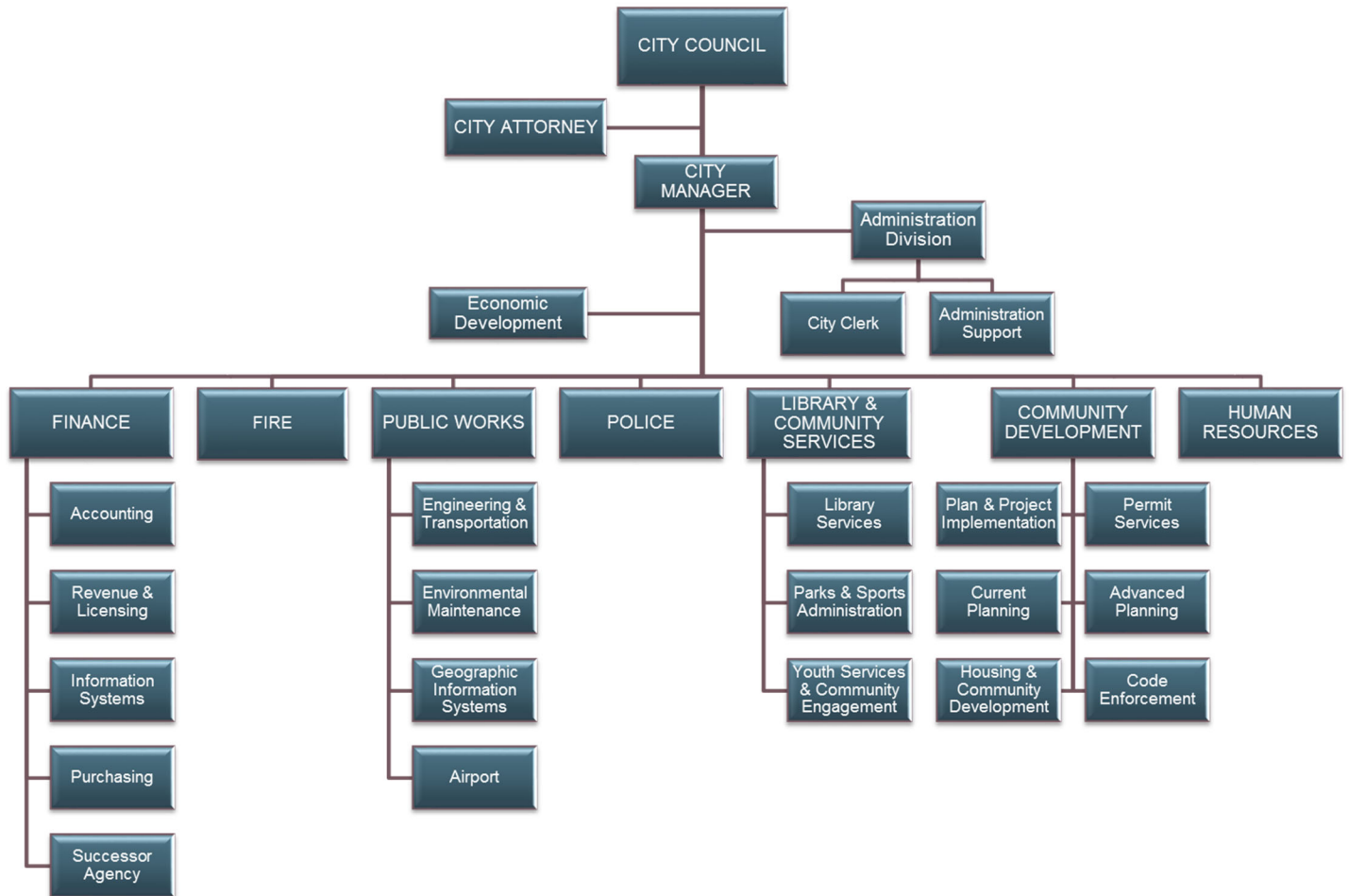
Sincere appreciation is also expressed to the City Manager and members of the City Council for their support in planning and conducting the financial operations of the City in a responsible, sustainable and progressive manner.

Respectfully submitted,



Matt N. Pressey, CPA
Finance Director

City of Salinas Organization Chart



City of Salinas

List of Principal Officials



Kimbley Craig

Mayor

Carla Viviana Gonzalez

Councilmember

District 1

Tony Barrera

Councilmember

District 2

Steve McShane

Councilmember

District 3

Steven S. Carrigan

City Manager

Jim Pia

Assistant City Manager

Kristan Lundquist

Library and Community

Services Director

Adele Fresé

Chief of Police

Matt N. Pressey, CPA

Finance Director

Orlando Osornio

Councilmember

District 4

Christie Cromeenes

Councilmember

District 5

Anthony Rocha

Councilmember

District 6

Christopher A. Callihan

City Attorney

David Jacobs

Public Works Director

Megan Hunter

Community

Development Director

Michele Vaughn

Fire Chief



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McGilloway | Ray
Brown | Kaufman
ACCOUNTANTS AND CONSULTANTS

2511 Garden Road
Suite A180
Monterey, CA 93940-5301
831-373-3337
Fax 831-373-3437

379 West Market Street
Salinas, CA 93901
831-424-2737
Fax 831-424-7936

3478 Buskirk Avenue
Suite A1000
Pleasant Hill, CA 94523
831-373-3337
Fax 831-373-3437

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Salinas
Salinas, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Salinas, California (the City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Gerald C. Ray, CPA | Patricia M. Kaufman, CPA, CGMA | Jesus Montemayor, CPA | Smriti Shrestha, CPA

Sarita C. Shannon, CPA | Whitney Ernest, CPA | Devvyn MacBeth, CPA | Sukhdev Singh, CPA |
Laura Armbruster, CPA | Rose Maxwell, CPA

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and the General, Measure E & Measure G Funds combining statements, as listed in the table of content, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor funds and the General, Measure E & Measure G Funds combining statements are the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund and the General, Measure

E & Measure G Funds combining statements financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 of Salinas, California's internal control over financial reporting and compliance.



McGilloway, Ray, Brown & Kaufman
Salinas, California
January 25, 2021



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CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2020

This analysis of the City of Salinas (City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2020. Please read it in conjunction with the accompanying transmittal letter, the basic financial statements and the accompanying notes to the financial statements.

A. FINANCIAL HIGHLIGHTS

- At June 30, 2020, the City's net position (excess of assets over liabilities) was \$185.8 million. Of this amount, \$311.1 million are invested in capital assets and restricted assets, which is offset by a deficit of \$125.3 million classified as unrestricted assets.
- During the fiscal year ended June 30, 2020, the City's total net position decreased by \$1.2 million excluding a prior period adjustment of \$0.5 million. This change primarily results from decreased sales tax and transient occupancy tax.
- During the fiscal year fund balances increased \$5.7 million to \$143.8 million for governmental funds, of which \$133.4 million is either nonspendable, restricted, committed, or assigned and thus unavailable.
- During the fiscal year the General Fund, Measure E, and Measure G fund balance increased \$3.1 million to \$55.4 million of which \$42.4 million is either nonspendable, restricted, committed, or assigned. Unassigned General Fund, Measure E & Measure G fund balance was \$13.0 million, which mainly represents the City's operating reserves of \$9.6 million.
- The City's total liabilities decreased by \$0.3 million during the current fiscal year. Governmental Activities increased by \$1.0 million and Business-type Activities decreased by \$1.3 million. The long-term debt decreased \$1.8 million as a result of increases in Certificates of Participation of \$2.1 million for Community Financing District Monte Bella #2 and \$14.0 million for Net Pension Liability coupled with decrease in Net OPEB Liability of \$1.2 million, insurance claims of \$4.7 million, a pay down of the El Gabilan Library debt of \$5.4 million, and a decrease of \$6.4 million from regularly scheduled debt service repayments in both Governmental and Business-type Activities.
- The City's capital assets, net of depreciation, decreased \$0.9 million to \$398.6 million.

B. OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components: 1) Government-Wide Financial Statements, 2) Fund Financial Statements and 3) Notes to the Basic Financial Statements.

The basic financial statements include the City (primary government) and all legally separate entities (component units) for which the government is financially accountable.

This report also contains other supplementary information in addition to the basic financial statements for further information and analysis.

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2020

Government-Wide Financial Statements

The Government-Wide Financial Statements present the financial picture of the City and provide readers with a broad view of the City's finances. These statements present governmental activities and business-type activities separately and include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain interfund receivables, payables and other interfund activity have been eliminated as prescribed by GASB Statement No. 34.

The *Statement of Net Position* and the *Statement of Activities and Changes in Net Position* report information about the City as a whole and about its activities. These statements include all assets and liabilities of the City using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The *Statement of Net Position* presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, changes 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 and Changes in Net Position* presents information showing how the City's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows.

In the Statement of Net Position and the Statement of Activities and Changes in Net Position, we separate the City activities as follows:

Governmental Activities—All of the City's basic services are reported in this category, including general government, public safety, community development, public works, recreation, and library. Property taxes, sales taxes, user fees, interest income, franchise fees, state grants and federal grants finance these activities. The City's insurance programs (health, worker's compensation, liability and property damage) are accounted for in internal service funds, but are reported as part of governmental activities since these programs are used primarily for governmental activities.

Business-Type Activities—The City charges a fee to customers to cover all or most of the costs of certain services it provides. The City's Industrial Wastewater System, Airport, Golf Courses, Sanitary Sewer, Hitchcock Water Utility, Storm Sewer, Permit Service, Landfill and Parking District activities are reported as business-type activities.

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2020

Fund Financial Statements

The Fund Financial Statements provide detailed information about the City's major funds — not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money.

The Fund Financial Statements include statements for each of the three categories of activities – governmental, proprietary and fiduciary. The governmental funds are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The proprietary funds are prepared using the economic resources measurement focus and the accrual basis of accounting. The fiduciary funds are agency funds, pension trust fund and private purpose trust funds, which only report assets and liabilities and do not have a measurement focus.

Governmental Funds - The Governmental Funds are used to account for essentially the same functions reported as governmental activities in the Government-Wide Financial Statements. However, unlike the Government-Wide Financial Statements, Governmental Funds Financial Statements focus on current financial resources, which emphasize near-term inflows and outflows of expendable resources as well as balances of expendable resources at the end of the fiscal year. This information is essential in evaluating the City's near-term financial requirements.

In order to better understand the City's long-term and short-term requirements, it is useful to compare the City's Governmental Funds Statements with the governmental activities in the Government-Wide Financial Statements. A reconciliation is provided for the Governmental Fund Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances to facilitate this comparison. The major governmental funds include the General, Measure E and Measure G Funds, Development Fees Special Revenue Fund, and the Special Construction Assistance Special Revenue Fund, which are reported in detail in the Governmental Fund Financial Statements. All other funds are shown in the aggregate as other non-major governmental funds.

Individual fund data for other non-major governmental funds is provided in the form of supplementary information elsewhere in the report.

Proprietary Funds - The City maintains two types of proprietary funds, enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the Government-Wide Financial Statements. The City uses enterprise funds to account for its Airport, Industrial Wastewater System, Golf Courses, Sanitary Sewer, Parking, Hitchcock Water Well Utility, Storm Sewer, Permit Services and Landfill activities. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its general city insurance operations. Because these services predominantly benefit the governmental rather than business-type activities, they have been included within governmental activities in the Government-Wide Financial Statements.

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2020

Proprietary funds provide the same type of information as the Government-Wide Financial Statements, only in more detail. All enterprise funds are presented in detail as major enterprise funds. The internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of supplementary information elsewhere in the report.

Fiduciary Funds - The City is the trustee, or fiduciary, for certain funds held on behalf of external parties. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Position. These activities are excluded from the City's other financial statements because the resources of these funds are not available to support the City's own programs. The City is responsible for ensuring that these funds are used for their intended purpose.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements.

Required Supplementary Information

In addition to the basic financial statements, this report also presents certain Required Supplementary Information including the City's budgetary comparison schedules for the General, Measure E and Measure G Funds and the Development Fees major special revenue fund, and information concerning the progress in funding its obligation to provide pension benefits to its employees.

Other Supplementary Information

Combining statements for the other non-major governmental funds, Internal Service Funds, Fiduciary Funds and General, Measure E and Measure G Funds are presented immediately following the Required Supplementary Information as supplementary information.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Management Discussion and Analysis (MD&A) includes comparative data for analysis.

Statement of Net Position

Net position is a good indicator of the City's financial position. During this fiscal year, the net position of the City decreased \$1.8 million (-1.0%) over the prior year from \$187.6 to \$185.8 million.

At June 30, 2020, the largest portion of net position (118.2%) consists of the City's investment in capital assets net of related debt. This component portrays the total amount of funds required to acquire those assets less any related outstanding debt used for such acquisition. The City uses these capital assets to provide services to residents. The capital assets of the City are not sources of income for repayment of debt as most assets are not revenue generating and generally are not liquidated to repay debt. Debt service payments are funded from other resources available to the City.

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2020

The following is the Condensed Statement of Net Position for the fiscal years ended June 30, 2020 and 2019:

City of Salinas
Condensed Statements of Net Position
June 30, 2020

	Governmental Activities		Business-type Activities		Total		Percent of Total
	2020	2019	2020	2019	2020	2019	
Assets:							
Current assets	\$ 167,074,197	\$ 167,585,247	\$ 20,702,788	\$ 19,321,587	\$ 187,776,985	\$ 186,906,834	30.5 %
Other assets	27,927,666	30,136,535	2,069,306	2,086,173	29,996,972	32,222,708	4.9 %
Capital assets, net	284,681,958	281,355,416	113,916,612	118,191,462	398,598,570	399,546,878	64.7 %
Total assets	479,683,821	479,077,198	136,688,706	139,599,222	616,372,527	618,676,420	100.0 %
Deferred outflows of resources							
Related to pension and OPEB	50,803,788	49,407,359	1,881,948	1,442,803	52,685,736	50,850,162	99.1 %
Loss on refunding of debt	238,177	272,202	229,271	277,648	467,448	549,850	0.9 %
Total deferred outflows of resources	51,041,965	49,679,561	2,111,219	1,720,451	53,153,184	51,400,012	100.0 %
Liabilities:							
Current liabilities	9,931,570	10,159,673	2,871,844	2,418,566	12,803,414	12,578,239	2.7 %
Other liabilities	6,987,464	6,162,023	6,535,000	6,085,000	13,522,464	12,247,023	2.9 %
LTD - due in one year	9,636,252	7,074,168	2,157,635	2,072,140	11,793,887	9,146,308	2.5 %
Long-term liabilities	390,667,048	392,864,523	39,439,888	41,667,918	430,106,936	434,532,441	91.9 %
Total liabilities	417,222,334	416,260,387	51,004,367	52,243,624	468,226,701	468,504,011	100.0 %
Deferred inflows of resources							
Related to pension and OPEB	15,029,697	13,641,259	450,762	318,117	15,480,459	13,959,376	99.9 %
Gain on refunding of debt	17,256	20,650	-	-	17,256	20,650	0.1 %
Total deferred inflows of resources	15,046,953	13,661,909	450,762	318,117	15,497,715	13,980,026	100.0 %
Net Position:							
Net investment in Capital Assets	143,281,912	132,079,740	76,397,363	78,755,026	219,679,275	210,834,766	118.2 %
Restricted	89,496,097	87,701,244	1,949,081	1,965,948	91,445,178	89,667,192	49.2 %
Unrestricted	(134,321,510)	(120,946,521)	8,998,352	8,036,958	(125,323,158)	(112,909,563)	(67.5)%
Total Net Position	\$ 98,456,499	\$ 98,834,463	\$ 87,344,796	\$ 88,757,932	\$ 185,801,295	\$ 187,592,395	99.9 %

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2020

Statement of Activities

The following is the Condensed Statement of Activities and Changes in Net Position for the fiscal years ended June 30, 2020 and 2019:

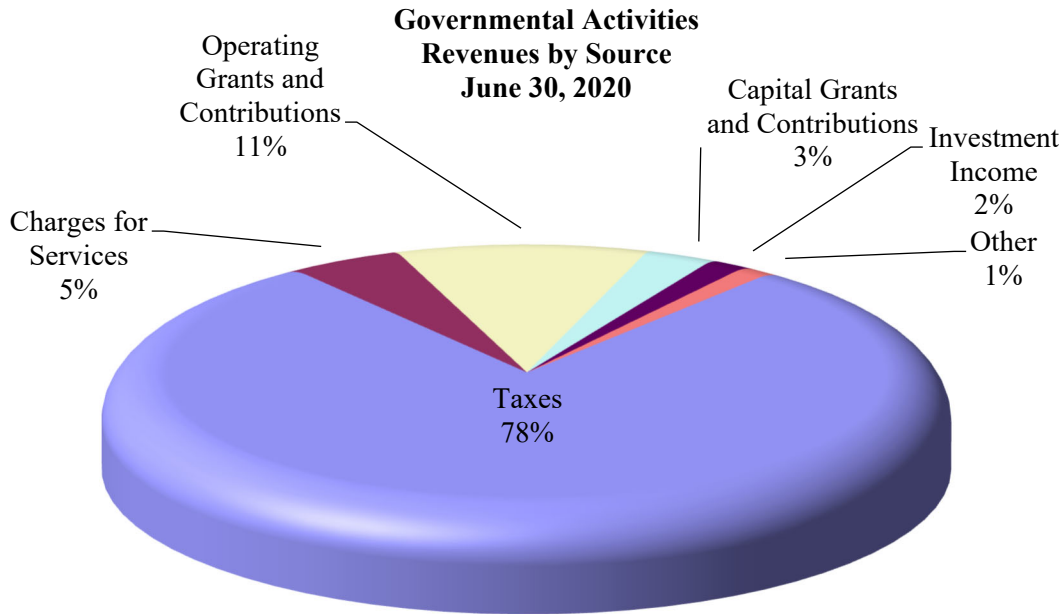
City of Salinas						
Condensed Statement of Activities and Changes in Net Position						
For the Fiscal Year Ended June 30, 2020						
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program Revenues:						
Charges for Services	\$ 8,234,855	\$ 16,980,859	\$ 12,407,425	\$ 13,220,386	\$ 20,642,280	\$ 30,201,245
Operating Grants & Contributions	18,378,134	17,512,104	740	35,761	18,378,874	17,547,865
Capital Grants & Contributions	5,026,633	7,132,422	952,402	950,406	5,979,035	8,082,828
General Revenues:						
Taxes	133,081,125	128,101,942	-	-	133,081,125	128,101,942
Unrestricted Investment Earnings	2,753,098	4,487,749	328,265	379,511	3,081,363	4,867,260
Gain on Disposal of Assets	-	54,930	4,501	3,886	4,501	58,816
Housing loan repayment from/to						
Successor Agency	1,335	1,308	-	-	1,335	1,308
Miscellaneous	2,230,446	1,155,527	-	-	2,230,446	1,155,527
Total Revenues	169,705,626	175,426,841	13,693,333	14,589,950	183,398,959	190,016,791
Expenses						
General Government	26,385,378	20,198,949	2,189,803	2,269,805	28,575,181	22,468,754
Public Safety	103,263,005	92,185,514	-	-	103,263,005	92,185,514
Public Works	22,655,778	26,171,785	16,049,136	17,053,323	38,704,914	43,225,108
Recreation	4,669,202	4,623,328	387,772	601,054	5,056,974	5,224,382
Library	5,239,452	5,453,771	-	-	5,239,452	5,453,771
Interest	3,807,469	3,746,197	-	-	3,807,469	3,746,197
Total Expenses	166,020,284	152,379,544	18,626,711	19,924,182	184,646,995	172,303,726
Increase (decrease) in Net Position before Contributions and Transfers						
Transfers	3,685,342	23,047,297	(4,933,378)	(5,334,232)	(1,248,036)	17,713,065
Transfers	(4,063,306)	(3,703,420)	4,063,306	3,703,420	-	-
	(4,063,306)	(3,703,420)	4,063,306	3,703,420	-	-
Increase (decrease) in Net Position	(377,964)	19,343,877	(870,072)	(1,630,812)	(1,248,036)	17,713,065
Net Position - Beginning of Year	98,834,463	74,757,854	88,757,932	90,369,655	187,592,395	165,127,509
Prior Period Adjustment	-	4,732,732	(543,064)	19,089	(543,064)	4,751,821
Net Position - Beginning of Year as restated	98,834,463	79,490,586	88,214,868	90,388,744	187,049,331	169,879,330
Net Position - Ending	\$ 98,456,499	\$ 98,834,463	\$ 87,344,796	\$ 88,757,932	\$ 185,801,295	\$ 187,592,395

Total revenues decreased from the prior year by \$6.6 million, or 3.5% and total expenses increased by \$12.3 million from prior year, or 7.1%. Further analysis is provided within the governmental and business-type activities sections.

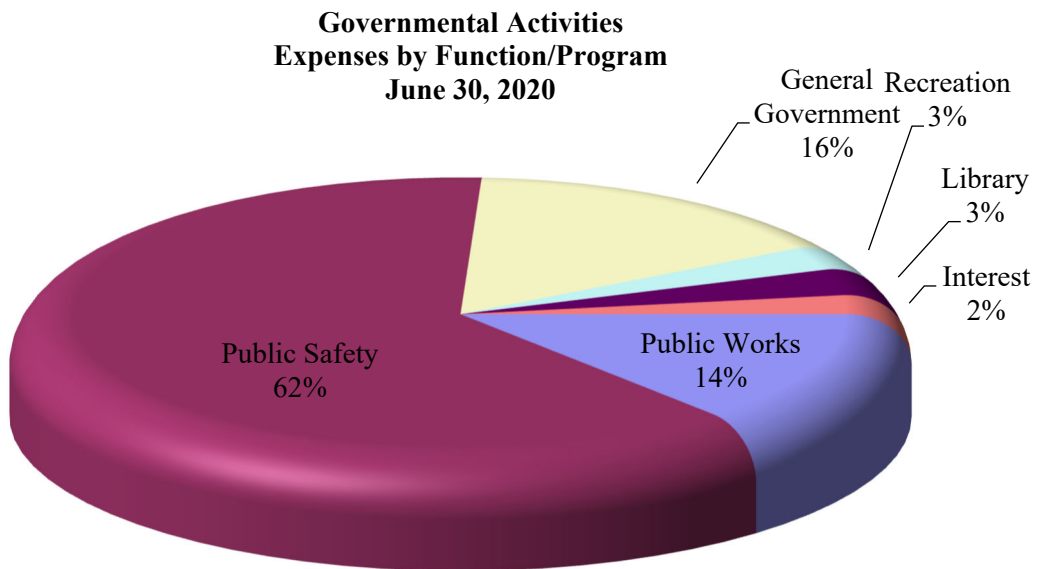
CITY OF SALINAS
 Management's Discussion and Analysis
 Fiscal Year ended June 30, 2020

Governmental Activities

Governmental activities resources total \$169.7 million. The City's governmental activities decreased net position by \$0.4 million. The following charts highlight the sources of revenues and purpose of expenses:



Total expenses for governmental activities, excluding transfers and contributions, were \$166.0 million including interest on long-term debt of \$3.8 million. Total expenditures that were funded by tax revenues, investment income and other general revenues were \$134.4 million.



CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2020

Functional expenses for the year ended June 30, 2020 were as follows:

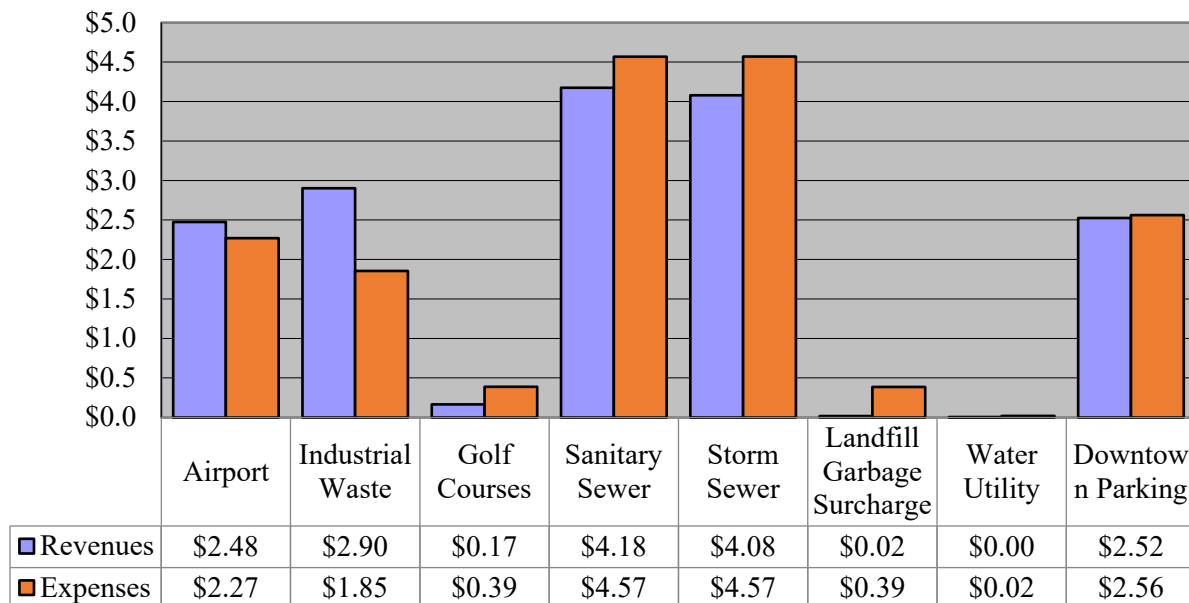
	Total Cost of		Net Cost of	
	Services	Percent	Services	Percentage
General government	\$ 26,385,378	15.9 %	\$ 3,549,819	2.6 %
Public safety	103,263,005	62.2 %	99,190,153	73.8 %
Public works	22,655,778	13.6 %	18,938,990	14.1 %
Recreation	4,669,202	2.8 %	4,212,571	3.1 %
Library	5,239,452	3.2 %	4,681,660	3.5 %
Interest	3,807,469	2.3 %	3,807,469	2.8 %
Total	\$ 166,020,284	100 %	\$ 134,380,662	100 %

Public safety continues to be the single highest expense for the City followed by public works. Net cost of services, after subtracting fees and grant revenues total \$134.4 million.

Business-Type Activities

The City's business-type activities net position was \$87.3 million, a decrease of \$0.9 million from the prior fiscal year. Total revenues for business-type activities were \$13.7 million. The largest program revenues were charges for services of \$12.4 million. Other program revenues included operating/capital grants and contributions of \$1.0 million. Total expenses for the business-type activities were \$18.6 million during FY 2019-20.

**Business -Type Activities
Revenues, Expenses (in millions)
June 30, 2020**



CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2020

D. FUND FINANCIAL STATEMENT ANALYSIS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on short-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$143.8 million. Of the total fund balance, \$9.1 million was nonspendable and indicates the resources are nonspendable inventory, loans, notes, land and property held for resale and are not anticipated to be liquidated in the near-term. Of the total fund balance, \$87 million was restricted fund balance and indicates the use of resources is constrained by external parties, resource providers, constitutions or enabling legislations. Fund balance of \$15.8 million was restricted for future development, \$7.3 million for maintenance districts, \$13.0 million for street repairs and improvements, \$4.9 million for debt service, \$3.2 million for grants, \$3.9 million for housing, \$36.0 for capital projects, and \$1.2 million for public safety purposes. The remainder of the restrictions in the amount of \$1.7 million is restricted for various purposes as listed in the Fund Balance footnote. Committed fund balance totaled \$7.1 million and are limited to specific purposes as defined in the City Charter or through a formal budgetary action of the City Council occurring through adoption of an ordinance or resolution. The \$7.1 million committed fund balance is committed for capital projects. Assigned fund balance totaled \$30.7 million and represents informal assignments made by the City. The remaining fund balance of \$9.8 million is unassigned and mainly includes the unassigned fund balance of the General Fund, Measure E, and Measure G Fund, which are mainly operating reserves totaling \$13.0 million.

The General Fund is the chief operating fund of the City. The General, Measure E and Measure G Funds' fund balance increased by \$3.1 million in FY 2019-20 to \$55.4 million, of which \$6.6 million was nonspendable and indicates the resources are nonspendable inventory and advances and are not anticipated to be liquidated in the near-term. The \$5.0 million committed fund balance is committed for capital projects and is limited to specific purposes as defined in the City Charter or through a formal budgetary action of the City Council occurring through adoption of an ordinance or resolution. Assigned fund balance totaled \$30.7 million and has been allocated by the City Council for specific capital and operational needs. The remaining fund balance of \$13.0 million is unassigned.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail. Factors concerning these funds have been addressed in the discussion of Government-Wide Financial Analysis.

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2020

E. GENERAL FUND BUDGETARY HIGHLIGHTS

The final amended General, Measure E, and Measure G Fund revenue budget, including transfers in, totaled \$140.7 million and the expenditure budget totaled \$174.7 million including transfers out. Transfers out are budgeted mostly for capital projects and the funds are already on-hand. Transfers out to the Capital Projects Fund will occur over multiple years.

Significant Appropriations Increases/Decreases

Appropriations during the year were adjusted upward by \$34.4 million, of which \$18.0 million were related to transfers for capital projects and \$16.4 million in operational changes. Estimated revenue were not adjusted.

F. CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

Capital Assets Including Infrastructure

The following is a summary of the City's capital assets as of June 30, 2020 and 2019:

City of Salinas' Capital Assets

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Land	\$ 25,899,986	\$ 26,141,392	\$ 3,632,339	\$ 3,632,339	\$ 29,532,325	\$ 29,773,731
Buildings	46,337,340	45,950,880	27,523,054	27,266,967	73,860,394	73,217,847
Improvements	15,766,022	15,766,022	26,708,254	21,808,016	42,474,276	37,574,038
Equipment	40,737,724	39,028,559	8,433,051	8,157,450	49,170,775	47,186,009
Infrastructure	248,460,395	243,208,588	237,130,928	236,689,231	485,591,323	479,897,819
Construction in Progress	136,718,778	130,701,284	4,467,942	8,159,727	141,186,720	138,861,011
	<u>513,920,245</u>	<u>500,796,725</u>	<u>307,895,568</u>	<u>305,713,730</u>	<u>821,815,813</u>	<u>806,510,455</u>
Accumulated Depreciation	<u>(229,238,287)</u>	<u>(219,441,309)</u>	<u>(193,978,956)</u>	<u>(187,522,268)</u>	<u>(423,217,243)</u>	<u>(406,963,577)</u>
	<u>\$ 284,681,958</u>	<u>\$ 281,355,416</u>	<u>\$ 113,916,612</u>	<u>\$ 118,191,462</u>	<u>\$ 398,598,570</u>	<u>\$ 399,546,878</u>

Capital assets, including infrastructure assets of the City, are those assets which are used in the performance of the City's functions. At June 30, 2020, net capital assets of the Governmental Activities totaled \$284.7 million and the net capital assets of the Business-type Activities totaled \$113.9 million. During FY 2002-03, American Appraisal Associates were hired to conduct an inventory and valuation of all the City's capital assets. Finance Department staff maintains and updates the Capital Assets inventory by recording all assets acquired or retired at the end of every fiscal year and performs rotating spot inventories each year. The City has elected to report and depreciate all infrastructures.

Governmental activities acquired \$13.1 million of capital assets during the year. The acquisitions include \$6.0 million in construction in progress, \$5.3 million in infrastructure improvements, and \$1.7 million in machinery.

Overall, Business-type Activities had a net decline in capital assets by \$4.3 million. The City acquired \$3.1 million of capital assets during the year. The acquisitions mainly include \$4.9 million in improvements, and \$0.4 million in infrastructure.

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2020

Long-Term Obligations

As of June 30, 2020, the City had \$441.9 million in long-term debt.

City of Salinas' Outstanding Debt

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Annual Leave	\$ 11,424,225	\$ 11,374,966	\$ 557,043	\$ 492,458	\$ 11,981,268	\$ 11,867,424
Insurance Claims	28,210,396	32,900,448	-	-	28,210,396	32,900,448
Capital Leases	88,522,299	96,347,881	10,396,766	11,069,787	98,919,065	107,417,668
Loans and Notes	-	-	2,395,000	2,820,000	2,395,000	2,820,000
Revenue Bonds	-	-	15,065,000	15,470,000	15,065,000	15,470,000
Certificates of Participation	41,665,000	42,915,000	7,220,000	7,680,000	48,885,000	50,595,000
Assessment District Bonds	6,905,000	5,645,000	-	-	6,905,000	5,645,000
Unamortized Bond Premium	4,209,023	4,401,938	95,646	106,273	4,304,669	4,508,211
Unamortized Bond Discount	(357,479)	(370,719)	-	-	(357,479)	(370,719)
Subtotal	180,578,464	193,214,514	35,729,455	37,638,518	216,307,919	230,853,032
Net OPEB Liability	17,847,775	19,047,735	1,119,042	1,147,664	18,966,817	20,195,399
Net Pension Liability	201,877,061	187,676,442	4,749,026	4,953,876	206,626,087	192,630,318
Total outstanding debt	<u>\$ 400,303,300</u>	<u>\$ 399,938,691</u>	<u>\$ 41,597,523</u>	<u>\$ 43,740,058</u>	<u>\$ 441,900,823</u>	<u>\$ 443,678,749</u>

Further details on the City of Salinas' long-term debt can be found in Note 18 to the financial statements.

G. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Due to COVID-19, the fiscal outlook is challenging but is being managed. Despite the significant drop in revenues, the City has balanced the budget and has been controlling costs. The revenue forecast initially showed a \$14 million decline in revenue for the next fiscal year (FY 2020-21). However, revenues, particularly sales tax, are performing well, which has eased the cuts needed to balance the budget, including a projected furlough, which is no longer needed for FY 2020-21.

The Salinas Plan and Fiscal Sustainability

The Salinas Plan is a Ten-Year Plan designed to provide the City with a path toward maintaining a long-term balanced budget while preserving City services and addressing the affordable housing crisis. The plan provides 32 recommended initiatives. The 32 recommended initiatives are now in various stages of progress and are described in more detail in the Salinas Plan section of this budget.

Major Projects and Funding

Amid challenging deficits, the City continues deploying approximately \$7.1 million of Measure X and SB1 funding for maintaining and improving the City's roads and sidewalks. The City recently

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2020

completed the construction of the long-awaited new Police Services Headquarters and expanded El Gabilan Branch Library.

H. REQUEST FOR INFORMATION

This financial report is designed to provide our residents, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Salinas Finance Department, 200 Lincoln Avenue, Salinas, California 93901.

BASIC FINANCIAL STATEMENTS



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**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**



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CITY OF SALINAS
STATEMENT OF NET POSITION
JUNE 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 151,221,066	\$ 17,544,240	\$ 168,765,306
Receivables, net of allowance			
Taxes	16,860,098	-	16,860,098
Accounts	403,719	2,900,067	3,303,786
Accrued interest	1,112,325	46,060	1,158,385
Due from outside agencies	6,140,637	203,834	6,344,471
Due from other funds	1,818,243	(1,818,243)	-
Internal balances	6,535,000	(6,535,000)	-
Inventory	8,146	-	8,146
Restricted cash and investments	1,230,861	1,949,081	3,179,942
Prepaid bond insurance	-	128,812	128,812
Assessments receivable	6,905,000	-	6,905,000
Loan receivables, net of allowance	259,215	-	259,215
Land and properties held for resale	2,507,553	-	2,507,553
Capital assets			
Land and nondepreciable assets	162,618,764	8,100,281	170,719,045
Depreciable assets, net of accumulated depreciation	122,063,194	105,816,331	227,879,525
Total assets	<u>479,683,821</u>	<u>128,335,463</u>	<u>608,019,284</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	48,694,582	1,749,701	50,444,283
Related to OPEB	2,109,206	132,247	2,241,453
Loss on refunding of debt	238,177	229,271	467,448
Total deferred outflows of resources	<u>51,041,965</u>	<u>2,111,219</u>	<u>53,153,184</u>
Total assets and deferred outflows	<u>530,725,786</u>	<u>130,446,682</u>	<u>661,172,468</u>
LIABILITIES			
Accounts payable	9,223,412	572,295	9,795,707
Accrued interest payable	677,124	437,122	1,114,246
Prepaid deposits	31,034	44,184	75,218
Unearned revenues	6,987,464	-	6,987,464
Long term liabilities			
Debt due within one year	9,636,252	2,157,635	11,793,887
Debt due in more than one year	170,942,212	33,571,820	204,514,032
Net OPEB liability	17,847,775	1,119,042	18,966,817
Net pension liability	201,877,061	4,749,026	206,626,087
Total liabilities	<u>417,222,334</u>	<u>42,651,124</u>	<u>459,873,458</u>
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	9,957,558	132,742	10,090,300
Related to OPEB	5,072,139	318,020	5,390,159
Gain on refunding of debt	17,256	-	17,256
Total deferred inflows of resources	<u>15,046,953</u>	<u>450,762</u>	<u>15,497,715</u>
NET POSITION			
Net investment in capital assets	143,281,912	76,397,363	219,679,275
Restricted for:			
Housing	9,065,646	-	9,065,646
Capital projects	35,995,094	-	35,995,094
Highways and streets	36,127,459	-	36,127,459
Debt service	4,932,841	1,949,081	6,881,922
Special programs	3,375,057	-	3,375,057
Total restricted assets	<u>89,496,097</u>	<u>1,949,081</u>	<u>91,445,178</u>
Unrestricted net position (deficit)	<u>(134,321,510)</u>	<u>8,998,352</u>	<u>(125,323,158)</u>
Total net position	<u>\$ 98,456,499</u>	<u>\$ 87,344,796</u>	<u>\$ 185,801,295</u>

The accompanying notes are an integral part of this statement.

**CITY OF SALINAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

FUNCTION/PROGRAM ACTIVITIES	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 26,385,378	\$ 5,093,608	\$ 15,742,394	\$ 1,999,557	\$ (3,549,819)	\$ -	\$ (3,549,819)
Public safety	103,263,005	1,796,197	2,276,655	-	(99,190,153)	-	(99,190,153)
Public works	22,655,778	1,005,873	42,839	2,668,076	(18,938,990)	-	(18,938,990)
Recreation	4,669,202	291,468	165,163	-	(4,212,571)	-	(4,212,571)
Library	5,239,452	47,709	151,083	359,000	(4,681,660)	-	(4,681,660)
Interest on long-term debt	3,807,469	-	-	-	(3,807,469)	-	(3,807,469)
Total governmental activities	166,020,284	8,234,855	18,378,134	5,026,633	(134,380,662)	-	(134,380,662)
Business-type activities:							
Airport	2,189,803	1,725,452	740	-	-	(463,611)	(463,611)
Industrial waste	1,743,165	2,773,909	-	-	-	1,030,744	1,030,744
Municipal golf courses	387,772	159,731	-	-	-	(228,041)	(228,041)
Sanitary sewer	4,405,201	3,742,044	-	-	-	(663,157)	(663,157)
Storm sewer	4,570,075	6,955	-	-	-	(4,563,120)	(4,563,120)
Water utility	17,877	4,496	-	-	-	(13,381)	(13,381)
Downtown parking	2,528,158	1,572,524	-	952,402	-	(3,232)	(3,232)
Permit services	2,784,660	2,422,314	-	-	-	(362,346)	(362,346)
Total business-type activities	18,626,711	12,407,425	740	952,402	-	(5,266,144)	(5,266,144)
Total primary government	\$ 184,646,995	\$ 20,642,280	\$ 18,378,874	\$ 5,979,035	(134,380,662)	(5,266,144)	(139,646,806)
General revenues and transfers:							
Property taxes					31,484,162	-	31,484,162
Sales taxes					69,670,899	-	69,670,899
Utility user tax					20,959,387	-	20,959,387
Business tax					7,434,073	-	7,434,073
Transient occupancy tax					2,824,027	-	2,824,027
Other taxes					708,577	-	708,577
Unrestricted investment earnings					2,753,098	328,265	3,081,363
Miscellaneous					2,230,446	-	2,230,446
Gain on disposal of assets					-	4,501	4,501
Housing loan repayment to Successor Agency					1,335	-	1,335
Transfers					(4,063,306)	4,063,306	-
Total general revenues and transfers					134,002,698	4,396,072	138,398,770
Change in net position					(377,964)	(870,072)	(1,248,036)
Net position - beginning of year					98,834,463	88,757,932	187,592,395
Prior period adjustment - Note 21					-	(543,064)	(543,064)
Net position - beginning of year, as restated					98,834,463	88,214,868	187,049,331
Net position - end of year					\$ 98,456,499	\$ 87,344,796	\$ 185,801,295

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS



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GOVERNMENTAL FUNDS

GENERAL, MEASURE E, & MEASURE G FUND

The General, Measure E, & Measure G Funds are always classified as a major fund. They account for all financial resources necessary to carry out basic governmental activities of the City that are not accounted for in another fund. The General, Measure E, & Measure G Funds support essential City services such as police and fire protection, street maintenance, libraries, and parks and open space maintenance.

DEBT SERVICE FUNDS

Debt Service Funds are used for the accumulation and disbursement of financial resources that will be used to make principal and interest payments on general long-term debt. The following fund has been classified as a major fund:

Assessment District Debt Service – This fund is used to accumulate monies for payment of the City’s Assessment Districts Improvement Bonds. Debt service is financed with special assessments levied against property owners within the respective improvement districts.

CAPITAL PROJECT FUNDS

Capital Projects Funds are used to account for major capital acquisition and construction activities. The following fund has been classified as a major fund:

Special Construction Assistance – This fund accounts for proceeds of long-term borrowings resulting from the sale of Certificates of Participation to finance the acquisition and construction of capital projects.



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**CITY OF SALINAS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020**

	General, Measure E, & Measure G	Assessment District Debt Service	Special Construction Assistance	Non-Major Governmental Funds	Total
ASSETS					
Cash and investments	\$ 49,106,843	\$ 601,777	\$ 33,380,262	\$ 51,261,326	\$ 134,350,208
Receivables, net:					
Taxes	16,412,746	-	-	-	16,412,746
Accounts	342,894	-	-	60,825	403,719
Accrued interest	293,520	-	-	790,362	1,083,882
Assessments	-	6,905,000	-	-	6,905,000
Due from outside agencies	75,000	-	2,277,162	3,788,475	6,140,637
Due from other funds	4,009,884	-	-	803,909	4,813,793
Inventory	8,146	-	-	-	8,146
Restricted cash and investments	-	117,315	-	421,491	538,806
Loan receivables	-	-	-	259,215	259,215
Advances to other funds	6,535,000	-	-	-	6,535,000
Land and properties held for resale	-	-	-	2,507,553	2,507,553
Total assets	<u>\$ 76,784,033</u>	<u>\$ 7,624,092</u>	<u>\$ 35,657,424</u>	<u>\$ 59,893,156</u>	<u>\$ 179,958,705</u>
LIABILITIES					
Accounts payable	\$ 7,232,183	\$ -	\$ 531,784	\$ 1,362,633	\$ 9,126,600
Deposits	31,034	-	-	-	31,034
Due to other funds	13,669,748	-	742,040	1,965,321	16,377,109
Unearned revenues	-	-	-	82,464	82,464
Total liabilities	<u>20,932,965</u>	<u>-</u>	<u>1,273,824</u>	<u>3,410,418</u>	<u>25,617,207</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues - special assessments	-	6,905,000	-	-	6,905,000
Unavailable revenues - grants	-	-	672,742	1,582,558	2,255,300
Unavailable revenues - taxes	440,047	-	-	-	440,047
Unavailable revenues - accrued interest	-	-	-	644,703	644,703
Unavailable revenues - housing loans	-	-	-	259,215	259,215
Total deferred inflows of resources	<u>440,047</u>	<u>6,905,000</u>	<u>672,742</u>	<u>2,486,476</u>	<u>10,504,265</u>
FUND BALANCE					
Nonspendable	6,618,146	-	-	2,507,553	9,125,699
Restricted	-	719,092	34,383,600	51,885,852	86,988,544
Committed	5,038,675	-	-	2,096,246	7,134,921
Assigned	30,739,004	-	-	-	30,739,004
Unassigned	13,015,196	-	(672,742)	(2,493,389)	9,849,065
Total fund balance	<u>55,411,021</u>	<u>719,092</u>	<u>33,710,858</u>	<u>53,996,262</u>	<u>143,837,233</u>
Total liabilities, deferred inflows, and fund balance	<u>\$ 76,784,033</u>	<u>\$ 7,624,092</u>	<u>\$ 35,657,424</u>	<u>\$ 59,893,156</u>	<u>\$ 179,958,705</u>

The accompanying notes are an integral part of this statement.

CITY OF SALINAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT WIDE STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
JUNE 30, 2020

Total fund balances - total governmental funds (page F-27)	\$ 143,837,233
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental funds are not current financial resources and therefore are not reported in the governmental funds balance sheet.	284,681,958
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in governmental funds balance sheet.	(677,124)
Deferred Inflows are adjusted as follows:	
Deferred inflows resulting from revenues that are not available to liquidate liabilities of the current period in the governmental funds are reclassified as revenues in the statement of net position.	2,486,476
Taxes receivable not collectible within sixty days are not available to pay current period expenditures and, therefore, are not reported in the funds.	447,352
Internal service funds are used by management to charge the costs of insurance programs to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the government-wide statement of net position.	3,189,753
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet as follows:	
Annual leave	\$ (11,319,197)
Estimated insurance claims	(1,658,505)
Net pension liability	(200,859,413)
Net OPEB liability	(17,540,513)
Capital leases	(88,522,299)
Certificates of participation	(45,237,690)
Assessment bonds	<u>(7,183,854)</u>
	(372,321,471)
Deferred inflows and outflows	
The deferred outflows are not current assets or financial resources; and the deferred inflows are not due and payable in the current period, and therefore are not reported in the Governmental Funds	
Deferred outflows	50,630,719
Deferred inflows	<u>(13,818,397)</u>
Net position of governmental activities (page F-21)	<u><u>\$ 98,456,499</u></u>

The accompanying notes are an integral part of this statement.

CITY OF SALINAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	General Measure E, & Measure G	Assessment District Debt Service	Special Construction Assistance	Non-Major Governmental Funds	Total
REVENUES					
Taxes	\$ 131,612,573	\$ -	\$ -	\$ 693,110	\$ 132,305,683
Taxes - special assessments	-	523,714	-	1,997,386	2,521,100
Licenses and permits	824,569	-	-	-	824,569
Intergovernmental	757,322	-	2,228,879	18,301,511	21,287,712
Charges for services	5,235,571	-	324,378	664,934	6,224,883
Interest	1,809,270	5,283	-	1,175,042	2,989,595
Rental income	276,740	-	-	268,397	545,137
Fines and forfeits	368,653	-	-	271,609	640,262
Developer contributions	-	-	159,169	-	159,169
Miscellaneous	1,085,115	-	57,907	3,211,427	4,354,449
Total revenues	<u>141,969,813</u>	<u>528,997</u>	<u>2,770,333</u>	<u>26,583,416</u>	<u>171,852,559</u>
EXPENDITURES					
Current:					
General government	23,218,152	-	356,004	5,858,731	29,432,887
Public safety	75,090,338	-	-	3,490,299	78,580,637
Public works	11,619,514	-	-	5,612,107	17,231,621
Recreation	3,216,081	-	-	277,500	3,493,581
Library	4,358,898	-	-	422,325	4,781,223
Capital outlay	552,085	-	5,509,499	4,597,403	10,658,987
Debt service:					
Principal retirement	-	830,000	-	9,075,582	9,905,582
Interest and fiscal charges	-	66,524	-	4,035,543	4,102,067
Total expenditures	<u>118,055,068</u>	<u>896,524</u>	<u>5,865,503</u>	<u>33,369,490</u>	<u>158,186,585</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>23,914,745</u>	<u>(367,527)</u>	<u>(3,095,170)</u>	<u>(6,786,074)</u>	<u>13,665,974</u>
OTHER FINANCING SOURCES (USES)					
Loan proceeds	-	-	-	2,293,920	2,293,920
Housing loan repayment from Successor Agency	-	-	-	1,335	1,335
Operating transfers in	4,048,279	-	124,003	23,461,371	27,633,653
Operating transfers out	(24,824,244)	-	(170,345)	(10,900,670)	(35,895,259)
Total other financing sources (uses)	<u>(20,775,965)</u>	<u>-</u>	<u>(46,342)</u>	<u>14,855,956</u>	<u>(5,966,351)</u>
NET CHANGE IN FUND BALANCE	<u>3,138,780</u>	<u>(367,527)</u>	<u>(3,141,512)</u>	<u>8,069,882</u>	<u>7,699,623</u>
FUND BALANCE, BEGINNING OF YEAR	52,272,241	1,086,619	37,237,481	47,496,744	138,093,085
PRIOR PERIOD ADJUSTMENT (NOTE 21)	-	-	(385,111)	(1,570,364)	(1,955,475)
FUND BALANCES					
BEGINNING OF YEAR, AS RESTATED	<u>52,272,241</u>	<u>1,086,619</u>	<u>36,852,370</u>	<u>45,926,380</u>	<u>136,137,610</u>
END OF YEAR	<u>\$ 55,411,021</u>	<u>\$ 719,092</u>	<u>\$ 33,710,858</u>	<u>\$ 53,996,262</u>	<u>\$ 143,837,233</u>

The accompanying notes are an integral part of this statement.

CITY OF SALINAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUNDS TO THE
GOVERNMENT WIDE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

Net change in fund balance - total governmental funds (page F-29)		\$ 7,699,623
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 and reported as depreciation expense. This amount represents capital outlays, net of depreciation.		
Capital outlay	\$ 12,496,385	
Depreciation	<u>(10,847,493)</u>	1,648,892
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations).		(277,824)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		
Earned but unavailable intergovernmental revenues	(563,211)	
Interest	(410,045)	
Property taxes	<u>775,444</u>	(197,812)
Issuance of housing loans are reported in the statement of net position.		966,619
Principal payments on housing loans are reported in the statement of net position.		(1,922,493)
Reporting of loan receivables at realizable value requires an allowance to be made.		988,484
Issuance of long-term debt including capital advances, compensating absences, and leases provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources in governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Following is the net effect of these differences in the treatment of long-term debt and related items:		
Increase in compensated absences	(69,910)	
Decrease in insurance claims payable	657,169	
Issuance of assessment district bonds	(2,293,920)	
Amortiation of bond premium and discount	383,594	
Principal paid on capital leases	7,825,582	
Principal paid on certificates of participation	1,250,000	
Principal paid on assessment district bonds	<u>830,000</u>	8,582,515
Pension expense and OPEB expense do not require the use of current financial resources and therefore are not presented as an expenditure in the governmental funds.		(13,455,954)
Governmental funds report the effect of bond insurance costs when debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net current period change in unamortized bond insurance cost.		(30,631)
Interest payable expense on long-term debt is reported in the government-wide statement of activities, but they do not require the use of current financial resources. Therefore, interest payable expense is not reported as expenditures in governmental funds. This amount is the current year net change in interest payable.		(88,996)
Internal service funds are used by management to charge the costs of activities involved in rendering services to departments within the City. The assets and liabilities of the internal service funds are included in the statement of net position.		<u>(4,290,387)</u>
Change in net position of governmental activities (page F-22)		<u>\$ (377,964)</u>

The accompanying notes are an integral part of this statement.

PROPRIETARY FUNDS

Proprietary Funds are used to account for a government's business-type activities (activities supported, at least in part, by fees or charges). Proprietary funds are segregated into Enterprise Funds and Internal Service Funds. Enterprise Funds are used to report business-type activities for which a fee is charged to external users for goods or services. Internal Service Funds on the other hand are used primarily for services provided to internal users (other departments or agencies).

The City has the following Enterprise Funds:

Airport Fund - This fund is used to account for the enterprise operations of the City-owned airport.

Industrial Waste Fund - This fund is used to account for enterprise operations of the City-operated Industrial Wastewater treatment facility.

Municipal Golf Courses Fund - This fund is used to account for the enterprise operations of the Fairways and Twin Creeks golf courses.

Sanitary Sewer Fund - This fund is used to account for the maintenance of the City's sanitary sewer collection system, which is funded by user fees and by the Monterey Regional Water Pollution Control Agency sewer user fees.

Storm Sewer Fund - This fund is used to account for the maintenance of the City's storm drainage system and the street sweeping program. This program was funded with a storm sewer fee that was declared by the Court as invalid under Proposition 218. Until alternative funding is secured, the program is funded with a combination of general funds and gas tax funds. In addition, the program is funded with a street sweeping surcharge on garbage collection billings.

Landfill Garbage Surcharge Fund - This fund is used to account for the installment sale of the Crazy Horse landfill site to the Salinas Valley Solid Waste Authority.

Water Utility Fund – This fund is used to account for the repairs and maintenance of the water well located at Hitchcock Road. Water users fund the costs of the water well repairs and annual operating costs.

Downtown Parking District Fund - This fund was established to account for revenues, operating expenses and debt service associated with the City's parking facilities. The City's paid parking facilities include the Monterey Street Parking Structure, the Salinas Street Garage and four parking lots.

Permit Services Fund – This fund is used to account for the revenues and expenditures associated with providing permitting services to the community.



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CITY OF SALINAS
STATEMENT OF FUND NET POSITION (DEFICIT)
PROPRIETARY FUNDS
JUNE 30, 2020

	Business-type Activity - Enterprise Funds					Landfill Garbage Surcharge
	Airport	Industrial Waste	Municipal Golf Courses	Sanitary Sewer	Storm Sewer	
ASSETS						
Current Assets:						
Cash and cash equivalents	\$ 1,088,486	\$ 7,216,714	\$ 400,802	\$ 3,904,392	\$ 1,142,183	\$ 969,911
Receivables, net						
Accounts	145,709	401,777	16,667	2,108,389	-	-
Accrued interest	3,268	20,834	-	11,898	1,277	2,706
Due from outside agencies	-	-	-	-	-	-
Prepaid bond insurance	-	-	-	-	-	-
Due from general fund	-	-	-	-	-	-
Total current assets	<u>1,237,463</u>	<u>7,639,325</u>	<u>417,469</u>	<u>6,024,679</u>	<u>1,143,460</u>	<u>972,617</u>
Noncurrent assets:						
Restricted cash and investments	-	-	338,951	1,610,130	-	-
Prepaid bond insurance, long term	-	-	-	-	-	-
Capital assets						
Land and nondepreciable assets	2,469,698	1,378,835	-	2,565,612	1,667,378	-
Depreciable assets, net accumulated depreciation	15,579,539	14,336,481	1,039,840	31,888,791	34,557,860	-
Total noncurrent assets	<u>18,049,237</u>	<u>15,715,316</u>	<u>1,378,791</u>	<u>36,064,533</u>	<u>36,225,238</u>	<u>-</u>
Total assets	<u>19,286,700</u>	<u>23,354,641</u>	<u>1,796,260</u>	<u>42,089,212</u>	<u>37,368,698</u>	<u>972,617</u>
DEFERRED OUTFLOWS OF RESOURCES						
Related to pensions	249,957	124,979	-	624,893	249,958	-
Related to OPEB	16,363	13,225	-	32,725	26,001	-
Loss on refunding of debt	-	-	196,311	41,547	-	-
Total deferred outflows of resources	<u>266,320</u>	<u>138,204</u>	<u>196,311</u>	<u>699,165</u>	<u>275,959</u>	<u>-</u>
Total assets and deferred outflows	<u>19,553,020</u>	<u>23,492,845</u>	<u>1,992,571</u>	<u>42,788,377</u>	<u>37,644,657</u>	<u>972,617</u>
LIABILITIES						
Current Liabilities:						
Accounts payable	48,279	72,363	-	116,494	101,319	-
Deposits	44,184	-	-	-	-	-
Due to other funds	285	11,837	226,298	11,734	-	-
Insurance claims payable	-	-	-	-	-	-
Interest payable	202	24,705	25,702	251,294	1,176	-
Long term debt - due within one year	43,776	452,381	480,000	451,231	136,943	-
Total current liabilities	<u>136,726</u>	<u>561,286</u>	<u>732,000</u>	<u>830,753</u>	<u>239,438</u>	<u>-</u>
Noncurrent Liabilities:						
Advance from general fund	-	-	3,750,000	-	-	-
Long term debt - due in more than one year	54,152	1,994,522	6,740,000	14,812,432	211,497	-
Net pension liability	678,432	339,218	-	1,696,079	678,433	-
Net OPEB liability	138,458	111,904	-	276,916	220,015	-
Total noncurrent liabilities	<u>871,042</u>	<u>2,445,644</u>	<u>10,490,000</u>	<u>16,785,427</u>	<u>1,109,945</u>	<u>-</u>
Total liabilities	<u>1,007,768</u>	<u>3,006,930</u>	<u>11,222,000</u>	<u>17,616,180</u>	<u>1,349,383</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES						
Related to pensions	18,964	9,482	-	47,407	18,963	-
Related to OPEB	39,348	31,802	-	78,696	62,526	-
Total deferred inflows	<u>58,312</u>	<u>41,284</u>	<u>-</u>	<u>126,103</u>	<u>81,489</u>	<u>-</u>
NET POSITION (DEFICIT)						
Invested in capital assets	18,018,797	13,295,611	(6,205,862)	19,138,109	35,998,534	-
Restricted	-	-	338,951	1,610,130	-	-
Unrestricted	468,143	7,149,020	(3,362,518)	4,297,855	215,251	972,617
Total net position (deficit)	<u>\$ 18,486,940</u>	<u>\$ 20,444,631</u>	<u>\$ (9,229,429)</u>	<u>\$ 25,046,094</u>	<u>\$ 36,213,785</u>	<u>\$ 972,617</u>

The accompanying notes are an integral part of this statement.

CITY OF SALINAS
STATEMENT OF FUND NET POSITION (DEFICIT)
PROPRIETARY FUNDS
JUNE 30, 2020

	Business-type Activity - Enterprise Funds				Governmental
	Water Utility	Downtown Parking District	Permit Services	Total	Activity Internal Service Funds
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 29,426	\$ 738,110	\$ 2,054,216	\$ 17,544,240	\$ 16,870,858
Receivables, net					
Accounts	7,833	219,136	556	2,900,067	-
Accrued interest	-	-	6,077	46,060	28,444
Due from outside agencies	-	203,834	-	203,834	-
Prepaid bond insurance	-	8,587	-	8,587	-
Due from general fund	-	-	-	-	13,381,563
Total current assets	<u>37,259</u>	<u>1,169,667</u>	<u>2,060,849</u>	<u>20,702,788</u>	<u>30,280,865</u>
Noncurrent assets:					
Restricted cash and investments	-	-	-	1,949,081	692,055
Prepaid bond insurance, long term	-	111,638	-	111,638	-
Capital assets					
Land and nondepreciable assets	-	18,758	-	8,100,281	-
Depreciable assets, net accumulated depreciation	36,829	8,364,163	12,828	105,816,331	-
Total noncurrent assets	<u>36,829</u>	<u>8,494,559</u>	<u>12,828</u>	<u>115,977,331</u>	<u>692,055</u>
Total assets	<u>74,088</u>	<u>9,664,226</u>	<u>2,073,677</u>	<u>136,680,119</u>	<u>30,972,920</u>
DEFERRED OUTFLOWS OF RESOURCES					
Related to pensions	-	-	499,914	1,749,701	374,934
Related to OPEB	-	1,121	42,812	132,247	36,312
Loss on refunding of debt	-	-	-	237,858	-
Total deferred outflows of resources	<u>-</u>	<u>1,121</u>	<u>542,726</u>	<u>2,119,806</u>	<u>411,246</u>
Total assets and deferred outflows	<u>74,088</u>	<u>9,665,347</u>	<u>2,616,403</u>	<u>138,799,925</u>	<u>31,384,166</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	997	156,883	75,960	572,295	96,812
Deposits	-	-	-	44,184	-
Due to other funds	-	1,559,464	8,625	1,818,243	-
Insurance claims payable	-	-	-	-	26,551,891
Interest payable	-	134,043	-	437,122	-
Long term debt - due within one year	-	551,455	41,849	2,157,635	21,006
Total current liabilities	<u>997</u>	<u>2,401,845</u>	<u>126,434</u>	<u>5,029,479</u>	<u>26,669,709</u>
Noncurrent Liabilities:					
Advance from general fund	-	2,785,000	-	6,535,000	-
Long term debt - due in more than one year	-	9,591,819	167,398	33,571,820	84,026
Net pension liability	-	-	1,356,864	4,749,026	1,017,648
Net OPEB liability	-	9,483	362,266	1,119,042	307,262
Total noncurrent liabilities	<u>-</u>	<u>12,386,302</u>	<u>1,886,528</u>	<u>45,974,888</u>	<u>1,408,936</u>
Total liabilities	<u>997</u>	<u>14,788,147</u>	<u>2,012,962</u>	<u>51,004,367</u>	<u>28,078,645</u>
DEFERRED INFLOWS OF RESOURCES					
Related to pensions	-	-	37,926	132,742	28,446
Related to OPEB	-	2,696	102,952	318,020	87,322
Total deferred inflows	<u>-</u>	<u>2,696</u>	<u>140,878</u>	<u>450,762</u>	<u>115,768</u>
NET POSITION (DEFICIT)					
Invested in capital assets	36,829	(1,892,122)	12,828	78,402,724	-
Restricted	-	-	-	1,949,081	-
Unrestricted	36,262	(3,233,374)	449,735	6,992,991	3,189,753
Total net position (deficit)	<u>\$ 73,091</u>	<u>\$ (5,125,496)</u>	<u>\$ 462,563</u>	<u>\$ 87,344,796</u>	<u>\$ 3,189,753</u>

The accompanying notes are an integral part of this statement.

CITY OF SALINAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION (DEFICIT)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Business-type Activity - Enterprise Fund					
	Airport	Industrial Waste	Municipal Golf Courses	Sanitary Sewer	Storm Sewer	Landfill Garbage Surcharge
OPERATING REVENUES:						
Charges for services						
Fees	\$ 51,526	\$ 2,773,909	\$ -	\$ 3,742,044	\$ 6,955	\$ -
Licenses and permits	120,043	-	-	-	-	-
Rental income	1,553,883	-	159,731	-	-	-
Total operating revenues	<u>1,725,452</u>	<u>2,773,909</u>	<u>159,731</u>	<u>3,742,044</u>	<u>6,955</u>	<u>-</u>
OPERATING EXPENSES:						
Personnel services	717,772	311,446	-	1,669,230	483,024	-
Administration	175,439	168,728	-	266,701	343,024	-
Contractual services	127,961	342,144	73,055	123,749	780,686	-
Supplies	84,675	46,850	-	124,129	189,428	-
Insurance	16,818	23,836	-	57,974	27,076	-
Insurance claims	-	-	-	-	-	-
Fees and permits (taxes)	47,605	11,152	-	-	42,969	-
Utilities	115,538	250,563	-	94,523	4,889	-
Depreciation	873,034	502,717	118,605	1,431,632	2,674,522	-
Amortization	-	-	35,173	4,617	-	-
Other	29,949	25,042	-	18,894	15,988	-
Total operating expenses	<u>2,188,791</u>	<u>1,682,478</u>	<u>226,833</u>	<u>3,791,449</u>	<u>4,561,606</u>	<u>-</u>
Operating income (loss)	<u>(463,339)</u>	<u>1,091,431</u>	<u>(67,102)</u>	<u>(49,405)</u>	<u>(4,554,651)</u>	<u>-</u>
NONOPERATING REVENUES (EXPENSES)						
Investment income	19,867	128,558	5,399	108,790	6,285	17,309
Interest expense	(1,012)	(60,687)	(160,939)	(611,176)	(8,469)	-
Gain (loss) on disposition of fixed assets	-	-	-	4,501	-	-
Other nonoperating revenues (expenses)	740	-	-	(2,576)	-	-
Total nonoperating revenues (expenses)	<u>19,595</u>	<u>67,871</u>	<u>(155,540)</u>	<u>(500,461)</u>	<u>(2,184)</u>	<u>17,309</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS						
	(443,744)	1,159,302	(222,642)	(549,866)	(4,556,835)	17,309
Contribution for parking structure debt	-	-	-	-	-	-
Transfers in	729,202	-	-	319,839	4,066,524	-
Transfers out	(80,689)	(110,554)	-	(161,783)	-	(385,100)
CHANGE IN NET POSITION (DEFICIT)	<u>204,769</u>	<u>1,048,748</u>	<u>(222,642)</u>	<u>(391,810)</u>	<u>(490,311)</u>	<u>(367,791)</u>
NET POSITION (DEFICIT)						
BEGINNING OF YEAR	18,282,171	19,938,947	(9,006,787)	25,437,904	36,704,096	1,340,408
Prior Period Adjustment - Note 21	-	(543,064)	-	-	-	-
NET POSITION (DEFICIT)	<u>18,282,171</u>	<u>19,395,883</u>	<u>(9,006,787)</u>	<u>25,437,904</u>	<u>36,704,096</u>	<u>1,340,408</u>
BEGINNING OF YEAR - AS RESTATED	18,282,171	19,395,883	(9,006,787)	25,437,904	36,704,096	1,340,408
END OF YEAR	<u>\$ 18,486,940</u>	<u>\$ 20,444,631</u>	<u>\$ (9,229,429)</u>	<u>\$ 25,046,094</u>	<u>\$ 36,213,785</u>	<u>\$ 972,617</u>

The accompanying notes are an integral part of this statement.

CITY OF SALINAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION (DEFICIT)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Business-type Activity - Enterprise Fund				Governmental
	Water Utility	Downtown Parking District	Permit Services	Total	Activity Internal Service Funds
OPERATING REVENUES:					
Charges for services					
Fees	\$ 4,496	\$ 1,250,911	\$ 1,331,236	\$ 9,161,077	\$ 3,546,266
Licenses and permits	-	321,613	1,091,078	1,532,734	-
Rental income	-	-	-	1,713,614	-
Total operating revenues	<u>4,496</u>	<u>1,572,524</u>	<u>2,422,314</u>	<u>12,407,425</u>	<u>3,546,266</u>
OPERATING EXPENSES:					
Personnel services	-	31,670	1,871,763	5,084,905	956,513
Administration	1,001	196,805	325,821	1,477,519	-
Contractual services	6,832	1,228,745	457,762	3,140,934	820,498
Supplies	-	13,887	20,993	479,962	571,627
Insurance	-	12,228	62,488	200,420	1,386,307
Insurance claims	-	-	-	-	8,111,046
Fees and permits (taxes)	-	3,620	-	105,346	-
Utilities	-	33,638	3,806	502,957	-
Depreciation	10,044	587,634	13,778	6,211,966	-
Amortization	-	8,587	-	48,377	-
Other	-	-	28,249	118,122	362,514
Total operating expenses	<u>17,877</u>	<u>2,116,814</u>	<u>2,784,660</u>	<u>17,370,508</u>	<u>12,208,505</u>
Operating income (loss)	<u>(13,381)</u>	<u>(544,290)</u>	<u>(362,346)</u>	<u>(4,963,083)</u>	<u>(8,662,239)</u>
NONOPERATING REVENUES (EXPENSES)					
Investment income	-	-	42,057	328,265	173,552
Interest expense	-	(411,344)	-	(1,253,627)	-
Gain (loss) on disposition of fixed assets	-	-	-	4,501	-
Other nonoperating revenues (expenses)	-	-	-	(1,836)	-
Total nonoperating revenues (expenses)	<u>-</u>	<u>(411,344)</u>	<u>42,057</u>	<u>(922,697)</u>	<u>173,552</u>
INCOME (LOSS) BEFORE					
CONTRIBUTIONS AND TRANSFERS	(13,381)	(955,634)	(320,289)	(5,885,780)	(8,488,687)
Contribution for parking structure debt	-	952,402	-	952,402	-
Transfers in	-	-	-	5,115,565	4,198,300
Transfers out	-	(34,145)	(279,988)	(1,052,259)	-
CHANGE IN NET POSITION (DEFICIT)	<u>(13,381)</u>	<u>(37,377)</u>	<u>(600,277)</u>	<u>(870,072)</u>	<u>(4,290,387)</u>
NET POSITION (DEFICIT)					
BEGINNING OF YEAR	86,472	(5,088,119)	1,062,840	88,757,932	7,480,140
Prior Period Adjustment - Note 21	-	-	-	(543,064)	-
NET POSITION (DEFICIT)	<u>86,472</u>	<u>(5,088,119)</u>	<u>1,062,840</u>	<u>88,214,868</u>	<u>7,480,140</u>
BEGINNING OF YEAR - AS RESTATED	<u>86,472</u>	<u>(5,088,119)</u>	<u>1,062,840</u>	<u>88,214,868</u>	<u>7,480,140</u>
END OF YEAR	<u>\$ 73,091</u>	<u>\$ (5,125,496)</u>	<u>\$ 462,563</u>	<u>\$ 87,344,796</u>	<u>\$ 3,189,753</u>

The accompanying notes are an integral part of this statement.

CITY OF SALINAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Business-type Activities - Enterprise Funds					
	Airport	Industrial Waste	Municipal Golf Courses	Sanitary Sewer	Storm Sewer	Landfill Garbage Surcharge
Cash flows from operating activities:						
Receipts from customers and users	\$ 1,674,826	\$ 2,933,155	\$ 158,064	\$ 2,458,051	\$ 6,955	\$ -
Receipts from interfund services provided	-	-	-	-	-	-
Payments to suppliers	(593,829)	(829,675)	(74,154)	(668,819)	(1,429,477)	-
Payments to employees	(721,811)	(528,962)	-	(1,433,278)	(1,200,379)	-
Payments to claimants	-	-	-	-	-	-
Net cash provided (used) by operating activities	<u>359,186</u>	<u>1,574,518</u>	<u>83,910</u>	<u>355,954</u>	<u>(2,622,901)</u>	<u>-</u>
Cash flows from non-capital financing activities:						
Advances received from general fund	-	-	450,000	-	-	-
Operating transfers in	-	-	150,789	-	3,311,000	-
Operating transfers out	(100,532)	(107,342)	-	(159,890)	-	(385,100)
Net cash provided by (used for)	<u>(100,532)</u>	<u>(107,342)</u>	<u>600,789</u>	<u>(159,890)</u>	<u>3,311,000</u>	<u>(385,100)</u>
Non-capital financing activities	<u>(100,532)</u>	<u>(107,342)</u>	<u>600,789</u>	<u>(159,890)</u>	<u>3,311,000</u>	<u>(385,100)</u>
Cash flows from capital and related financing activities:						
Acquisition of capital assets	(787,815)	(163,211)	-	(773,630)	(755,524)	-
Proceeds from sale of assets	-	-	-	4,501	-	-
Contribution from Successor Agency	-	-	-	-	-	-
Capital related transfers in	729,202	-	-	319,839	755,524	-
Principal paid on capital debt	(29,639)	(425,000)	(460,000)	(405,000)	(109,381)	-
Interest paid on capital debt	(1,210)	(63,947)	(171,384)	(626,508)	(8,950)	-
Net cash (used) by capital and related financing activities	<u>(89,462)</u>	<u>(652,158)</u>	<u>(631,384)</u>	<u>(1,480,798)</u>	<u>(118,331)</u>	<u>-</u>
Cash flows from investing activities:						
Interest received	17,848	118,207	5,397	105,779	3,074	19,182
Proceeds from sale of investments	-	-	-	493,181	-	-
Increase in fair value of LAIF investments	3,308	20,420	-	12,953	1,934	1,800
Net cash provided by investing activities	<u>21,156</u>	<u>138,627</u>	<u>5,397</u>	<u>611,913</u>	<u>5,008</u>	<u>20,982</u>
Net increase (decrease) in cash and cash equivalents	190,348	953,645	58,712	(672,821)	574,776	(364,118)
Cash and cash equivalents at beginning of year	898,138	6,263,069	681,039	5,937,343	567,407	1,334,029
Cash and cash equivalents at end of year	<u>\$ 1,088,486</u>	<u>\$ 7,216,714</u>	<u>\$ 739,751</u>	<u>\$ 5,264,522</u>	<u>\$ 1,142,183</u>	<u>\$ 969,911</u>

The accompanying notes are an integral part of this statement.

CITY OF SALINAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Business-type Activities - Enterprise Funds				Governmental	
	Water Utility	Downtown		Permit Services	Total	Activities
		Parking District				Internal Service Funds
Cash flows from operating activities:						
Receipts from customers and users	\$ 6,983	\$ 1,630,421	\$ 2,418,754	\$ 11,287,209	\$ -	
Receipts from interfund services provided	-	-	-	-	11,546,266	
Payments to suppliers	(7,678)	(1,438,646)	(939,647)	(5,981,925)	(3,185,813)	
Payments to employees	-	(70,199)	(1,573,205)	(5,527,834)	(1,430,652)	
Payments to claimants	-	-	-	-	(12,143,929)	
Net cash provided (used) by operating activities	<u>(695)</u>	<u>121,576</u>	<u>(94,098)</u>	<u>(222,550)</u>	<u>(5,214,128)</u>	
Cash flows from non-capital financing activities:						
Advances received from general fund	-	-	-	450,000	-	
Operating transfers in	-	234,678	-	3,696,467	6,212,887	
Operating transfers out	-	-	(291,695)	(1,044,559)	-	
Net cash provided by (used for)						
Non-capital financing activities	<u>-</u>	<u>234,678</u>	<u>(291,695)</u>	<u>3,101,908</u>	<u>6,212,887</u>	
Cash flows from capital and related financing activities:						
Acquisition of capital assets	-	-	-	(2,480,180)	-	
Proceeds from sale of assets	-	-	-	4,501	-	
Contribution from Successor Agency	-	748,568	-	748,568	-	
Capital related transfers in	-	-	-	1,804,565	-	
Principal paid on capital debt	-	(534,000)	-	(1,963,020)	-	
Interest paid on capital debt	-	(418,402)	-	(1,290,401)	-	
Net cash (used) by capital and related financing activities	<u>-</u>	<u>(203,834)</u>	<u>-</u>	<u>(3,175,967)</u>	<u>-</u>	
Cash flows from investing activities:						
Interest received	-	-	42,105	311,592	173,552	
Proceeds from sale of investments	-	-	-	493,181	-	
Increase in fair value of LAIF investments	-	-	5,143	45,558	11,822	
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>47,248</u>	<u>850,331</u>	<u>185,374</u>	
Net increase (decrease) in cash and cash equivalents	(695)	152,420	(338,545)	553,722	1,184,133	
Cash and cash equivalents at beginning of year	30,121	585,690	2,392,761	18,689,597	16,378,780	
Cash and cash equivalents at end of year	<u>\$ 29,426</u>	<u>\$ 738,110</u>	<u>\$ 2,054,216</u>	<u>\$ 19,243,319</u>	<u>\$ 17,562,913</u>	

The accompanying notes are an integral part of this statement.

CITY OF SALINAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Business-type Activities - Enterprise Funds					
	Airport	Industrial Waste	Municipal Golf Courses	Sanitary Sewer	Storm Sewer	Landfill Garbage Surcharge
Reconciliation of cash and cash equivalents to the Statement of Net Position						
Ending cash and cash equivalents - statement of cash flows	\$ 1,088,486	\$ 7,216,714	\$ 739,751	\$ 5,264,522	\$ 1,142,183	\$ 969,911
Less amounts reported in restricted cash and investments	-	-	(338,949)	(1,360,130)	-	-
Cash and cash equivalents - statement of net position	<u>\$ 1,088,486</u>	<u>\$ 7,216,714</u>	<u>\$ 400,802</u>	<u>\$ 3,904,392</u>	<u>\$ 1,142,183</u>	<u>\$ 969,911</u>
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income (loss)	<u>\$ (462,599)</u>	<u>\$ 1,091,431</u>	<u>\$ (67,102)</u>	<u>\$ (51,981)</u>	<u>\$ (4,554,651)</u>	<u>\$ -</u>
Adjustments to reconcile net income to net cash provided by operating activities:						
Depreciation	873,034	502,717	118,605	1,431,632	2,674,522	-
Amortization	-	-	35,173	4,617	-	-
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:						
(Increase) decrease in accounts receivable	(62,380)	159,246	(1,667)	(1,283,993)	-	-
(Increase) decrease in excess insurance receivable	-	-	-	-	-	-
(Increase) decrease in deferred outflows - pension	(78,098)	46,881	-	(281,174)	179,690	-
(Increase) decrease in deferred outflows - OPEB	(8,038)	(6,338)	-	(17,242)	(11,206)	-
Increase (decrease) in accounts payable	8,149	44,426	(1,099)	32,091	(23,645)	-
Increase (decrease) in deposits	11,014	-	-	-	-	-
Increase (decrease) in insurance claims	-	-	-	-	-	-
Increase (decrease) in accrued leave	2,275	16,438	-	(7)	19,178	-
Increase (decrease) in net pension liability	59,198	(280,018)	-	457,611	(869,654)	-
Increase (decrease) in net OPEB liability	(2,193)	(4,460)	-	15,325	(29,943)	-
Increase (decrease) in deferred inflows - pension	(6,638)	(16,119)	-	(3,795)	(45,031)	-
Increase (decrease) in deferred inflows - OPEB	25,462	20,314	-	52,870	37,839	-
Total adjustments to net income	<u>821,785</u>	<u>483,087</u>	<u>151,012</u>	<u>407,935</u>	<u>1,931,750</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>\$ 359,186</u>	<u>\$ 1,574,518</u>	<u>\$ 83,910</u>	<u>\$ 355,954</u>	<u>\$ (2,622,901)</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

**CITY OF SALINAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	Business-type Activities - Enterprise Funds				Governmental
	Water Utility	Downtown Parking District	Permit Services	Total	Activities Internal Service Funds
Reconciliation of cash and cash equivalents to the Statement of Net Position					
Ending cash and cash equivalents - statement of cash flows	\$ 29,426	\$ 738,110	\$ 2,054,216	\$ 19,243,319	\$ 17,562,913
Less amounts reported in restricted cash and investments	-	-	-	(1,699,079)	(692,055)
Cash and cash equivalents - statement of net position	<u>\$ 29,426</u>	<u>\$ 738,110</u>	<u>\$ 2,054,216</u>	<u>\$ 17,544,240</u>	<u>\$ 16,870,858</u>
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income (loss)	<u>\$ (13,381)</u>	<u>\$ (544,290)</u>	<u>\$ (362,346)</u>	<u>\$ (4,964,919)</u>	<u>\$ (8,662,239)</u>
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation	10,044	587,634	13,778	6,211,966	-
Amortization	-	8,587	-	48,377	-
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:					
(Increase) decrease in accounts receivable	2,487	57,897	(434)	(1,128,844)	-
(Increase) decrease in excess insurance receivable	-	-	-	-	8,000,000
(Increase) decrease in deferred outflows - pension	-	-	(242,126)	(374,827)	54,712
(Increase) decrease in deferred outflows - OPEB	-	1,205	(22,699)	(64,318)	(18,646)
Increase (decrease) in accounts payable	155	50,790	(32,497)	78,370	(35,074)
Increase (decrease) in deposits	-	-	(3,126)	7,888	-
Increase (decrease) in insurance claims	-	-	-	-	(4,032,883)
Increase (decrease) in accrued leave	-	(9,256)	35,956	64,584	(20,645)
Increase (decrease) in net pension liability	-	-	428,013	(204,850)	(530,438)
Increase (decrease) in net OPEB liability	-	(29,807)	22,456	(28,622)	8,790
Increase (decrease) in deferred inflows - pension	-	-	(476)	(72,059)	(35,558)
Increase (decrease) in deferred inflows - OPEB	-	(1,184)	69,403	204,704	57,853
Total adjustments to net income	<u>12,686</u>	<u>665,866</u>	<u>268,248</u>	<u>4,742,369</u>	<u>3,448,111</u>
Net cash provided (used) by operating activities	<u>\$ (695)</u>	<u>\$ 121,576</u>	<u>\$ (94,098)</u>	<u>\$ (222,550)</u>	<u>\$ (5,214,128)</u>

The accompanying notes are an integral part of this statement.

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs. The City maintains the following Fiduciary Funds:

Private Purpose Trust Funds - These funds are used to account for any trust arrangement not properly reported in a pension trust fund under which principal and income benefit individuals, private organizations, or other governments. This fund also accounts for the Successor Agency of the former Redevelopment Agency which was dissolved on January 31, 2012 pursuant to state law.

Pension Trust Funds – These funds are used to account for resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, or other employee benefit plans. The City's only pension trust fund is the Deferred Compensation Fund; which allows City employees to invest in trust deeds that are managed by the City with the oversight of an investment committee that is made up of representatives from each of the bargaining units.

Custodial Funds - These funds are used to account for assets held in an agent capacity by the City for individuals, private organizations, other governments and/or other funds that are not required to be reported in pension trust funds, investment trust funds, or private-purpose trust funds.



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CITY OF SALINAS
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2020

	Private Purpose Trust Fund	Pension Trust Fund	Custodial Funds
ASSETS			
Cash and investments	\$ 4,001,463	\$ 11,603,330	\$ 137,458
Cash and investments held by fiscal agent	1,617,892	-	-
Receivables			
Accounts	7,618	22,223	166,724
Interest	5,004	8,528	-
Loans and notes receivable	173,900	-	-
Capital assets, net of accumulated depreciation	149,270	-	-
Total assets	<u>5,955,147</u>	<u>11,634,081</u>	<u>304,182</u>
LIABILITIES			
Accounts payable	127,192	1,550	218,433
Interest payable	697,009	-	-
Deposits	73,719	-	-
Advance from other agencies	203,834	-	-
Long-term liabilities			
Due within one year	300,423	-	-
Due in more than one year	2,089,285	-	-
Total liabilities	<u>3,491,462</u>	<u>1,550</u>	<u>218,433</u>
DEFERRED INFLOWS OF RESOURCES			
Future ROPS	2,157,942	-	-
Total deferred inflows of resources	<u>2,157,942</u>	<u>-</u>	<u>-</u>
NET POSITION			
Restricted for:			
Pensions	-	11,632,531	-
Individuals and organizations	305,743	-	85,749
Total net position	<u>\$ 305,743</u>	<u>\$ 11,632,531</u>	<u>\$ 85,749</u>

The accompanying notes are an integral part of this statement.

CITY OF SALINAS
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Private Purpose Trust Fund	Pension Trust Fund	Custodial Funds
ADDITIONS			
Taxes	\$ 4,703,618	\$ -	\$ -
Miscellaneous	-	89,809	-
Total taxes, rental, and miscellaneous income	<u>4,703,618</u>	<u>89,809</u>	<u>-</u>
Contributions			
Plan members	-	82,984	276,888
Employers	-	5,572,997	-
Private donations	1,350,174	-	-
Total contributions	<u>1,350,174</u>	<u>5,655,981</u>	<u>276,888</u>
Investment earnings			
Interest	106,721	539,772	-
Less investment expense	-	(57,852)	-
Net investment earnings	<u>106,721</u>	<u>481,920</u>	<u>-</u>
Assessments collected for other governments	-	-	481,050
Total additions	<u>6,160,513</u>	<u>6,227,710</u>	<u>757,938</u>
DEDUCTIONS			
Expenses	1,455,301	-	-
Benefit payments	-	8,997,804	283,008
Payments on behalf of trustees	1,233,194	-	-
Contribution to other agencies	3,141,463	-	-
Assessments disbursed to other governments	-	-	481,020
Total deductions	<u>5,829,958</u>	<u>8,997,804</u>	<u>764,028</u>
CHANGE IN NET POSITION (DEFICIT)	<u>330,555</u>	<u>(2,770,094)</u>	<u>(6,090)</u>
NET POSITION (DEFICIT)			
BEGINNING OF YEAR	(24,812)	17,110,754	91,839
Prior Period Adjustment	-	(2,708,129)	-
NET POSITION (DEFICIT)			
BEGINNING OF YEAR - AS RESTATED	<u>(24,812)</u>	<u>14,402,625</u>	<u>91,839</u>
END OF YEAR	<u>\$ 305,743</u>	<u>\$ 11,632,531</u>	<u>\$ 85,749</u>

The accompanying notes are an integral part of this statement.

**NOTES TO
BASIC FINANCIAL STATEMENTS**



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CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

1. Description of the Reporting Entity and Significant Accounting Policies:

A. Reporting Entity

The City of Salinas (City) was incorporated as a charter City on March 4, 1874. The City operates under a Council-Manager form of government and provides the following services as authorized: Public Safety, Public Works, Recreation-Parks, Library and General Government Administrative Services. The City also operates an Airport, a Downtown Parking District, a Sanitary Sewer System, a Water Utility, a Storm Sewer System and an Industrial Waste Facility.

The financial statements and accounting policies of the City conform with generally accepted accounting principles applicable to governments in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting policies are summarized below:

The basic financial statements of the City of Salinas, California (City), include the financial activities of the City (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of their operational or financial relationship with the City. The blended component unit, although a legally separate entity, is, in substance, part of the City's operations and so data from this unit is combined with data of the primary government. The City has no discretely presented component units. The City and its blended component unit have June 30 year ends.

Blended Component Unit

The Salinas Public Financing Authority (Authority) – The Authority was established October 6, 1992 pursuant to a Joint Exercise of Powers Agreement by and between the City and the City of Salinas Redevelopment Agency, which is now the Salinas Successor Agency to the former Redevelopment Agency. It was established to refund Central City Revitalization Project tax allocation bonds. The Authority's purpose is to assist with financing or refinancing of certain public capital facilities within the City.

The Authority was used on the following dates for the following purposes:

- April 19, 1994 - to issue a site lease to finance the expansion of the industrial waste facility.
- September 17, 1996 - to issue Central City Revitalization Project Tax Allocation Bonds, Series A 1996.
- March 25, 1997 - issue Variable Rate Lease Revenue Bonds, Series A and B 1997.
- October 24, 1997 - to issue Certificates of Participation, Series A 1997.
- February 25, 1999 - to issue Certificates of Participation, Series A 1999.
- December 17, 2003 - to issue Certificates of Participation, Series A 2004.
- September 1, 2005 - issue Refunding Certificates of Participation, Series 2005 A and B.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

- August 21, 2008 - to issue variable rate taxable refunding Certificates of Participation Series 2008.
- January 29, 2014 – to refinance Certificates of Participation, Series A 2004 & Series A 1999 (Animal Shelter) with a lease purchase agreement (2014) with a bank.
- September 1, 2015 – to issue Refunding Certificates of Participation Series 2015 A and B for refunding of Certificates of Participation Series 2005 A and B.
- July 28, 2016 – to refinance Assessment District bonds through a direct private placement.
- February 29, 2019 – to issue Special Tax Bonds, CFD Monte Bella 2019.
- December 12, 2019 – to issue Special Tax Bonds, CFD Monte Bella 2019 #2.

The Authority is controlled by the City and has the same governing body as the City, which also performs all accounting and administrative functions for the Authority. The financial activities of the Authority are included in the City’s Debt Service and Enterprise Funds. A financial report is not issued by the Authority.

B. Financial Statement Presentation

In recent years, the City’s General Fund has been managed carefully in order to balance its revenues and expenditures. The City has achieved adequate liquidity through the passage of an additional transaction and sales tax initiative (Measure G and Measure E) coupled with an increase in property taxes resulting from the recovery of the local real estate market values from the decline experienced in 2009.

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, display information about the primary government (City) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. These statements distinguish between the governmental and business-type activities of the City. As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. All internal balances in the statement of net assets have been eliminated, with the exception of those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total government column. In the statement of activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. Governmental activities, which are normally supported by taxes and inter-governmental revenues and other non-exchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

The statement of activities presents a comparison between direct expenses and program revenues for each business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a business-type activity or governmental function and; therefore, are clearly identifiable to a particular activity or function. Program revenues include 1) fines, fees and charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

Fund Financial Statements – The fund financial statements provide information about the City's funds, including fiduciary funds. Separate statements for each fund category are presented (Governmental, Proprietary and Fiduciary). The emphasis of the fund financial statements are on major governmental and enterprise funds of the City and are reported separately in the accompanying financial statements. All remaining governmental funds are separately aggregated and reported as non-major funds in the accompanying financial statements.

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The City reports the following major governmental funds:

- General, Measure E, & Measure G – This fund is the primary operating fund of the City. It accounts for all revenues and expenditures necessary to carry out basic governmental activities of the City that are not accounted for in another fund. The General, Measure E, & Measure G Fund supports essential City services such as police and fire protection, street maintenance, libraries, and parks and open space maintenance.
- Assessment District Debt Service - This fund is used to accumulate monies for payment of the City's Assessment Districts Improvement Bonds. Debt service is financed with special assessments levied against property owners within the respective improvement districts.
- Special Construction Assistance – This fund accounts for proceeds of long-term borrowings resulting from the sale of Certificates of Participation to finance the acquisition and construction of capital projects.

The City reports the following major enterprise funds:

- Airport Fund - This fund accounts for the operations of the City owned airport. The activities necessary to provide such service are accounted for in the fund, including, but not limited to, operations, maintenance, financing and related debt service, and billing and collection.
- Industrial Waste Fund - This fund accounts for the operations of the City operated Industrial Waste Water treatment facility.
- Municipal Golf Courses Fund - This fund accounts for the operations of Fairways and Twin Creek golf courses.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

- Sanitary Sewer Fund - This fund accounts for the maintenance of the City's sanitary sewer collection system, which is funded from a surcharge on the Monterey Regional Water Pollution Control Agency sewer user fees.
- Storm Sewer Fund - This fund accounts for the maintenance of the City's storm drainage system and the street sweeping program. This program was funded with a storm sewer fee that was declared by the Court as invalid under Proposition 218. Until alternative funding is secured, the program is funded with a combination of general funds and gas tax funds. The program is also funded with a street sweeping surcharge on garbage collection billings.
- Landfill Garbage Surcharge Fund - This fund accounts for the installment sale of the Crazy Horse landfill site to the Salinas Valley Solid Waste Authority.
- Water Utility Fund - This fund accounts for the repairs and maintenance of the water well located at Hitchcock Road. Water users fund the costs of the water well repairs and annual operating costs.
- Downtown Parking District Fund - This fund accounts for the operations of the City's parking facilities. The activities necessary to provide such services are accounted for in the fund, including, but not limited to, operations, maintenance, financing and related debt service, and billing and collection.
- Permit Services Fund - This fund is used to account for the revenues and expenditures associated with providing permitting services to the community.

The City reports the following additional fund types:

- Internal Service Fund (a proprietary fund type) accounts for the services provided to internal users (other departments or agencies).
- Fiduciary Fund accounts for the assets held in a trustee or agent capacity for others and therefore cannot be used to support the government's own programs. The private-purpose trust funds accounts for assets and activities of the dissolved Redevelopment Agency, which is accounted for in the Successor Agency Trust, and other trust arrangements not reported in a pension trust. The pension trust funds account for resources that are required to be held in trust for members and beneficiaries of defined benefit pension plans, defined contribution plan, and other employee benefit plans. The custodial funds are used to account for assets held in an agent capacity by the City for individuals, private organizations, other governments and other funds.

C. Measurement Focus and Basis of Accounting

Measurement focus and basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the basic financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

position. When both restricted and unrestricted net positions are available, unrestricted resources are used only after the restricted resources are depleted.

The government-wide financial statements and proprietary fund 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 provider have been met.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Governmental funds are reported using the current financial resources measurement focus. This focus is on the determination of, and changes in financial resources, and generally only current assets and current liabilities are included in the balance sheet. These funds use the modified accrual basis of accounting, whereby revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. For this purpose, the City considers revenues as available if they are collected within sixty days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred. However, principal and interest on long-term debt and certain estimated liabilities, such as compensated absences, and self-insurance claims, are recorded only when payment is due.

In the governmental funds, revenues from taxes, franchise fees, investment income, state and federal grants and charges for services associated with the current fiscal period are all considered to be susceptible to accruals. Such accruals have been recognized as revenues in the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply restricted cost reimbursement grant resources to

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

such programs, followed by restricted categorical block grants, and then by unrestricted general revenues.

D. New Accounting Pronouncements

The following Governmental Accounting Standards Board (GASB) Statements have been implemented in the current financial statements:

GASB Statement No. 95 – In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The requirements of this Statement were effective immediately.

The City has not determined the effects on the financial statements for the following GASB Statements, and is currently analyzing its accounting and financial reporting practices to determine the potential impact (effective dates have been updated due to the implementation of GASB Statement No. 95):

GASB Statement No. 87 – In June 2017, GASB issued Statement No 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

GASB Statement No. 90 – In April 2018, GASB issued Statement No. 90, *Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

GASB Statement No. 92 – In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021. The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021. The requirements related to the measurement of liabilities (and assets, if any) associated with asset retirement obligations in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

GASB Statement No. 93 – In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an IBOR. The requirements of this Statement, except for paragraphs 11b, 13, and 14 are effective for reporting periods beginning after June 15, 2020. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal years periods beginning after June 15, 2021.

GASB Statement No. 94 – In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

GASB Statement No. 96 – In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

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Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

GASB Statement No. 97 – In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements in (1) paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of this Statement are effective immediately. The requirements in paragraphs 6–9 of this Statement are effective for fiscal years beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

E. Fair Value Measurement

Investments are accounted for in accordance with the provisions of GASB Statement No. 72, *Fair Value Measurement and Application* for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. The City categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset’s fair value: level 1 inputs are quoted prices in active markets for identical assets, level 2 inputs are significant other observable inputs, and level 3 inputs are significant unobservable inputs.

F. Interest Earnings

Interest received on time deposits and investments is prorated quarterly to the following funds generally based on an average of three-month ending cash balances. Interest earned by other funds under this method is allocated to the General Fund.

- General, Measure E & G
- Development Fees
- Emergency Medical Services
- Asset Seizure
- Lighting, Landscape and Maintenance District
- Municipal Art
- Measure X
- SB1

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

- Local Public Safety
- Gas Tax
- SRA Public Improvement Grant
- Affordable Housing
- COP 1999 & COP 2004 Consolidation (2014)
- Energy Improvement Lease
- COP 2005 A & B 2015 Refunding
- Assessment District Reserve
- Special Aviation
- Assessment District Project
- Airport
- Industrial Waste
- Municipal Golf Courses
- Sanitary Sewer
- Storm Sewer
- Permit Services
- Landfill Garbage Surcharge
- Internal Service Funds
- Pension Trust Fund
- Successor Agency Trust Fund

G. Cash and Investments

Cash and Cash Equivalents - Cash and cash equivalents are considered to be amounts in demand deposits, and short-term investments with original, maturity of three months or less from the date of acquisition. For purposes of both the balance sheet and statements of cash flows, cash and cash equivalents include not only currency on hand, but deposits in the City's cash and investment pool. These deposits have the same characteristics for the participating funds as demand deposit accounts, in that the funds may deposit additional cash at any time and also effectively withdraw cash at any time without prior notice or penalty. Cash and cash equivalents also include restricted cash and money market funds held by fiscal agents. For purposes of cash flows, the City considers all liquid market investments with maturities of one year or less at time of purchase to be cash equivalents. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

Investment held in Local Agency Investment Fund - The City participates in the Local Agency Investment Fund (LAIF), an investment pool managed by the State of California. LAIF has invested portions of the pool funds in structured notes and asset-backed securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

collateralizing these investments. In addition, these structured notes and asset-backed securities are subject to market risk as a result of changes in interest rates.

LAIF determines fair value on its investments portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available.

The City valued its investments in LAIF as of June 30, 2020, by multiplying its account balance with LAIF times a fair value factor determined by LAIF value for all LAIF participants by total aggregate amortized cost.

Other Investments - Investments in nonparticipating interest earning contracts (certificate of deposits) are reported at cost, and all other investments are reported at fair value. Fair value is defined as the amount the City could reasonably expect to receive for an investment in a current sale between a willing buyer and seller and is generally measured by quoted market prices.

Deferred Compensation - The Deferred Compensation Plan is invested in deeds of trust secured by real or personal property and in real estate holdings. The trust deeds are considered nonparticipating interest earning investments and are reported at fair market value. See Note 13 for additional information on the various deferred compensation plans.

H. Restricted Cash and Investment with Fiscal Agents

Certain restricted cash and investments are held by fiscal agents for the redemption of bonded debt and for acquisition and construction of capital projects.

I. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Invoices that remain unpaid after 90 days may be referred to collections. An invoice sent to collection is written off.

J. Prepaid Bond Insurance, Original Issue Discounts and Premiums, and Refundings

Prepaid bond insurance costs are amortized using the straight-line method over the life of the bonds. Amortization of these balances is recorded as a component of operating expenses.

In the government-wide, proprietary fund and fiduciary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, proprietary fund and fiduciary fund financial statements. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Original issue premiums are amortized using the straight-line method over the life of the bonds. Gains or losses from refunding of debt are reported as deferred inflows or outflows of resources and amortized over the shorter of the life of the refunded debt or new refunding debt. Amortization of these balances are recorded as a component of interest expense.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

K. Special Assessment Districts

Special assessments are recorded as receivables when they become a lien on property. Special assessments not considered available are recorded as receivables and offset by unearned revenues. In general, special assessments and special tax bonds are fully secured by liens against the privately owned properties benefited by the improvement for which the bonds were issued. There is no reserve for delinquent receivables since priority liens exist against the related properties and hence the City's management believes value will ultimately be received by the City.

L. Interfund-fund Transactions

Interfund transactions are reflected as loans, services provided, reimbursements and/or transfers. Loans and balances related to unsettled service transactions are reported as receivables and payables as appropriate, are subject to elimination upon consolidation of similar fund types, and are referred to as either "due to/from other funds," i.e., the current portion of interfund loans and unsettled service transactions, or "advances to/from other funds," i.e., the noncurrent portion of interfund loans. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Services provided are deemed to be at market or near market rates and are treated as revenues and expenditures/expenses. Reimbursements are defined as when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

M. Inventory of Supplies

Inventory is valued on a first-in-first-out basis. Inventory in the General Fund consists of expendable supplies held for consumption by all departments of the City. The cost is recorded as an expenditure or expense in the appropriate fund at the time individual inventory items are withdrawn for use (consumption method). The General Fund inventory amount is recorded as a nonspendable portion of fund balance because such assets are not available for current operations.

N. Land Held for Resale

Land held for resale is being carried at cost, but no greater than the net realizable value. In the fund financial statements, this amount is recorded as a restricted portion of fund balance due to externally imposed grantor restrictions.

O. Restricted Assets

Assets that are restricted for specific uses by bonded debt requirements, grant provisions or other requirements are classified as restricted because their use is limited by applicable bond covenants or agreements.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

P. Capital Assets

Capital assets include land, buildings, improvements, vehicles and equipment, infrastructure, and all other tangible and intangible assets that are used in operations and that have initial useful lives in excess of one year. Capital assets are reported in the applicable governmental or business-type activity columns in the government-wide financial statements, the proprietary funds' statement of net position, and the private-purpose trust fund. Capital assets are defined as assets with an initial individual cost of more than \$10,000 for general capital assets and \$100,000 for major infrastructure assets, and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value, market based entry price at the time of contribution. Capital outlay is recorded as expenditures of the governmental funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met. Amortization of assets acquired under capital leases is based on the shorter of the lease term or the estimated useful life of the asset and is included in depreciation and amortization.

Buildings, improvements, infrastructure, vehicles and equipment, and furniture and fixtures are depreciated using the straight-line method (depreciation is calculated starting with the month following the date the asset was placed in service) over the following estimated useful lives:

Buildings	20-50 years
Other improvements	15-45 years
Infrastructure	10-50 years
Equipment	5-20 years

Q. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General, Special Revenue, and Capital Projects Funds. Encumbrances outstanding at year-end are reported as reservations of fund balance since they do not constitute expenditures or liabilities.

R. 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 statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category:

- Losses on refunding are reported as deferred outflows of resources in the government-wide financial statements.
- Deferred outflows of resources related to pensions are reported in the government-wide financial statements as described further in Note 14.
- Deferred outflows of resources related to OPEB are reported in the government-wide financial statements as described further in Note 15.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The City has the following items that qualify for reporting in this category:

- Unavailable revenues are reported only in the governmental fund balance sheet. The governmental funds report unavailable revenues from grants, taxes, and assessment receivable, and long-term notes receivable. These amounts are reported as unavailable and recognized as an inflow of resources in the period that the amounts become available.
- Gains on refunding are reported as deferred inflows of resources in the government-wide financial statements.
- Deferred inflows of resources related to pensions are reported in the government wide financial statements as described further in Note 14.
- Deferred inflows of resources related to OPEB are reported in the government wide financial statements as described further in Note 15.

S. Compensated Absences

Vacation, compensatory time, and related benefits are accrued as determined by the agreement between the City and the respective employees' collective bargaining group. For governmental funds, compensated absence obligations are recorded in the appropriate governmental funds when due. The portion not currently due is recorded in the government-wide financial statements. For proprietary funds, compensated absences are expensed when earned by employees. At year-end, the accrued but unpaid compensated absence obligations are recorded as current and non-current liabilities in the appropriate proprietary funds.

Eligible employees may accrue a maximum of 600 annual leave hours (75 days). Any hours accumulated in excess of 600 hours are paid at the employee's adjusted hourly rate of pay. For the Firefighter group the maximum is 840 hours for 56 hour shift employees and 600 for 40 hour shift employees. Employees with fewer than 20 years of service may request pay in lieu of annual leave up to a maximum of 10 days. Employees with more than 20 years of service may request a maximum of 15 days pay in lieu of annual leave.

T. Public Employees Retirement System (CalPERS)

Pensions - For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, 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 the City of Salinas. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

U. Unearned Revenue

Governmental funds report unearned revenue in connection with revenues that are not considered earned as of year-end. For additional information on unearned revenues, see Note 20.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

V. Claims and Judgments

Claims and judgments are recognized as expenditures when it is probable that the liability has been incurred and the amount of the loss can be reasonably estimated. This liability is recorded in the internal service fund that accounts for the City's self insurance activities.

W. Long-Term Debt

In the Government-wide Financial Statements and the proprietary fund types in the Fund Financial Statements, long-term debt and other obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net positions. Bond premiums and discounts are deferred and amortized over the life of the bonds using effective interest methods. Bonds payable are reported net of the applicable bond premium or discount. In the governmental funds statement of revenue, expenditures and changes in fund balance, issuance of debt is recorded as another financing source (use) in the respective fund. Issuance costs and payment of principal are reported as debt service expenditures.

X. Net Position

Net position represents total assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets, excluding unspent debt proceeds. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The City first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as follows:

- Net Investment In Capital Assets - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.
- Restricted Net Position - This category represents net position that have external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position - This category represents net amounts that do not meet the criteria for "restricted" or "net investment in capital assets."

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Y. Fund Balance

Under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the financial statements reporting for governmental funds classify fund balances based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which those funds can be spent. Fund balance for the City's governmental funds consists of the following categories:

- *Nonspendable Fund Balance* - includes amounts that are not in a spendable form, such as inventories, prepaid items, and long-term loans and notes receivables. It also includes amounts that are legally or contractually required to be maintained intact or required to be retained in perpetuity, such as the principal of an endowment fund.
- *Restricted Fund Balance* - includes amounts reported as restricted when constraints placed on the use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.
- *Committed Fund Balance* - includes amounts that have been limited to specific purposes as defined in the City Charter or through adoption of an ordinance by the City Council, the highest level of decision making authority of the City. These commitments may be changed or lifted, but only by the same formal action that was used to impose the constraint originally. City Council action to commit fund balance must occur within the fiscal reporting period while the amount committed may be subsequently determined.
- *Assigned Fund Balance* - includes amounts that are intended to be used by the City for specific purposes through City Council budgetary action, which include the approval of appropriations and revenue sources pertaining to the next fiscal year's budget. Intent is expressed by (a) the City Council or (b) a body or official to which the City Council has delegated the authority to assign amounts to be used for specific purpose.
- *Unassigned Fund Balance* - includes amounts within the General, Measure E, & Measure G Funds, the residual resources, either positive or negative, in excess of what can be properly classified in one of the other four fund balance categories, unassigned amounts are technically available for any purpose. Other governmental funds may only report a negative unassigned balance that was created after classification in nonspendable, restricted, and committed fund balance.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance categories, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

Z. Property Taxes

Property taxes are collected on behalf of and remitted to the City by the County of Monterey (the "County"). The amount of property tax levies is restricted by Article 13A of the California State Constitution (commonly referred to as Proposition 13).

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

The County assesses property values, levies, bills, and collects the related property taxes as follows:

	Secured	Unsecured
Valuation/lien dates	January 1	January 1
Levy dates	January 1	January 1
Due dates (delinquent after)	50% on November 1 (December 10) 50% on February 1 (April 10)	July 1 (August 31)

The City has not elected to participate in the “Teeter Plan” offered by the County whereby cities receive 100% of secured property and supplemental property taxes levied in exchange for foregoing any interest and penalties collected on the related delinquent taxes. The City retains the right to any interest and penalties collected on the related delinquent taxes. Accordingly, property tax revenues are recognized in the fiscal period for which they are levied and collected, adjusted for any amounts deemed uncollectible and amounts expected to be collected more than 60 days after the fiscal year.

General property taxes are based on either a flat 1% rate applied to the fiscal year 1976 full value of the property or on 1% of the sales price of the property on sales transactions and construction that occur after the fiscal year 1976 valuation. Assessed values on properties (exclusive of increases related to sales and construction) can rise at a maximum of 2% per year depending on increases in the consumer price index.

AA. Self-Insurance

The City is self-insured for workers’ compensation, general, automobile, and public liability claims. The City’s estimated liability for claims as of June 30, 2020 is based on the claim manager’s estimate of probable losses plus an amount estimated for incurred but not reported claims. An Internal Service Fund is used to account for the collection of premiums from various City departments related to workers’ compensation claims and general claims liabilities. Premiums are established based on historical claims experience. Additionally, the City contracts with third party administrators for claims management.

BB. Use of Estimates

A number of estimates and assumptions relating to the reporting of revenues, expenditures/ expenses, assets, deferred outflows of resources, liabilities, deferred inflows of resources, and the disclosure of contingent liabilities were used to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

2. Stewardship, Compliance and Accountability:

A. Budgeting

The Budget is prepared by the City Manager and adopted by City Council. Formal budgetary integration was employed as a management control device during the fiscal year for the General, Measure E & Measure G Fund, Special Revenue Funds and Capital Projects Funds.

The City Manager may transfer budget appropriations between departments and Department Directors may transfer appropriations between programs and accounts within their individual departments and divisions, but only the Council by resolution may appropriate funds from reserves or fund balances.

Budgets for General, Special Revenue and Capital Projects Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Reserves for future lease commitments have been established for accounting purposes and the fund balance is reserved for the total lease commitment consistent with budget policies.

Budget policy excludes taxes, interest, and accounts receivable assets, which are not currently available resources for budget purposes, and condemnation deposits which are returned upon right of way acquisition.

Expenditures may not legally exceed budgeted appropriations at the government level. Budgeted amounts shown are as originally adopted or as amended by the City Council during the year. Additional supplementary appropriations were adopted during the mid-year review.

Appropriations lapse at fiscal year end and then are re-budgeted for the coming year. Project-length financial plans are adopted for all capital projects funds and appropriations are carried forward until project completion. Grant funds are carried forward until the grant expires.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Encumbrances outstanding at year-end are recorded as reservations of fund balance and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

For additional information on budgetary policy and control see Required Supplementary Information.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

B. Deficit Fund Balance

At June 30, 2020, the following funds had a deficit fund balance or deficit net position:

Major Funds

Business-type Activities

Municipal Golf Courses Fund	\$ 9,229,429
Downtown Parking District Fund	\$ 5,125,496

Non-Major Funds

Governmental Activities

Debt Service Funds

2018 Lease-PS Building Police	\$ 2,265
2018 Lease-El Gabilan Library	\$ 2,470
Assessment District Administration	\$ 2,178

Enterprise Funds – Municipal Golf Courses Fund

The deficit net asset balance of \$9,229,429 is a result of the interest on long-term bonds for the 2015A Certificates of Participation and the 2008 Certificates of Participation amounting to \$2,940,000 and \$4,280,000, respectively, that also exceed the related assets. This deficit will continue to decline over time as the bonds are paid back.

Enterprise Funds – Downtown Parking District Fund

The deficit net position in the Downtown Parking District Fund of \$5,125,496 is a result of operating cost in excess of operating revenues and the long-term lease payable amounting to \$10,141,000. This deficit will continue to decline over time as the lease payable is collected.

Non-Major Debt Service Funds

The deficit net position in the non-major debt service funds is the result of timing of transfers from other funds to cover debt service payments. This deficit will decline as transfers are made to reimburse the non-major debt service funds.

3. Debt Compliance:

There are a number of limitations and restrictions contained in the various bond indentures. The City believes it is in compliance with all significant limitations and restrictions.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

4. Cash and Investments:

The City's cash and investments at June 30, 2020 are included in the accompanying basic financial statements as follows:

	<u>Government-Wide Statement of Net Position</u>			<u>Fund Financials</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Fiduciary Funds Statement of Net Position</u>	<u>Total</u>
Cash and Investments	\$ 151,221,066	\$ 17,544,240	\$ 168,765,306	\$ 13,356,472	\$ 182,121,778
Restricted Cash and Investments	1,230,861	1,949,081	3,179,942	1,617,892	4,797,834
Total Cash and Investments	<u>\$ 152,451,927</u>	<u>\$ 19,493,321</u>	<u>\$ 171,945,248</u>	<u>\$ 14,974,364</u>	<u>\$ 186,919,612</u>

Cash and investments at June 30, 2020 consisted of the following:

Cash and cash equivalents	
Demand accounts at banks	\$ 5,721,766
Money market	3,968,511
Deposits held in trust by fiscal agent	185,136
Money market held in trust by fiscal agent	37,344,517
State local agency investment fund (LAIF)	126,059,952
Petty cash and revolving fund	25,000
	<u>173,304,882</u>
Investments	
Investments held in trust by fiscal agent	7,394,103
Deferred compensation	
Investment in trust deeds and properties	6,220,627
	<u>13,614,730</u>
Total cash and investments	<u>\$ 186,919,612</u>

Deposits

At June 30, 2020, the carrying amount of the City's deposits was \$5,721,766. The bank balance was \$7,121,011. The difference is due to outstanding checks and deposits in transit. All bank balances are insured or collateralized.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Investments

Investments permitted by the City’s investment policy include the following:

- Certificates of Deposit
- Repurchase Agreements
- Bankers Acceptances
- Guaranteed Investment Contracts
- U.S. Treasury Bills and Notes
- State of California Local Agency Investment Fund
- Government Agency Securities
- Passbook Savings Accounts
- Mutual Funds
- Interest Bearing Checking Accounts
- Commercial Paper

The Deferred Compensation Plan is permitted by City resolution to invest in deeds of trust secured by real or personal property.

Investment income from cash and investments held by fiscal agents are credited directly to the related funds.

The City participates in the California Local Agency Investment Fund (LAIF), an investment pool managed by the State of California. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. At June 30, 2020, the total fair value amount invested by all public agencies in LAIF is \$101.6 billion managed by the State Treasurer. Of that amount, 3.37% is invested in medium-term and short-term structured notes and asset-back securities. No amounts were invested in derivative financial products. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The fair value of the Authority’s investment in this pool is reported in the accompanying financial statements at amounts based upon the City’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

As of June 30, 2020, the City had the following investment and maturities:

	Maturities			Total
	0-12 months	1-5 years	over 5 years	
Investment Agreements	\$ 3,124,693	\$ 4,269,410	\$ -	\$ 7,394,103
Trust Deeds-Def Comp	-	6,220,627	-	6,220,627
Total	\$ 3,124,693	\$ 10,490,037	\$ -	\$ 13,614,730

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. As a means of limiting exposure to fair value losses from rising interest rates, the City's investment policy limits the maturity of investments in accordance with Government Code Sections 53601(a)-(n) and 53636(a)-(m). It is the City's policy to ladder investments so that there are always investments coming due to meet cash flow requirements. Because the Local Agency Investment Fund as of June 30, 2020 had an average life of 191 days, it was presented as an investment with a maturity of 0-12 months. However, LAIF allows the City to make withdrawals of any amount within 24 hours. Information about the sensitivity of the fair values of the City investments to market interest rate fluctuations is provided by the preceding table that shows the distribution of the City's investment by maturity.

Summarized below are the ratings of the City's cash and investments:

	<u>Fair Value</u>	<u>S&P</u>	<u>Moody's</u>	<u>% of Total</u>
Demand accounts at banks	\$ 5,721,766	NR	NR	3.06%
Money Market at Rabobank	3,968,511	A-1	Aa2	2.12%
Deposits held in trust by fiscal agent	185,136	BBB+	Baa1	0.10%
Money Market held in trust by fiscal agent				
Fidelity Investment MM Gov	2,228,762	AAAm	Aaa-mf	1.19%
Third Fed Svgs + LN Assn	250,938	NR	NR	0.13%
Dreyfus Gov Cash Management	421,492	NR	NR	0.23%
Capital GTY	1	NR	NR	0.00%
Live Oak BKG CO Wilmington	233,463	NR	NR	0.13%
Insurance Reserve	692,055	NR	NR	0.37%
Wells Fargo & Co	57	A-	A2	0.00%
Wilmington Trust, NA	33,517,749	A	A2	17.93%
Petty cash and revolving fund	25,000	NR	NR	0.01%
Local Agency Investment Fund	126,059,952	NR	NR	67.44%
Investment Agreements				
Municipal bonds	255,112	AA	NR	0.14%
Corporate bonds	1,001,220	A-	A2	0.54%
	1,011,730	AA-	Aa2	0.54%
	1,025,880	AA+	Aaa	0.55%
Certificates of deposit	3,124,694	NR	NR	1.67%
Westdeutsche Landesbank	975,467	NR	NR	0.52%
Trust Deeds-Def Comp	6,220,627	NR	NR	3.33%
Total	<u>\$ 186,919,612</u>			<u>100.00%</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer. However, the City's investment policy calls for portfolio diversification by avoiding over concentration in a specific maturity sector or specific investments. The City's portfolio is detailed in the preceding table (see above).

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy limits safekeeping of investments to third-party custody.

All of the City's deposits are either insured by the Federal Depository Insurance Corporation (FDIC) up to \$250,000 or collateralized with pledge securities held in the trust department of the financial institution in the City's name.

Fair Value Measurement and Application

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the City's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the City's own data.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

The asset's level within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used, need to maximize the use of observable inputs and minimize the use of unobservable inputs. The determination of what constitutes observable requires judgment by the City's management. City management considers observable data to be that market data, which is readily available, regularly distributed or updated, reliable, and verifiable, not proprietary, and provided by multiple independent sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based upon the relative observability of the inputs to its fair value measurement and does not necessarily correspond to City management's perceived risk of that investment.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Deposits and withdrawals in governmental investment pools, such as LAIF, are made on the basis of \$1 and not fair value. Accordingly, the City's measured fair value of its proportionate share in these types of investments is based on uncategorized inputs not defined as a Level 1, Level 2, or Level 3 input. Non-negotiable FDIC-insured bank certificates of deposit are priced at par.

The following is a description of the valuation methods and assumptions used by the City to estimate the fair value of its investments:

- When available, quoted prices are used to determine fair value. When quoted prices in active markets are available, investments are classified within Level 1 of the fair value hierarchy.
- The City held one type of investment that is measured using Level 3 inputs, Trust Deeds. The City administers a Trust Deposit Fund that includes a Deferred Compensation Plan funded solely by the voluntary salary reductions. The Trust Deed Program is managed on a cash basis with interest posted when received and expenditures posted when paid. Trust Deed notes secured by property taken back in foreclosure and held for resale, are valued by independent real estate professionals (market approach), and trust deed notes are valued at their present value (income approach). The valuations are considered Level 3. The value of properties held for resale are reduced for cost of sales. The notes (loans) are valued based on amounts investors would likely pay for notes with interest rates ranging from 6% to 11% discounted to provide loan to values ranging from 70% to 50% depending on property type and condition, borrowers payment history, and term remaining on note.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

There have been no changes in the methods and assumptions used at June 30, 2020. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. City management believes its valuation methods are appropriate and consistent with other market participants. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The City had the following recurring fair value measurements as of June 30, 2020:

Investment Type	Total	Level 1	Level 2	Level 3
Investment Agreements				
Bonds	\$ 3,293,942	\$ 3,293,942	\$ -	\$ -
Certificates of deposit	3,124,694	-	3,124,694	-
Equities	975,467	975,467	-	-
Trust Deeds-Def Comp	6,220,627	-	-	6,220,627
	13,614,730	<u>\$ 4,269,409</u>	<u>\$ 3,124,694</u>	<u>\$ 6,220,627</u>

Investments Not Measured at Fair Value

Demand accounts at banks	5,721,766
Money Market at Rabobank	3,968,511
Deposits held in trust by fiscal agent	185,136
Money Market Funds	
Fidelity Investment MM Gov	2,228,762
Third Fed Svgs + LN Assn	250,938
Dreyfus Gov Cash Management	421,492
Capital GTY	1
Live Oak BKG CO Wilmington	233,463
Wells Fargo & Co	57
Insurance Reserve	692,055
Wilmington Trust, NA	33,517,749
Petty cash and revolving fund	25,000
Local Agency Investment Fund	<u>126,059,952</u>
Total Investments	<u>\$ 186,919,612</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

5. Restricted Assets:

Cash and investments of \$3,179,942 are recorded as restricted assets at June 30, 2020 as follows:

Governmental Funds:		
Assessment District Debt Service - restricted to cover	\$	117,315
Debt service funds - restricted for debt service payments		183,852
Capital project funds - restricted for debt service payments		237,639
Enterprise Funds:		
Golf Courses - restricted to cover expenses of debt service	\$	338,951
Sanitary Sewer - restricted to cover expenses of debt service	<u>1,610,130</u>	1,949,081
Internal Service Fund:		
Restricted for insurance claims		<u>692,055</u>
Total Restricted Assets	\$	<u><u>3,179,942</u></u>

6. Taxes Receivable:

Taxes receivable recorded in the General, Measure G & E Fund of \$16,412,746 represent amounts due for the quarter ended June 30, 2020 for the following taxes:

Sales Tax	\$	5,506,924
Measure E Transaction and Use Tax		2,358,289
Measure G Transaction and Use Tax		4,731,690
Utility Users Tax		1,242,125
Franchise Tax		807,582
Business Tax		734,812
Transient Occupancy Tax		411,011
Property Tax		844,840
Other Taxes		138,766
Property Transfer Tax		<u>84,059</u>
Total	\$	<u><u>16,860,098</u></u>

7. Assessment Receivable:

Debt Service Fund – Assessments receivable recorded in the Assessment District Debt Service Fund of \$6,905,000 at June 30, 2020, will be collected from property owners to retire outstanding bond principal issued for improvements in special assessment districts. Cash and investments at June 30, 2020 of \$2,431,832 are available to make bond and interest payments of \$626,215 that are due on September 1, 2020.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Assessment receivables in the amount of \$1,560,000 are not expected to be collected within the subsequent year.

8. Due From Outside Agencies:

Due from outside agencies consists of the following:

	Federal	State	Other	Total
Governmental Activities:				
General Fund:				
Welcome Center	\$ -	\$ -	\$ 75,000	\$ 75,000
	-	-	75,000	75,000
Special Revenue Funds:				
Dept. of Housing & Urban Development:				
CDBG Improvement Program	109,437	-	-	109,437
HOME Investment Program	-	-	-	-
Emergency Shelter Grant	156,570	-	-	156,570
Cable Franchise	-	-	37,702	37,702
CA Department of Community Development	-	25	-	25
CA Emergency Solutions & Housing	-	218,722	-	218,722
CA Highway Users Tax	-	299,977	-	299,977
City of Pacific Grove	-	-	33,545	33,545
County of Monterey	-	67,818	1,258,194	1,326,012
Department of Parks & Recreation	-	1,347	-	1,347
Office of Traffic Safety	5,750	-	-	5,750
Federal Drug Enforcement	30,608	-	-	30,608
Federal Emergency Management Agency	297,439	-	-	297,439
SB1 Road Maintenance & Rehab	-	430,572	-	430,572
Twin Creeks Homeowners Association	-	-	8,779	8,779
U.S. Department of Justice	109,642	-	-	109,642
U.S. Department of Homeland Security	254,372	-	-	254,372
	963,818	1,018,461	1,338,220	3,320,499
Capital Projects Funds:				
CA Department of Transportation	-	32,509	-	32,509
CA Office of Emergency Services	-	8,850	-	8,850
Developers	-	-	1,385,555	1,385,555
Federal ATP Grant	5,456	-	-	5,456
Federal Aviation Administration	467,976	-	-	467,976
Federal HSIP	281,783	-	-	281,783
Homeland Security-FEMA	46,054	-	-	46,054
Monterey County - RSTP	-	338,006	-	338,006
Monterey Bay Air Resource District	-	133,124	-	133,124
State Water Grant	-	41,409	-	41,409
U.S. Department of Treasury	4,416	-	-	4,416
	805,685	553,898	1,385,555	2,745,138
Total Governmental Activities	1,769,503	1,572,359	2,798,775	6,140,637

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

	Federal	State	Other	Total
Business-Type Activities:				
Downtown Parking				
Successor Agency to the				
Salinas Redevelopment Agency	-	-	203,834	203,834
Primary Government Totals	\$1,769,503	\$1,572,359	\$3,002,609	\$6,344,471

9. Interfund Transactions:

Interfund Receivables/Payables (Due to/Due from) – The composition of interfund balances as of June 30, 2020 was as follows:

<u>Due From:</u>	<u>Due To</u>			Total
	<u>Governmental Activities</u>			
	General	Capital Projects	Internal Service	
Primary Government				
Governmental Activities:				
Major Funds:				
General, Measure G & E	\$ -	\$ 288,185	\$13,381,563	\$13,669,748
Special Construction Assistance	742,040	-	-	742,040
Non-Major Funds:				
Lighting, Landscape & Maintenance	42,996	294	-	43,290
Local Public Safety	1,063	-	-	1,063
Development Fee	269	50,101	-	50,370
Gas Tax	75,309	39,444	-	114,753
Emergency Medical Services	-	97,582	-	97,582
Measure X Transport Safety & Inv Plan	-	26,622	-	26,622
SB1 Road Maintenance & Rehab	-	269,200	-	269,200
Comm Dev Act of 1974	417,749	-	-	417,749
Grants	728,081	-	-	728,081
Assessment District Administration	2,178	-	-	2,178
2019 Spec Tax Bond Monte Bella	214,437	-	-	214,437
Total Governmental Activities	2,224,122	771,428	13,381,563	16,377,113
Business Type Activities:				
Airport	-	285	-	285
Industrial Waste	-	11,837	-	11,837
Municipal Golf Courses	226,298	-	-	226,298
Sanitary Sewer	-	11,734	-	11,734
Downtown Parking District	1,559,464	-	-	1,559,464
Permit Services	-	8,625	-	8,625
Total Business Type Activities	1,785,762	32,481	-	1,818,243
Total Primary Government	\$4,009,884	\$ 803,909	\$13,381,563	\$18,195,356

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Internal Balances - The composition of advances to/from other funds as of June 30, 2020 was as follows:

<u>Advances Due From:</u>	<u>Advances Due To</u>
	<u>Governmental Activities</u>
	<u>General Fund</u>
Business Type Activities:	
Golf Course	\$ 3,750,000
Downtown Parking	2,785,000
Total Business Type Activities	6,535,000
Total Primary Government	\$ 6,535,000

Interfund Transfers – Interfund transfers are legally authorized transfers between funds in which one fund is responsible for the initial receipt of funds and another fund is responsible for the actual disbursements. The composition of interfund balances as of June 30, 2020 was as follows:

	Operating Transfers In	Operating Transfers Out	Transfers For:
General Fund	\$ 4,048,279	\$24,824,244	Capital projects, debt service, & other operating costs
Special Revenue Funds:			
Lighting, Landscape & Maintenance	-	73,651	Capital projects & debt service
Local Public Safety	-	388,000	Capital projects
Development Fee	44,571	641,863	Capital projects
Gas Tax	-	3,676,168	Capital projects & street maintenance
Emergency Medical Services	953,200	161,352	Capital projects & operating costs
Traffic Safety	-	250,000	Operating costs
Vehicle Abatement Program	50,000	-	Operating costs
Contributions & Donations	987	-	Operating costs
Measue X Transport Safety & Inv Plan	-	2,651,436	Capital projects
SB1 Road Maintenance & Rehab	-	1,433,246	Capital projects
Affordable Housing	-	75,713	Operating costs
Housing and Urban Development	15,225	797,497	Grant projects
Grants	4,972	-	Grant projects
	1,068,955	10,148,926	
Debt Service Funds:			
2018 Lease-PS Building Police	1,208,116	-	Debt Service
COP 2018B T.R.I.P	2,328,702	-	Debt Service
Energy Improvement	1,570,107	-	Debt Service
2015 Refunding COP 2005A&B	699,789	-	Debt Service
2018 Lease-El Gabilan Library	6,048,705	-	Debt Service
2019 Spec Tax Bond Monte Bella 2	355,988	-	Debt Service
	12,211,407	-	
Capital Projects Funds:			
Construction Assistance	124,003	170,345	Capital projects
2019 Spec Tax Bond Monte Bella 2	-	751,744	Capital projects
Capital Project	10,181,009	-	Capital projects
	10,305,012	922,089	
Internal Service Funds:			
General Liability-Self Insurance	2,202,900	-	Operating costs
Fleet Maintenance	1,995,400	-	Operating costs
	4,198,300	-	
Total Governmental Activities	31,831,953	35,895,259	

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

	Operating Transfers In	Operating Transfers Out	Transfers For:
Enterprise Funds:			
Airport	729,202	80,689	Capital projects & debt service
Industrial Waste	-	110,554	Capital projects, operating & debt service
Sanitary Sewer	319,839	161,783	Capital projects
Storm Sewer	4,066,524	-	Capital projects & operating costs
Landfill Garbage Surcharge	-	385,100	Debt Service
Downtown Parking District	-	34,145	Debt Service
Permit Services	-	279,988	Capital projects
Total Business Type Activities	<u>5,115,565</u>	<u>1,052,259</u>	
Total Governmental & Business Activities	<u>\$36,947,518</u>	<u>\$36,947,518</u>	

10. Loans Receivable, Net of Allowance:

At June 30, 2020, receivables of the City's major individual funds and non-major funds taken in aggregate, including the applicable allowance for uncollectible accounts are as follows:

Type of Loan	CDBG	Low & Moderate Income Housing Asset	Total Governmental Activities	Fiduciary Funds
Housing Program Developer, rehabilitation, second mortgage and relocation loans	\$ -	\$ -	\$ -	\$ -
Loans funded by federal grants	21,477,618	-	21,477,618	-
Economic development real estate developer and other loans	-	10,090,413	10,090,413	173,900
Less: Allowance for Uncollectibles	(21,234,974)	(10,073,842)	(31,308,816)	-
Total loans, net	<u>\$ 242,644</u>	<u>\$ 16,571</u>	<u>\$ 259,215</u>	<u>\$ 173,900</u>

The City uses funds generated from the former Agency Housing Loans as well as other state and federal funding sources to offer financial assistance to qualified developers, individuals and families by providing loans at “below market” interest rates.

Typical loans and related terms are summarized as follows:

Loan Type	Interest Rates	Due
Affordable Housing	0 - 4%	up to 55 years
Multi-unit rental rehabilitation	3%	5 or more years
First time home buyer	3%	7 to 40 years
Home Improvement	3 - 6%	1 to 30 years

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Loans are secured by first or second in lien-property deeds of trust except for first time homebuyer loans, which are all secured by second deeds of trust. Interest and principal are typically due in installments, except for first time homebuyer, which do not require payments until their maturity dates.

The City has also invested in multi-family rental housing projects serving low to moderate income individuals through subordinate loans with terms of up to 55 years. Generally, these loans are to be repaid through fixed payments or net cash flow payments from project operations and the term and potential risk of each loan varies. Because of the net cash flow feature of these subordinate loans, there is greater risk of variability in the timing of payments and, potentially, a lower probability of eventual repayment on these subordinate loans than on other loan types.

Accordingly, for financial statement purposes, the City has established an allowance account for these loans receivable due to the contingent nature of the repayment schedules of these loans.

11. Land and Properties Held for Resale:

Land and properties held for resale consisted of the following at June 30, 2020:

<u>Special Revenue Fund</u>	
137, 145 & 151 Division Street	\$ 850,000
 <u>Affordable Housing Fund - Central City Housing</u>	
17 & 19 Soledad Street	370,693
9 & 11 Soledad Street	129,738
	500,431
 <u>Affordable Housing Fund -Sunset Avenue Merged Housing</u>	
115 Division Street	335,947
123 Division Street	300,000
923 E. Market Street	521,175
	1,157,122
Total Land and Properties Held for Resale	\$ 2,507,553

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

12. Capital Assets:

Capital asset activity for the fiscal year ended June 30, 2020 was as follows:

	*Restated Balance June 30, 2019	Additions	Adjustments/ Retirements	Balance June 30, 2020
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 26,141,392	\$ -	\$ (241,406)	\$ 25,899,986
Construction in progress*	132,656,758	5,376,235	(1,314,215)	136,718,778
Total assets not being depreciated	<u>158,798,150</u>	<u>5,376,235</u>	<u>(1,555,621)</u>	<u>162,618,764</u>
Capital assets, being depreciated:				
Buildings and improvements	45,950,880	124,407	262,053	46,337,340
Improvements other than buildings	15,766,022	-	-	15,766,022
Machinery and equipment	39,028,559	2,796,098	(1,086,933)	40,737,724
Infrastructure	243,208,588	4,199,645	1,052,162	248,460,395
Total assets being depreciated	<u>343,954,049</u>	<u>7,120,150</u>	<u>227,282</u>	<u>351,301,481</u>
Less accumulated depreciation	<u>(219,441,309)</u>	<u>(10,847,493)</u>	<u>1,050,515</u>	<u>(229,238,287)</u>
Total capital assets being depreciated, net	<u>124,512,740</u>	<u>(3,727,343)</u>	<u>1,277,797</u>	<u>122,063,194</u>
Governmental Activities capital assets, net	<u>\$ 283,310,890</u>	<u>\$ 1,648,892</u>	<u>\$ (277,824)</u>	<u>\$ 284,681,958</u>
Business-type Activities				
Capital assets, not being depreciated:				
Land	\$ 3,632,339	\$ -	\$ -	\$ 3,632,339
Construction in progress*	5,158,024	1,677,206	(2,367,288)	4,467,942
Total assets not being depreciated	<u>8,790,363</u>	<u>1,677,206</u>	<u>(2,367,288)</u>	<u>8,100,281</u>
Capital assets, being depreciated:				
Buildings and improvements	27,266,967	-	256,087	27,523,054
Improvements other than buildings*	24,540,237	197,336	1,970,681	26,708,254
Machinery and equipment	8,157,450	163,581	112,020	8,433,051
Infrastructure	236,689,231	441,697	-	237,130,928
Total assets being depreciated	<u>296,653,885</u>	<u>802,614</u>	<u>2,338,788</u>	<u>299,795,287</u>
Less accumulated depreciation*	<u>(187,795,490)</u>	<u>(6,211,966)</u>	<u>28,500</u>	<u>(193,978,956)</u>
Total capital assets being depreciated, net	<u>108,858,395</u>	<u>(5,409,352)</u>	<u>2,367,288</u>	<u>105,816,331</u>
Business-type Activities capital assets, net	<u>\$ 117,648,758</u>	<u>\$ (3,732,146)</u>	<u>\$ -</u>	<u>\$ 113,916,612</u>

CITY OF SALINAS
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For the Fiscal Year Ended June 30, 2020

Depreciation expense was charged to functions of the primary government as follows:

Governmental activities:	
General government	\$ 540,904
Police	1,800,862
Fire	1,274,917
Public works, including infrastructure assets	6,152,294
Recreation and parks	947,305
Library	<u>131,211</u>
Total depreciation expense - governmental activities	<u>\$ 10,847,493</u>
Business-type activities:	
Airport	\$ 873,034
Industrial waste	502,717
Municipal golf courses	118,605
Sanitary sewer	1,431,632
Storm sewer	2,674,522
Water utility	10,044
Downtown parking	587,634
Permit Services	<u>13,778</u>
Total depreciation expense - business-type activities	<u>\$ 6,211,966</u>

13. Deferred Compensation Plan:

The City has four deferred compensation plans created in accordance with Internal Revenue Code Section 457. The Small Business Job Protection Act of 1996 requires the establishment of a trust or similar vehicle to ensure that the assets of Deferred Compensation Plans under the Internal Revenue Code Section 457 are protected and used exclusively for the benefit of Plan participants and/or their beneficiaries. According to these laws the City established Employer Trust arrangements for each of the Plans before January 1, 1999.

The City has established Employer Trust agreements with ICMA Retirement Corporation, Mass Mutual Financial Group, and Central Coast Credit Union. In 1998, the City Council adopted a Resolution amending the City administered deferred compensation plans to conform to the new law protecting the plan participant assets from any claim against the City. Under the Trust arrangement, individual accounts maintained by the record-keeper used for receiving contributions and paying distributions must be subject to the Trust. The existence of the Trust does little to change the Plan structure except to add a layer of protection for money set aside for the employee against claims of the Employer's creditors. The law also allows an increase in the amount a participant may contribute to differ each year, based on changes in the consumer price index.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

International City Manager's Association (ICMA) Retirement Corporation

The International City Manager's Association Retirement, Inc., Plan had 389 participants and a balance of \$47,848,396 at June 30, 2020. All employees are eligible to participate through voluntary salary deduction. Some management employees participated in lieu of participation in the New York Life Retirement Program until June 19, 1995 when a qualified 401(a) retirement program was established. These assets are not reported on the City's financial statements at June 30, 2020 pursuant to the Employer Trust established by the City with ICMA Retirement Corporation during November 1997.

Trust Deed Program

The City administers a Trust Deposit Fund that includes a deferred compensation plan funded solely by the voluntary salary reductions. The goal of the Trust Deed program is to invest participants' funds in short-term deeds of trust (notes). This investment option is administered within the City of Salinas by the City's appointed administrator of the Deferred Compensation Plan. Loans are based on equity after obtaining a fee appraisal. All property is physically inspected and the loan package is reviewed and approved/disapproved by a Deferred Compensation Committee. All employees are eligible to participate. The Plan had 236 participants and a balance of \$7,286,109 in net assets at June 30, 2020. The balance in these plans is available to employees only upon termination, retirement, death or unforeseen emergency. While the Employer Trust established by the City on December 15, 1998 protects these funds from creditors of the City, because the City administers the plan assets, they are included in the City's financial statements at June 30, 2020.

The Trust Deed Program is managed on a cash basis with interest posted when received and expenditures posted when paid. Interest and expenditures are allocated to participants based on month end cash balances. Trust deed notes secured by property taken back in foreclosure, are reevaluated based on the current market value of the property. When the value of property taken back in foreclosure is less than the note secured by that property, the note is written-down to current market value (less foreclosure and sales expenses) of the property. Gains are recognized only when properties are sold. Gains or losses are allocated to plan participants based on month end cash balances.

As of June 30, 2020, properties held for resale were valued by independent real estate professionals (market approach) and trust deed notes were valued at their present value (income approach). The valuations are considered Level 3. The value of properties held for resale are reduced for cost of sales. The notes (loans) are valued based on amounts investors would likely pay for notes with interest rates ranging from 6% to 11% discounted to provide loan to values ranging from 70% to 50% depending on property type and condition, borrowers payment history and term remaining on note. The change in net realizable values are reflected in the Statement of Changes in Net Position – Fiduciary Funds (page F-44).

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Central Coast Federal Credit Union (CCFCU)

This third deferred compensation plan was established in August 1993 with Central Coast Federal Credit Union. The plan funds are backed by the full faith and credit of the U.S. Government and are also insured by the National Credit Union Administration (NCUA), an agency of the federal government for up to \$250,000. Central Coast collateralizes any amounts invested in their savings accounts in excess of NCUA insurance limits in accordance with applicable law. As of June 30, 2020 there were 86 participants with a balance of \$6,949,609. All employees are eligible to participate through voluntary salary deductions. The assets for this plan are not reported on the City's financial statements.

Mass Mutual Financial Group

The fourth Deferred Compensation plan was established in September 2000 with Mass Mutual Financial Group. This retirement savings plan enables employees to defer a portion of their current compensation for payment at a later date, generally retirement. Salary deferrals (or contributions) are voluntary, and are made through the ease of payroll deductions. Mass Mutual offers a variety of investment vehicles that vary in risk, term and return to the investment. These investment options are offered through a group variable annuity contract. There were 31 participants with a balance of \$3,127,883 at June 30, 2020. All employees are eligible to participate through voluntary salary deductions. The assets for this plan are not reported on the City's financial statements.

14. Retirement Programs:

I. Defined Benefit Pension Plans

The City of Salinas provides defined benefit retirement program benefits through the California Public Employees' Retirement System (CalPERS) and New York Life. As of June 30, 2020, the City was contributing to agent multiple-employer defined benefit pension plans and cost-sharing multiple-employer defined benefit pension plans through CalPERS, and was also contributing to a single-employer defined benefit pension plan through New York Life.

The City's net pension liability as of June 30, 2020 is as follows (recorded as of the measurement date of June 30, 2019 and August 31, 2019):

<u>Net Pension Liability</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Net Pension Liability</u>
CalPERS pension plans:			
Agent Multiple-Employer Miscellaneous	\$ 29,172,575	\$ 4,749,026	\$ 33,921,601
Agent Multiple-Employer Safety-Police	110,133,372	-	110,133,372
Cost Sharing Multiple-Employer			
Safety - Fire (Tier 1 & Tier 2)	47,927,704	-	47,927,704
New York Life - Single Employer	14,643,410	-	14,643,410
Total net pension liability	<u>\$201,877,061</u>	<u>\$ 4,749,026</u>	<u>\$ 206,626,087</u>

CITY OF SALINAS
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For the Fiscal Year Ended June 30, 2020

The City's deferred outflows of resources related to pensions as of June 30, 2020 is as follows (recorded as of the measurement date of June 30, 2019 and August 31, 2019):

Deferred Outflows of Resources	Governmental Activities	Business-type Activities	Total Deferred Outflows
CalPERS pension plans:			
Agent Multiple-Employer Miscellaneous	\$ 10,748,143	\$ 1,749,701	\$ 12,497,844
Agent Multiple-Employer Safety-Police	18,621,300	-	18,621,300
Cost Sharing Multiple-Employer Safety - Fire (Tier 1 & Tier 2)	15,798,391	-	15,798,391
New York Life - Single Employer	3,526,748	-	3,526,748
Total deferred outflows of resources	<u>\$ 48,694,582</u>	<u>\$ 1,749,701</u>	<u>\$ 50,444,283</u>

The City's deferred inflows of resources related to pensions as of June 30, 2020 is as follows (recorded as of the measurement date of June 30, 2019 and August 31, 2019):

Deferred Inflows of Resources	Governmental Activities	Business-type Activities	Total Deferred Inflows
CalPERS pension plans:			
Agent Multiple-Employer Miscellaneous	\$ 815,408	\$ 132,742	\$ 948,150
Agent Multiple-Employer Safety-Police	1,623,744	-	1,623,744
Cost Sharing Multiple-Employer Safety - Fire (Tier 1 & Tier 2)	7,518,406	-	7,518,406
New York Life - Single Employer	-	-	-
Total deferred inflows of resources	<u>\$ 9,957,558</u>	<u>\$ 132,742</u>	<u>\$ 10,090,300</u>

The City's total pension expenses for the fiscal year 2019-2020, including employee contributions, normal costs and annual amortization of prior service is as follows:

Pension Expense	Governmental Activities	Business-type Activities	Total Pension Expense
CalPERS pension plans:			
Agent Multiple-Employer Miscellaneous	\$ 5,600,292	\$ 911,676	\$ 6,511,968
Agent Multiple-Employer Safety-Police	21,788,904	-	21,788,904
Cost Sharing Multiple-Employer Safety - Fire (Tier 1 & Tier 2)	9,796,062	-	9,796,062
New York Life - Single Employer	1,952,166	-	1,952,166
Total pension expense	<u>\$ 39,137,424</u>	<u>\$ 911,676</u>	<u>\$ 40,049,100</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

A. California Public Employees Retirement System

Agent Multiple-Employer Defined Benefit Pension Plan

Plan Description – All qualified permanent and probationary employees are eligible to participate in the City of Salinas’ separate Safety (police) and Miscellaneous (all other) Plans, agent multiple-employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

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.

The City’s provisions and benefits in effect at June 30, 2020, are summarized as follows:

	Miscellaneous	
	*Prior to January 1, 2013	On or after January 1, 2013
Hire Date		
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit Payments	monthly for life	monthly for life
Retirement age	50-55	52-67
Monthly benefits, as a % of eligible compensation	2.0% to 2.45%	1.0% to 2.5%
Required employee contribution rates	7.00%	6.25%
Required employer contribution rates	8.54%	6.57%
	Police	
	*Prior to January 1, 2013	On or after January 1, 2013
Hire Date		
Benefit formula	3.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service
Benefit Payments	monthly for life	monthly for life
Retirement age	50	52-57
Monthly benefits, as a % of eligible compensation	3.00%	2.0% to 2.7%
Required employee contribution rates	9.00%	12.50%
Required employer contribution rates	21.36%	21.36%

**Plan is closed to new members. Miscellaneous and Safety (Police) members that were CalPERS participants before January 1, 2013, with no break in service over six months, may continue in the plan.*

CITY OF SALINAS
Notes to Basic Financial Statements
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Employees Covered – As of June 30, 2018 (valuation date), the following employees were covered by the benefit terms for each Plan:

	Miscellaneous	Police
Inactive employees or beneficiaries currently receiving benefits	163	254
Inactive employees entitled to, but not yet receiving benefits	240	116
Active employees	297	153

Contribution Description - Section 20814(c) of the California Public Employees’ Retirement Law (PERL) requires that the employer contribution rates for all public employers are 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. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City 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 City to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

Actuarial Methods and Assumptions used to determine Total Pension Liability - The June 30, 2018 valuation was rolled forward to determine the June 30, 2019 total pension liability, based on the following actuarial methods and assumptions:

Valuation Date	▪ June 30, 2018
Measurement Date	▪ June 30, 2019
Actuarial Cost Method	▪ Entry Age Normal
Actuarial Assumptions	
Discount Rate	▪ 7.15%
Inflation	▪ 2.50%
Salary Increases	▪ Varies by Entry Age and Service
Mortality (1)	▪ The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.
Post Retirement Benefit Increase	▪ The lesser of contract COLA or 2.50% until Purchasing Protection Allowance floor on purchasing power applies, 2.50% thereafter

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

(1) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2018 valuations were based on the results of a 2014 actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and requirement rates. The Experience Study report can be found on CalPERS' website under Forms and Publications.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are as followed:

Asset class	New Strategic Allocation	Real Return Years 1-10(a)	Real Return Years 11+(b)
Global Equity	50.0%	4.80%	5.98%
Fixed income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	<u>100.0%</u>		

(a) An expected inflation of 2.0% used for this period

(b) An expected inflation of 2.92% used for this period

(c) In the System's CAFR, Fixed Income is included in global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securiteis

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Discount Rate - The discount rate used to measure the total pension liability was 7.15%. 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 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.

Subsequent Events - There were no subsequent events that would materially affect the results presented in this disclosure.

Amortization of Deferred Outflows and Deferred Inflows of Resources - Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

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

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

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

Deferred outflows of resources and deferred inflows of resources relating to Differences between Expected and Actual Experience, Changes of Assumptions and employer-specific amounts should be amortized over the EARSL of members provided with pensions through the Plan. The EARSL for the miscellaneous and safety (police) plans for the June 30, 2019 measurement date are 4.7 and 3.4 years, respectively, which was obtained by dividing the total service years by the total number of participants (active, inactive, and retired) in the Plan. Inactive employees and retirees have remaining service lifetimes equal to zero. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

CITY OF SALINAS
Notes to Basic Financial Statements
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Changes in Net Pension Liability – The following tables show the changes in the net pension liability for each of the City’s agent multiple-employer defined benefit pension plans recognized over the measurement period:

Agent Multiple-Employer Defined Benefit Plan - Miscellaneous Plan:

	<u>Increase (Decrease)</u>		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(c) = (a) - (b)
Balance at: 6/30/2018 (MD)	<u>\$ 116,556,899</u>	<u>\$ 85,595,185</u>	<u>\$ 30,961,714</u>
Changes Recognized for the Measurement Period:			
Service Cost	3,157,247	-	3,157,247
Interest on Total Pension Liability	8,430,817	-	8,430,817
Differences between Expected and Actual Experience	2,005,995	-	2,005,995
Contributions - Employer	-	3,511,716	(3,511,716)
Contributions - Employees	-	1,501,635	(1,501,635)
Net Investment Income	-	5,681,706	(5,681,706)
Benefit Payments, including			
Refunds of Employee Contributions	(4,456,008)	(4,456,008)	-
Administrative Expense	-	(61,083)	61,083
Other Miscellaneous Income/Expense	-	198	(198)
Net Changes during 2018-19	<u>9,138,051</u>	<u>6,178,164</u>	<u>2,959,887</u>
Balance at: 6/30/2019 (MD)	<u>\$ 125,694,950</u>	<u>\$ 91,773,349</u>	<u>\$ 33,921,601</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Agent Multiple-Employer Defined Benefit Plan - Safety (Police) Plan:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2018 (MD)	\$ 292,240,756	\$ 191,926,912	\$ 100,313,844
Changes Recognized for the Measurement Period:			
Service Cost	6,076,786	-	6,076,786
Interest on Total Pension Liability	21,051,415	-	21,051,415
Differences between Expected and Actual Experience	6,664,829	-	6,664,829
Contributions - Employer	-	9,485,870	(9,485,870)
Contributions - Employees	-	1,993,713	(1,993,713)
Net Investment Income	-	12,630,434	(12,630,434)
Benefit Payments, including			
Refunds of Employee Contributions	(15,037,162)	(15,037,162)	-
Administrative Expense	-	(136,963)	136,963
Other Miscellaneous Income/Expense	-	448	(448)
Net Changes during 2018-19	18,755,868	8,936,340	9,819,528
Balance at: 6/30/2019 (MD)	\$ 310,996,624	\$ 200,863,252	\$ 110,133,372
Totals of Both Miscellaneous and Safety Plans	\$ 436,691,574	\$ 292,636,601	\$ 144,054,973

Pension Plan Fiduciary Net Position- Detailed information about each plan's fiduciary net position is available in the separately issued CalPERS financial report.

CITY OF SALINAS
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Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents 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:

	<u>Miscellaneous</u>	<u>Police</u>	<u>Total</u>
1% Decrease	6.15%	6.15%	6.15%
Net Pension Liability	\$ 51,628,082	\$ 153,457,067	\$ 205,085,149
Current Discount Rate	7.15%	7.15%	7.15%
Net Pension Liability	\$ 33,921,601	\$ 110,133,372	\$ 144,054,973
1% Increase	8.15%	8.15%	8.15%
Net Pension Liability	\$ 19,324,929	\$ 74,731,612	\$ 94,056,541

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

For the measurement period ending June 30, 2019 (the measurement date), the City of Salinas recognized a pension expense of \$28,300,872 for the miscellaneous and safety (police) plans.

For the measurement period ending June 30, 2019 (the measurement date), the City of Salinas reports other amounts for the miscellaneous and safety (police) plans as deferred outflow and deferred inflow of resources related to pensions as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Plan Contributions Subsequent to Measurement Date	\$ 18,085,445	\$ -
Differences between Expected and Actual Experience	9,896,994	69,729
Changes of Assumptions	3,136,705	992,638
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	1,509,527
	<u>\$ 31,119,144</u>	<u>\$ 2,571,894</u>

\$18,085,445 reported as deferred outflows of resources to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expenses as follows:

Measurement Period Ended June 30:	Deferred (Inflows) of Resources
2021	\$ 7,390,525
2022	1,628,433
2023	863,901
2024	578,946
2025	-
Thereafter	-
Total	\$ 10,461,805

Cost-Sharing Multiple Employer Defined Benefit Pension Plan

Plan Description – All qualified permanent and probationary employees are eligible to participate in the City’s separate Safety risk pool (Fire Tier 1 & Tier 2), cost-sharing multiple-employer defined benefit pension plans administered by CalPERS, which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

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.

The City’s plans provisions and benefits in effect at June 30, 2020, are summarized as follows:

Hire Date	Fire Tier 1	
	*Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	3.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service
Benefit Payments	monthly for life	monthly for life
Retirement age	50	52-57
Monthly benefits, as a % of eligible compensation	3.00%	2.0% to 2.7%
Required employee contribution rates	9.00%	9.00%
Required employer contribution rates	23.65%	12.78%

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Notes to Basic Financial Statements
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Hire Date	Fire Tier 2	
	*Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	3.0% @ 55	2.5% @ 57
Benefit vesting schedule	5 years of service	5 years of service
Benefit Payments	monthly for life	monthly for life
Retirement age	55	52-57
Monthly benefits, as a % of eligible compensation	3.00%	2.0% to 2.7%
Required employee contribution rates	9.00%	12.75%
Required employer contribution rates	19.35%	12.61%

**Plan is closed to new members. Safety (Fire Tier 1 & Tier 2) members that were CalPERS participants before January 1, 2013, with no break in service over six months, may continue in the plan.*

Contribution Description - 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 the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The City's contribution for the safety plan were as follows:

Measurement Date	6/30/2019	6/30/2018	6/30/2017
Fiscal Year	2019/20	2018/19	2017/18
Safety Plan (Fire)	\$ 5,058,738	\$ 4,369,284	\$ 16,741,091
Total Contributions	<u>\$ 5,058,738</u>	<u>\$ 4,369,284</u>	<u>\$ 16,741,091</u>

Pension Liabilities, Pension Expense and Deferred Outflows/Deferred Inflows of Resources Related to Pensions – As of June 30, 2020, the City reported net pension liabilities for its proportionate share of the net pension liability as of June 30, 2020 and 2019 were as follows:

Fiscal Year Ending	Proportionate Share of Net Pension Liability/(Asset)	
	June 30, 2020	June 30, 2019
Safety Plan (Fire)	\$ 47,927,704	\$ 45,259,034
Total Net Pension Liability	<u>\$ 47,927,704</u>	<u>\$ 45,259,034</u>

CITY OF SALINAS
Notes to Basic Financial Statements
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The City of Salinas' net pension liability is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using the standard update procedures. The City of Salinas' proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions for all participating employers actuarially determined.

The City's proportionate share of the net pension liability as of June 30, 2020 and 2019 were as follows:

Fiscal Year Measurement Date	Percentage Share of Risk Pool		Change:
	6/30/2020	6/30/2019	Increase/(Decrease)
Percentage of Plan (PERF C) NPL	0.467722%	0.469674%	-0.001952%

For the year ended June 30, 2020 (measurement date June 30, 2019), the City of Salinas recognized a pension expense of \$9,796,062 for the Safety Plan (Fire).

As of June 30, 2020 the City of Salinas reports deferred outflow and deferred inflow of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 3,129,247	\$ -
Changes of Assumptions	1,964,473	383,365
Net Difference between Projected and Actual		
Earnings on Pension Plan Investments	-	659,327
Change in Employer's Proportion	-	5,437,386
Differences between the Employer's Contributions and the Employer's Proportionate Share of Contributions	5,645,933	1,038,328
Pension Contributions Subsequent to Measurement Date	5,058,738	-
Total	<u>\$ 15,798,391</u>	<u>\$ 7,518,406</u>

\$5,058,738 reported as deferred outflows of resources to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expenses as follows:

Measurement Period Ended June 30:	Deferred (Inflows) of Resources
2021	\$ 3,369,262
2022	(490,199)
2023	213,899
2024	128,285
2025	-
Thereafter	-
Total	\$ 3,221,247

Actuarial Methods and Assumptions used to determine Total Pension Liability - The June 30, 2018 valuation was rolled forward to determine the June 30, 2019 total pension liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method	<ul style="list-style-type: none"> ▪ Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	<ul style="list-style-type: none"> ▪ 7.15%
Inflation	<ul style="list-style-type: none"> ▪ 2.50%
Salary Increases	<ul style="list-style-type: none"> ▪ Varies by Entry Age and Service
Mortality Rate Table	<ul style="list-style-type: none"> ▪ Derived using CalPERS' Membership Data for all Funds. The mortality rates include 15 years of projected on-going mortality improvement using 90% of Scale MP 2016 published by the Society of Actuaries
Post Retirement Benefit Increase	<ul style="list-style-type: none"> ▪ Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

Discount Rate - The discount rate used to measure the total pension liability for PERF C was 7.15%. 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 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.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are as followed:

<u>Asset class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	50.0%	4.80%	5.98%
Fixed income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	<u>100.0%</u>		

(a) An expected inflation of 2.0% used for this period

(b) An expected inflation of 2.92% used for this period

(c) In the System's CAFR, Fixed Income is included in global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securiteis

Amortization of Deferred Outflows and Deferred Inflows of Resources – The Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments is amortized over a five-year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period, and the remaining Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments is amortized over the remaining amortization periods. The Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments in the Schedule of Collective Pension Amounts represents the unamortized balance relating to the current measurement period and the prior measurement periods on a net basis.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Deferred Outflows of Resources and Deferred Inflows of Resources relating to Differences Between Expected and Actual Experience and Changes of Assumptions are amortized over the Expected Average Remaining Service Lifetime (EARSL) of members provided with pensions through the Plan determined as of the beginning of the related measurement period. The EARSL for PERF C for the measurement date ending June 30, 2019 is 3.8 years, which was obtained by dividing the total service years of 530,470 (the sum of remaining service lifetimes of the active employees) by 140,593 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

Sensitivity of Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate – The following presents the proportionate share of the net pension liability of the City's 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) than the current rate:

Safety Plan (Fire)	Measurement Date June 30, 2019		
	Discount Rate		
	6.15%	7.15%	8.15%
Net Pension Liability	(1% Decrease)	(Current Rate)	(1% Increase)
\$ 72,552,983	\$ 47,927,704	\$ 27,738,837	

Pension Plan Fiduciary Net Positions – Detailed information about each plan's fiduciary net position is available in the separately issued CalPERS financial report.

Subsequent Events – There were no subsequent events that would materially affect the results presented in this disclosure.

B. New York Life Retirement Plan

Single-Employer Defined Benefit Pension Plan

Plan Description – The New York Life retirement plan is a closed single-employer defined benefit pension plan that covers Non-Public Safety Employees. The plan's benefits offers a formula of 2% @ 60 for vested employees. The Plan was established on September 1, 1954 and has been amended and restated from time to time since that date. Prior Plan amendments eliminated the six-month service requirement for entry into the plan and credited participants with up to six-months of service from hire to plan entry prior to time change. The Plan was amended and restated effective September 1, 1996 to bring the Plan into compliance with the Internal Revenue Code and Regulations promulgated thereby to provide for the City's pick-up of employee eligible participants equal to the present value of vested accrued benefits. Effective June 1, 2001, the Plan amended its benefit formula to one that uses an average salary computed from the twelve-month period, replacing the old formula that used an average salary computed from a thirty six month period. As of June 19, 1995, all new regular non-public safety employees are enrolled in CalPERS.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

The City has an agreement with New York Life to hold and invest plan assets of the Retirement Plan, which covers employees other than Police and Fire. New York Life holds assets in NYL Fixed Dollar Account, NYL Mainstay Total Return Bond Fund, and NYL Guaranteed Annuity Contracts.

New York Life Guaranteed Annuity Contracts in the amount of \$5,891,708 are allocated insurance contracts set up to pay benefits and accordingly are excluded from the total pension liability, and are not reported in the City's financial statements.

Employees Covered – As of September 1, 2019 (valuation date), the following employees were covered by the benefit terms for the single-employer defined benefit pension plan:

Inactive employees or beneficiaries currently receiving benefits	47
Inactive employees entitled to but not yet receiving benefits	8
Active employees	16
Total	71

Benefits - Non-Public Safety personnel benefits vest after five years of service. The vested benefit would be in the form of a pension beginning after attaining age 60 equal to the benefits accrued at time of termination, or for a reduced amount if an election is made to have payments commence before attaining the normal retirement age of 60. City employees who retire at or after age of 60 with five years of credited service are entitled to an annual retirement benefit payable monthly, as a straight line annuity, as a ten year certain and life annuity, or as a lump sum, in an amount equal to 2% of the average earnings paid to the employee during the twelve consecutive months of service with the City during which their earnings were highest, multiplied by the number of years and completed months of plan participation.

The plan allows early retirement after reaching age 55 and completing five years of plan participation. The plan also provides death and survivor benefits.

Funding Policy – The contribution requirements of Plan members and the City are established and may be amended by the City Council. Prior to January 1, 1979, participants were required to make specified levels of contributions to the plan in order to accrue benefits under the Plan. For the period commencing January 1, 1979 through December 31, 1993, there were no participants' contributions under this Plan. Since January 1, 1994, participants are required to contribute 4.5% of their compensation to the Plan. Since September 1, 1996, participant contributions are made by the City under the employee pretax pick-up provision for government-sponsored plans allowed under the Internal Revenue Code. As established in their Memorandum of Understanding document for personnel of the SEIU Blue Collar bargaining group, the City will contribute (pick-up) four and one-half percent of the employee retirement contribution.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Pension Liabilities, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions – As of June 30, 2020 (Measurement Date - August 31, 2019), the City reported net pension liability as follows:

Measurement Date	8/31/2019	8/31/2018
Total Pension Liability (TPL)	\$ 21,277,868	\$ 20,559,745
Fiduciary Net Position (FNP)	6,634,458	4,464,019
Net Pension Liability (NPL)	\$ 14,643,410	\$ 16,095,726
Funded Status (FNP/TPL)	31.2%	21.7%

The City's net pension liability is measured as of August 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 1, 2019.

Changes in Net Pension Liability – The following tables show the changes in the net pension liability for the City's Single-Employer Pension Plan recognized over the measurement period:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(c) = (a) - (b)
Balance at: 8/31/18 (MD)	\$ 20,559,745	\$ 4,464,019	\$ 16,095,726
Changes Recognized for the Measurement Period:			
Service Cost	232,193	-	232,193
Interest	684,730	-	684,730
Changes of Benefit Terms	-	-	-
Actual vs. expected experience	889,365	-	889,365
Assumption changes	217,496	-	217,496
Contributions - Employer	-	2,919,589	(2,919,589)
Contributions - Employees	-	71,806	(71,806)
Net Investment Income	-	503,893	(503,893)
Benefit Payments, including refunds	(1,305,661)	(1,305,661)	-
Administrative Expense	-	(19,188)	19,188
Net Changes	718,123	2,170,439	(1,452,316)
Balance at: 8/31/19 (MD)	\$ 21,277,868	\$ 6,634,458	\$ 14,643,410

CITY OF SALINAS
Notes to Basic Financial Statements
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Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 2.97 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 (1.97 percent) or 1 percentage-point higher (3.97 percent) than the current rate:

	Measurement Date August 31, 2019		
	Discount		
	1.97%	2.97%	3.97%
	<u>(1% Decrease)</u>	<u>(Current Rate)</u>	<u>(1% Increase)</u>
Net Pension Liability	<u>\$ 15,933,785</u>	<u>\$ 14,643,410</u>	<u>\$ 13,566,853</u>

For the year ended June 30, 2020 (measurement date August 31, 2019), the City of Salinas recognized a pension expense of \$1,952,166.

As of June 30, 2020 the City of Salinas reports deferred outflow and deferred inflow of resources related to pensions as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net Difference between Projected and Actual		
Earnings on Pension Plan Investments	\$ 58,972	\$ -
Plan Contributions Subsequent to Measurement Date	<u>3,467,776</u>	<u>-</u>
	<u>\$ 3,526,748</u>	<u>\$ -</u>

\$3,467,776 reported as deferred outflows of resources to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expenses as follows:

<u>Fiscal Year Ended June 30:</u>	<u>Deferred Outflow/(Inflows) of Resources</u>
2020	\$ 97,734
2021	85,734
2022	(56,265)
2023	(68,231)
Thereafter	<u>-</u>
Total	<u>\$ 58,972</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Actuarial Methods and Assumptions used to determine Total Pension Liability - For the measurement period ended August 31, 2019 (measurement date), the total pension liability was determined by using the following actuarial assumptions, applied to all periods included in the measurement:

Significant Actuarial Assumptions Used	
Valuation Date	▪ September 1, 2019
Measurement Date	▪ August 31, 2019
Contribution Policy	▪ City contributes full ADC
Actuarial Assumptions	
Discount Rate and long-term expected rate of return on assets	<ul style="list-style-type: none"> ▪ 2.97% at August 31, 2019 ▪ 3.40% at August 31, 2018 ▪ Discount rate lower of (1) expected long-term rate of return on investments, and (2) Bond Buyer 20- Bond GO Index as of Measurement Date
Long-Term Expected Rate of Return on Investments	▪ 3.40%
General Inflation	▪ 2.25% per annum
Mortality	<ul style="list-style-type: none"> ▪ CalPERS 1997-2015 Experience Study ▪ Post-retirement mortality projected fully generational with Scale MP-2019
Mortality Improvement	
Salary Increases	<ul style="list-style-type: none"> ▪ Aggregate - 2.5% annually ▪ Merit - CalPERS 1997-2015 Experience Study
Retirement	▪ 100% retire once the retirement benefit reaches 70% of the Average Monthly Compensation
Disability, termination	▪ None
Benefit form for current actives	<ul style="list-style-type: none"> ▪ Disability - Annuity for all participants ▪ Lump sum for all other participants, valued using UP-1984 Mortality Table with 1% interest rate
New York Life Guaranteed Annuity Contract	▪ Value of payments expected to be made under contract excluded from TPL (contract assets not included in Fiduciary Net Position)

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Changes Since Prior Measurement Date – The following changes were applied since the prior measurement date of August 31, 2019.

- | | |
|--------------------------|--|
| Changes of assumptions | <ul style="list-style-type: none"> ▪ Discount rate was updated based on newer capital market assumptions ▪ Disability and termination were eliminated ▪ Retirement rate was updated ▪ Mortality was updated to CalPERS 1997-2015 Experience Study ▪ Mortality improvement scale was updated to Scale MP-2019 ▪ COLA and salary increase assumptions were raised slightly |
| Changes of benefit terms | <ul style="list-style-type: none"> ▪ None |

Discount Rate – The discount rate used to measure the total pension liability was 2.97%. The discount rate is based on the expected rate of return which is lower than the 20 year municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at current contribution rates and City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Based on those assumptions, the pension plan’s fiduciary net position was not projected to be available to make all projected future benefit payments of current active and inactive employees. The City’s annual contributions will be adjusted to keep the plan solvent.

Investments are with New York Life. Expected rate of return is as follows:

Asset Class Component	Target Allocation	Expected Rate of Return
Fixed Income	100.00%	1.47%
<i>Assumed Long-Term Rate of Inflation</i>		2.25%
<i>Expected Long-Term Rate of Return, Rounded</i>		3.40%

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Pension Plan Fiduciary Net Position- Detailed information about the pension plan’s fiduciary net position as of August 31, 2019 is as follows:

New York Life	
Assets	
New York Life Fixed Dollar Account	\$ 190,947
New York Life Main Stay Total Return Bond Fund	6,457,945
Total investments	6,648,892
Liabilities	
Accrued expenses	14,434
Fiduciary Net Positon	\$ 6,634,458

Subsequent Events – There were no subsequent events that would materially affect the results presented in this disclosure.

II. Defined Benefit Pension Plans

A. ICMA Retirement Corporation Defined Contribution Plan

Plan Description – On June 19, 1995, the City established a qualified retirement program in accordance with Internal Revenue Code Section 401(a). This defined contribution 401(a) Money Purchase Retirement Plan was established with International City Managers Association Retirement Corporation (ICMA). Non-Public Safety Mid-Management employees that were participating in the ICMA 457 non-qualified deferred compensation plan in-lieu of participation in the New York Life Retirement Program, were required to transfer to one of the other City’s three qualified retirement plans. The City’s annual contribution to this plan is determined by the employer required contribution to the New York Life Plan Retirement Plan in accordance with Internal Revenue contribution limits.

Significant Accounting Policies

Basis of Accounting – Financial statements are prepared using the cash basis of accounting. Employer contributions are recognized in the period that the contributions are made.

Method Used to Value Investments – Participants direct their investments, without restriction, among various investments options available under the ICMA 401(a) Plan.

Retirement Buyback Program

During Fiscal Year 1995-96, the City established a deferred compensation retirement buyback program for Department Directors where the City contributes a flat dollar amount based on tenure with the City. The 401(a) Money Purchase Retirement Plan is administered by the ICMA

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Retirement Corporation. The program requires employee-matching contributions for every dollar contributed by the City. At June 30, 2020, there were 11 participants receiving a total of \$115,700 in this form of benefit while there were 2 participants in the ICMA 401(a) money Purchase Plan with a City annual contribution was \$20,194 while the employees had an equal mandatory matching contribution of \$20,194.

15. Post Employment Benefits Other Than Pensions (OPEB):

A. General Information about the OPEB Plan

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.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes.

For this report, the following timeframes are used:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019
Fiscal Year End	June 30, 2020

Plan Description: The City joined the Public Employees' Medical & Hospital Care Act (PEMHCA) in 2000 for Police and Miscellaneous employees, offered through the California Public Employees' Retirement System (CalPERS). It is an agent multiple-employer plan administered by California Public Employees' Retirement System (CalPERS). The healthcare plan which provides medical insurance benefits to active and eligible retirees and their families in accordance with various labor agreements. Fire employees receive healthcare benefits for active and retiree members from a union sponsored plan.

OPEB Trust: The City joined The California Employers' Retiree Benefit Trust (CERBT) in 2011 to prefund it's OPEB liability. CERBT is an agent multiple employer defined plan for other post-employment benefits administered by CalPERS. The Plan includes participating employers of the State of California and public agencies. CalPERS is governed by a 13-member Board of Administration (the Board); two elected by CalPERS members, one elected by retired members of CalPERS, two appointed by the Governor, one public representative appointed jointly by the Speaker of the Assembly and Senate Rules Committee, and four ex-officio members: State Treasurer, State Controller, Director of California Department of Human Resources, and Designee of the State Personal Board. The Board is responsible for the management and control of CalPERS, including the exclusive control of the administration and investments of the Plan.

CITY OF SALINAS
Notes to Basic Financial Statements
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The plan information is as follows:

Fiscal Year End	June 30, 2020
Plan type	Agent Multiple Employer
OPEB trust	Yes
Special funding situations	No
Nonemployer contributing entities	No

Post-Employment Benefits Eligibility: The City provides post-retirement healthcare benefits to eligible employees who retire directly from the City after the age of 50 years (Age 52 for Miscellaneous PEPR employees) and with five years of service or disability retirement. For Police and Fire Supervisors, the City pays 25% of retiree and spouse health insurance premium up to \$100 per month plus PEMHCA AB2544 “unequal method” monthly benefit to retirees (\$139 per month in 2020). The payment is made until Medicare eligibility, but no more than 10 years for non-supervisory Police retirees. For Miscellaneous employees, the City pays the PEMHCA “unequal method” monthly benefit to retirees (\$139 per month in 2020). For IAFF (Fire employee), the City pays 25% of retiree and spouse health insurance premium up to \$100 per month. The payment is made until Medicare eligibility.

Employees Covered: As of the June 30, 2019 actuarial valuation, the following current and former employees were covered by the benefit terms under the PEMHCA and Union Sponsor Plans:

June 30, 2020 Fiscal Year End June 30, 2019 Measurement Date	Number of Covered Participants
Inactive employees currently receiving benefits	141
Inactive employees entitled to, but not yet receiving benefits	288
Actives employees	544
Total employees	973

Contributions: The City intends to contribute to the Trust the actuarially determined contribution (ADC) net of the pay-as-you-go benefits paid annually directly from employer resources. For the fiscal year ended June 30, 2020, the City’s cash contributions were \$297,514 in premium payments made on behalf of retirees, \$250,000 payments to the trust, implied subsidy payments of \$379,000, and administrative expenses of \$4,549, resulting in total payments of \$1,310,390.

Discount Rate: The discount rate used to measure the total OPEB liability was 4.33%. The projection of cash flows used to determine the discount rate assumed that City contributions 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.

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Expected Long Rate of Return: The long-term expected rate of return on OPEB plan investments was determined using a building block method in which 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:

<u>Asset Class/Strategy</u>	<u>Target Allocation*</u> <u>CERBT-Strategy 1</u>	<u>Expected Real Rate</u> <u>of Return</u>
<u>Measurement Date</u>	<u>6/30/19</u>	<u>6/30/19</u>
Global equity	59%	4.82%
Fixed income	25%	1.47%
TIPS	5%	1.28%
Commodities	3%	0.84%
REITs	8%	3.76%
Assumed long-term rate of inflation		2.75%
Expected long-term net rate of return, rounded		6.75%

* Policy target effective October 1, 2018

B. Net OPEB Liabilities, Expense, and Deferred Outflows/Inflows of Resources

Net OPEB Liability: As of the June 30, 2018 measurement date, was as follows:

Fiscal Year Ended	6/30/2020	6/30/2019
<u>Measurement Date</u>	<u>6/30/2019</u>	<u>6/30/2018</u>
Total OPEB liability (TOL)	\$ 21,673,870	\$ 22,499,995
Fiduciary net position (FNP)	<u>2,707,053</u>	<u>2,304,596</u>
Net OPEB liability (NOL)	\$ 18,966,817	\$ 20,195,399
Funded status (FNP/TOL)	12.5%	10.2%

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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

<u>Changes in Net OPEB Liability</u>	<u>Total OPEB Liability (a)</u>	<u>Fiduciary Net Position (b)</u>	<u>Net OPEB Liability (a) - (b)</u>
Balance at June 30, 2019 (Measurement Date June 30, 2018)	\$ 22,499,995	\$ 2,304,596	\$ 20,195,399
Changes for the year:			
Service Cost	1,065,470	-	1,065,470
Interest	1,143,094	-	1,143,094
Changes of benefit terms	574,467	-	574,467
Actual vs. expected experience	(4,138,016)	-	(4,138,016)
Assumption changes	1,474,189	-	1,474,189
Contributions - employer*	-	1,195,329	(1,195,329)
Contributions - employee	-	-	-
Net investment income	-	152,998	(152,998)
Benefit payments and refunds*	(945,329)	(945,329)	-
Administrative Expenses	-	(541)	541
Net Changes	<u>(826,125)</u>	<u>402,457</u>	<u>(1,228,582)</u>
Balance at June 30, 2020 (Measure Date June 30, 2019)	<u>\$ 21,673,870</u>	<u>\$ 2,707,053</u>	<u>\$ 18,966,817</u>

* Includes \$250,000 City contribution to trust, and \$260,329 cash benefit payments and \$685,000 Implied Subsidy benefit payments (both paid outside of trust).

Discount Rate Sensitivity Analysis: The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (4.33%) in measuring the Net OPEB Liability.

	<u>Discount Rate</u>		
	<u>3.33%</u> <u>(1% Decrease)</u>	<u>4.33%</u> <u>(Current Rate)</u>	<u>5.33%</u> <u>(1% Increase)</u>
Net OPEB liability	<u>\$ 22,265,063</u>	<u>\$ 18,966,817</u>	<u>\$ 16,297,282</u>

Healthcare Trend Sensitivity Analysis: The following presents the net OPEB liability of the City if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2019:

	<u>Healthcare Trend Rate</u>		
	<u>(1% Decrease)</u>	<u>(Current Trend)</u>	<u>(1% Increase)</u>
Net OPEB liability	<u>\$ 15,929,330</u>	<u>\$ 18,966,817</u>	<u>\$ 22,842,648</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB: For the fiscal year ended June 30, 2019, the City recognized OPEB expense of \$2,052,667.

As of fiscal year ended June 30, 2020, the City reported deferred outflows of resources and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 3,678,236
Changes of assumptions	1,310,390	1,688,477
Net differences between projected and actual earnings on plan investment	-	23,444
Employer contributions after measurement date*	931,063	-
Total	\$ 2,241,453	\$ 5,390,157

* Includes \$250,000 contributions to trust, \$297,514 cash benefit payments, \$4,549 administrative expenses, and \$379,000 implied subsidy benefit payments.

Deferred outflows of resources in the amount of \$931,063 related to contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2021. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as expense as follows:

Amounts reported as deferred inflows of resources related to OPEB will be recognized as OPEB expenses as follows:

Fiscal Year ended June 30:	Deferred Deferred (Inflows) of Resources
2021	\$ (723,974)
2022	(721,974)
2023	(710,975)
2024	(706,429)
2025	(709,977)
Thereafter	(1,816,828)
Total	\$ (5,390,157)

Recognition of Deferred Outflows and Deferred Inflows of Resources: To smooth market volatility, gains and losses related to changes in total OPEB liability and fiduciary net position are recognized over nine and half years. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Actuarial Methods and Assumptions Used to Determine the OPEB Liability: The City’s net OPEB liability was measured as of June 30, 2019. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2019 based on the following significant actuarial methods and assumptions:

<u>Actuarial Assumptions</u>	<u>Measurement Date 06/30/2019</u>
Actuarial valuation	▪ June 30, 2019
Contribution policy	▪ City contributes \$250,000 annually, and pays benefit payments outside of trust.
Discount rate	▪ 4.33% at June 30, 2019 ▪ 4.95% at June 30, 2018
Municipal Bond Rate	▪ 3.50% at June 30, 2019 (Bond Buyer 20-bond Index) ▪ 3.87% at June 30, 2018 (Bond Buyer 20-bond Index)
Expected long-term rate of return on investment	▪ 6.75%
General inflation	▪ 2.75% per annum
Mortality, retirement, disability, termination	▪ CalPERS 1997-2015 experience study
Mortality Improvement	▪ Mortality projected fully generational with Scale MP-2019
Salary increases	▪ Aggregate - 3% annually ▪ Merit - CalPERS 1997-2015 experience study
Medical trend	▪ Non-Medicare - 7.25% for 2021, decreasing to an ultimate rate of 4.0% in 2076 ▪ Medicare - 6.3% for 2021, decreasing to an ultimate rate of 4.0% in 2076
Cap increases	▪ None
Healthcare participation	▪ 100% for Safety \$100 benefit ▪ 50% for PEMHCA benefit if covered as active ▪ 10% for PEMHCA benefit if waived as active

Changes Since Prior Measurement Date – The following changes were applied since the prior measurement date of August 31, 2019.

Change in assumptions	<ul style="list-style-type: none"> ▪ Discount rate was updated based on municipal bond rate as of the measurement date and crossover test ▪ Mortality improvement scale was updated to Scale MP-2019 ▪ Waived retiree re-election lowered to 5%
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CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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|-------------------------|---|
| Change in benefit terms | <ul style="list-style-type: none">▪ IAFF group medical provider changed from Union Sponsored Plan to PEMHCA. Minimum benefits required by PEMHCA added for IAFF▪ Fire Supervisors/IAFF 25% of premium (up to \$100) monthly benefit changed to limit of 10 years of payments▪ 25% of premium (up to \$100) monthly benefit was eliminated for Police Supervisors/SPOA hired after July 1, 2019 and Fire Supervisors/IAFF hired after July 1, 2020 |
|-------------------------|---|

16. Risk Management:

The City has a self-insurance program and carries excess insurance for catastrophic losses. National Casualty Company combined with Berkley National Insurance Company provides General Liability coverage up to a maximum of \$15,000,000 after the self-insured retention of \$1,000,000 per occurrence met. Safety National Casualty Corporation provides Worker's Compensation excess coverage with statutory coverage (pursuant to California Worker's Compensation Act) after the self-insurance retention of \$1,000,000 for Public Safety and \$750,000 for non Public Safety is met.

Liabilities for estimated claims payable for the self-insurance programs represent settled claims, claims incurred but not paid and claims incurred but not reported based upon past experience, modified for current trends and information. While the ultimate amount of losses incurred through June 30, 2020 is dependent on future developments, City management has determined the desired reserve level for each self-insurance program as follows and believes the estimates are adequate to cover such losses.

- Worker's Compensation insurance liability of \$21,666,852 includes \$17,333,482 for claims incurred but not paid and \$4,333,370 for claims incurred but not reported which is based on expected claims and past claims history. At June 30, 2020, Worker's Compensation Insurance liability of \$21,666,852 is reported on the statement of net position. The worker's compensation fund was established as an Internal Service Fund on July 1, 1991. The portion of the worker's compensation insurance liability since July 1, 1991, at June 30, 2020 is \$20,044,946 and is reported in the Internal Service Fund; \$1,621,906 of this is treated as long-term debt.
- General liability insurance liability at June 30, 2020 of \$6,543,545 that is reported in the Internal Service Fund includes \$5,636,004 for claims incurred but not paid and \$907,541 for claims incurred but not reported which is based on expected claims and past claims history. A deficit is reported with the internal service funds of \$2,510,820 at June 30, 2020 and is short the City's goal of reserving three times the self-insured retention plus full funding of all past claims history. The City's self-insured retention is \$1,000,000. At June 30, 2020.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Changes to the claims liability for fiscal year ended June 30, 2020 are as follows:

	<u>Workers Compensation</u>	<u>General Liability</u>
Beginning balance of claims liability	\$ 22,927,186	\$ 9,973,263
Less beginning provision for incurred but not reported claims	<u>(4,585,437)</u>	<u>(898,811)</u>
Beginning provisions for incurred but not paid claims	18,341,749	9,074,452
Increase (decrease) in claims incurred and reported	3,479,448	(2,541,645)
Claims expenses paid	<u>(4,487,715)</u>	<u>(896,803)</u>
Ending balance provision for incurred but not paid claims	17,333,482	5,636,004
Provisions for incurred but not reported claims	<u>4,333,370</u>	<u>907,540</u>
Ending balance of claims liability	<u>\$ 21,666,852</u>	<u>\$ 6,543,544</u>

17. Lease Obligations:

Operating Leases as Lessee

The City has commitments under various long-term operating lease agreements requiring annual rental payments, which are described as follows:

Governmental Activities – The City has ongoing commitments under operating lease agreements for business equipment, and office facilities necessary for City operations, which expire at various dates through 2025. Each governmental fund includes the expenditures related to such lease agreements. There are both cancelable and non-cancelable lease agreements. Rental expenditures reported by the General Fund and other governmental funds under these operating lease agreements for the fiscal year ended June 30, 2020 amounted to \$409,093.

The future minimum lease payments anticipated under the existing lease commitments as of June 30, 2020 are as follows:

<u>Year Ended June 30,</u>	
2021	\$ 380,378
2022	170,718
2023	160,672
2024	130,754
2025	<u>110,011</u>
	<u>\$ 952,533</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

18. Long Term Debt:

The following is a summary of Long Term Debt transactions for the fiscal year ended June 30, 2020:

	June 30, 2019	Increases	Decreases	June 30, 2020	Due Within One Year
Governmental Activities:					
Direct Placement and Borrowing					
Capital Leases	\$ 96,347,881	\$ -	\$ 7,825,582	\$ 88,522,299	\$ 5,056,132
Certificates of Participation					
Series B-2015	5,415,000	-	570,000	4,845,000	585,000
TRIP 2018B	37,500,000	-	680,000	36,820,000	710,000
Bond Premium/(Discount)					
TRIP 2018B	4,327,004	-	396,835	3,930,169	373,985
TRIP 2018B	(370,719)	-	(13,240)	(357,479)	(13,240)
Total Certificates of Participation	46,871,285	-	1,633,595	45,237,690	1,655,745
Assessment District Bonds					
Assessment District 2017 Act Bonds	2,970,000	-	830,000	2,140,000	580,000
CFD Monte Bella-2019	2,675,000	-	-	2,675,000	50,000
CFD Monte Bella-2019 #2	-	2,090,000	-	2,090,000	-
Bond Premium					
CFD Monte Bella-2019	74,934	-	-	74,934	2,498
CFD Monte Bella-2019 #2	-	203,920	-	203,920	7,032
Total Assessment District Bonds	5,719,934	2,293,920	830,000	7,183,854	639,530
Annual Leave	11,374,966	109,531	60,272	11,424,225	2,284,845
Insurance claims	32,900,449	3,488,177	8,178,230	28,210,396	-
Total Governmental Activities	193,214,515	5,891,628	18,527,679	180,578,464	9,636,252
Business-type Activities					
Direct Placement and Borrowing					
Capital Leases:					
Monterey Parking Garage 2014	10,675,000	-	534,000	10,141,000	551,000
Street Sweeper	334,910	-	109,382	225,528	112,361
Fire Engine	59,877	-	29,639	30,238	30,238
Total Capital Leases	11,069,787	-	673,021	10,396,766	693,599
HUD Section 108 Loan	2,820,000	-	425,000	2,395,000	442,000
Total Direct Placement and Borrowing	13,889,787	-	1,098,021	12,791,766	1,135,599
Bonds Payable:					
Certificates of Participation					
Series A-2015	3,320,000	-	380,000	2,940,000	390,000
Series A-2008	4,360,000	-	80,000	4,280,000	90,000
Total Certificates of Participation	7,680,000	-	460,000	7,220,000	480,000
Sanitary Sewer Revenue Bonds - 2012	15,470,000	-	405,000	15,065,000	420,000
Bond Premium - Sanitary Sewer	106,273	-	10,627	95,646	10,627
Total Revenue Bonds	15,576,273	-	415,627	15,160,646	430,627
Annual Leave	492,458	73,847	9,262	557,043	111,409
Total Business-type Activities	37,638,518	73,847	1,982,910	35,729,455	2,157,635
Total Long-Term Liability	\$ 230,853,033	\$ 5,965,475	\$ 20,510,589	\$ 216,307,919	\$11,793,887

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

The annual requirements to amortize capital leases, loans and notes, certificates of participation and bonds outstanding as of June 30, 2020 by activity are as follows:

Year Ended June 30,	Governmental-Wide Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 6,981,132	\$ 5,356,636	\$ 2,035,599	\$ 1,322,204
2022	7,204,106	5,220,685	2,028,867	1,255,014
2023	7,225,727	4,873,087	2,109,300	1,186,090
2024	7,583,877	4,576,461	2,142,000	1,115,476
2025	7,250,038	4,270,227	2,219,000	1,044,738
2026 - 2030	36,667,122	16,693,433	8,246,000	4,232,491
2031 - 2035	29,835,297	9,720,417	8,126,000	2,568,187
2036 - 2040	11,340,000	5,922,409	5,335,000	1,194,959
2041 - 2045	14,130,000	3,093,032	2,835,000	184,131
2046 - 2050	8,875,000	557,594	-	-
	<u>\$ 137,092,299</u>	<u>\$ 60,283,981</u>	<u>\$ 35,076,766</u>	<u>\$ 14,103,290</u>

The debt for the State of California – annual leave and estimated insurance claims do not have amortization schedules and are therefore not included in the above schedule.

Accrued Annual Leave – Accrued leave is reported on the Government-Wide Statements for Governmental Activities and Business-type Activities in Long-Term Debt. At June 30, 2020 the liability for all compensated absences totaled \$11,981,268.

Accrued annual leave are reported on the financial statements in the following funds:

	June 30, 2019	Increases	Decreases	June 30, 2020	Due Within One Year
Governmental Activities					
General Fund	\$ 8,648,766	\$ 17,715	\$ -	\$ 8,666,481	\$ 1,733,296
Measure E	907,417	41,183	-	948,600	189,720
Measure G	1,334,794	44,510	-	1,379,304	275,861
Special Revenue Funds	358,311	-	33,504	324,807	64,961
Internal Service Funds	125,678	6,125	26,770	105,033	21,007
	<u>\$ 11,374,966</u>	<u>\$ 109,533</u>	<u>\$ 60,274</u>	<u>\$ 11,424,225</u>	<u>\$ 2,284,845</u>
Business-type Activities					
Enterprise Funds	\$ 492,458	\$ 73,847	\$ 9,262	\$ 557,043	\$ 111,409

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Insurance Claims – At June 30, 2020, the insurance claims liability recorded in the Internal Service Funds is as follows:

Worker's Compensation	\$ 20,008,346
General Liability	<u>6,543,545</u>
Total	<u><u>\$ 26,551,891</u></u>

An additional \$1,658,505 of Worker's Compensation claims liability is reported in under insurance claims for claims liability prior to the establishment of an Internal Service Fund on July 1, 1991.

Governmental Type Activities

Direct Borrowing

Capital Leases – Annual debt service requirements to maturity for the capital lease is as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 5,056,132	\$ 3,375,149	\$ 8,431,281
2022	5,184,106	3,299,168	8,483,274
2023	5,335,727	3,015,405	8,351,132
2024	5,603,877	2,786,953	8,390,830
2025	5,610,038	2,547,305	8,157,343
2026 - 2030	29,457,122	8,976,121	38,433,243
2031 - 2035	23,055,297	3,485,811	26,541,108
2036 - 2040	2,750,000	1,537,953	4,287,953
2041 - 2045	3,315,000	959,844	4,274,844
2046 - 2050	3,155,000	254,844	3,409,844
	<u>\$ 88,522,299</u>	<u>\$ 30,238,553</u>	<u>\$ 118,760,852</u>

Quantum Pumper Fire Engine & Rosenbauer Airwolf

On January 21, 2014, the City, using lease purchase financing, purchased a Quantum Pumper fire engine, \$536,653, and a Rosenbauer Airwolf fire engine, \$398,997, for a total of \$935,650. The City will make seven annual payments of \$13,680, beginning on March 1, 2015 and ending March 1, 2021 at 2.02% interest. The Rosenbauer Airwolf fire engine debt is funded 50% by the Airport Fund; see capital leases for Business-type Activities. Debt payable of \$111,578 is recorded as Governmental Activities at June 30, 2020.

Debt service requirements to maturity for the Quantum Pumper Fire Engine & Rosenbauer Airwolf are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 111,578	\$ 2,254	\$ 113,832

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Quantum Tiller Ladder Truck

On January 21, 2014, the City, using lease purchase financing, purchased a Quantum Tiller Ladder Truck for a total of \$1,087,053. The City will make ten annual payments of \$124,848, beginning on March 17, 2015 and ending March 17, 2024 at 2.60% interest. Debt payable of \$468,545 is recorded as Governmental Activities at June 30, 2020.

Debt service requirements to maturity for the Quantum Tiller Ladder Truck are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 112,666	\$ 12,182	\$ 124,848
2022	115,595	9,253	124,848
2023	118,600	6,247	124,847
2024	121,684	3,164	124,848
	<u>\$ 468,545</u>	<u>\$ 30,846</u>	<u>\$ 499,391</u>

Pierce Pumper & Tiller

On March 6, 2015, the City, using lease purchase financing, purchased a Pierce Pumper and Tiller for a total of \$1,628,839. The City will make ten annual payments of \$209,261, beginning on March 6, 2016 and ending March 6, 2025 at 2.51% interest. Debt payable of \$743,395 is recorded as Governmental Activities at June 30, 2020.

If any event of default occurs, and if the lessee agrees to pay, the lessor may require the lessee to pay all amounts currently due and all remaining rent payments due during the fiscal year in effect when the default occurs with interest at the highest lawful rate from the date of the lessor's demand for such payment. Also included in this scenario are additional out-of-pocket expenses incurred by the lessor including attorney fees, repossession, safekeeping, storage, repair, reconditioning, and disposition costs. Alternatively, the lessor can require the lessee to return all equipment for the purpose of lease, sale, or otherwise disposition by the lessor.

Debt service requirements to maturity for the Pierce Pumper & Tiller are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 190,626	\$ 18,635	\$ 209,261
2022	195,405	13,856	209,261
2023	116,185	8,958	125,143
2024	119,097	6,046	125,143
2025	122,082	3,060	125,142
	<u>\$ 743,395</u>	<u>\$ 50,555</u>	<u>\$ 793,950</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

2014 Lease/Purchase Agreement

The City of Salinas 2014 Lease/Purchase Agreement was issued by the Salinas Facilities Financing Authority on January 29, 2014. The financing was issued to refund the Animal Shelter COP Series A-1999 (\$2,812,000) and the Monterey Street Parking Structure COP Series A-2004 (\$13,253,000). The Animal Shelter portion of the financing was issued for 19 years (ending September 1, 2032), at an average interest rate of 4.02%. Maximum annual debt service is \$278,646. Debt payable of \$1,958,000 is recorded as Governmental Activities at June 30, 2020.

Upon the occurrence of an event of default, the trustee may pursue any available remedy by law or pursuant to the lease agreement to enforce payment of the outstanding amounts. However, there shall be no right under any circumstance to accelerate the lease payments or otherwise declare any lease payments not then in default to be immediately due and payable. After the occurrence of an event of default, the City will surrender possession of the property to the financing authority, if requested to do so.

Debt service requirements to maturity for 2014 Lease/Purchase Agreement are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 153,000	\$ 75,636	\$ 228,636
2022	161,000	69,325	230,325
2023	163,000	62,813	225,813
2024	171,000	56,099	227,099
2025	179,000	49,064	228,064
2026 - 2030	696,000	153,082	849,082
2031 - 2035	435,000	26,793	461,793
	<u>\$ 1,958,000</u>	<u>\$ 492,812</u>	<u>\$ 2,450,812</u>

Energy Improvement Lease

On November 1, 2014, the City entered into a lease agreement funded through private placement in the amount of \$21,908,000. The project will install LED lighting on street lights and parking lots in addition to building solar PV installations at the Hitchcock Road Animal Shelter, the Industrial Waste Treatment Plant, the Salinas Municipal Airport, the Permit Center, Sherwood Hall, and the Sewer Lift Station site off Work Street. The Debt Service repayment will be over a 17 year period at 3.03% interest beginning May 1, 2016 and ending November 1, 2032. Maximum annual debt service is \$2,005,124. Debt payable of \$18,539,340 is recorded as Governmental Activities at June 30, 2020.

Upon the occurrence of an event of default, the trustee may pursue any available remedy by law or pursuant to the lease agreement to enforce payment of the outstanding amounts. However, there shall be no right under any circumstance to accelerate the lease payments or otherwise declare any lease payments not then in default to be immediately due and payable. The authority may also elect to terminate the lease, with the City liable for all costs, losses, or damages incurred by the authority.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Debt service requirements to maturity for Energy Improvement Lease Agreement are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 1,050,605	\$ 554,034	\$ 1,604,639
2022	1,116,825	521,700	1,638,525
2023	1,184,506	487,358	1,671,864
2024	1,254,955	450,944	1,705,899
2025	1,328,272	412,375	1,740,647
2026 - 2030	7,848,880	1,401,559	9,250,439
2031 - 2035	4,755,297	219,796	4,975,093
	<u>\$ 18,539,340</u>	<u>\$ 4,047,766</u>	<u>\$ 22,587,106</u>

Pierce Enforcer Pumper

On October 18, 2017, the City, using lease purchase financing, purchased a Pierce Enforcer Pumper fire engine for a total of \$561,605. The City will make six annual payments of \$101,822, beginning on October 18, 2018 and ending October 18, 2023 at 2.40% interest. Debt payable of \$383,425 is recorded as Governmental Activities on June 30, 2020.

If any event of default occurs, and if the lessee agrees to pay, the lessor may require the lessee to pay all amounts currently due and all remaining rent payments due during the fiscal year in effect when the default occurs with interest at the highest lawful rate from the date of the lessor's demand for such payment. Also included in this scenario are additional out-of-pocket expenses incurred by the lessor including attorney fees, repossession, safekeeping, storage, repair, reconditioning, and disposition costs. Alternatively, the lessor can require the lessee to return all equipment for the purpose of lease, sale, or otherwise disposition by the lessor.

Debt service requirements to maturity for Pierce Enforcer Pumper are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 92,391	\$ 9,431	\$ 101,822
2022	94,664	7,158	101,822
2023	96,992	4,830	101,822
2024	99,378	2,444	101,822
	<u>\$ 383,425</u>	<u>\$ 23,863</u>	<u>\$ 407,288</u>

Altec Aerial Lift

On December 19, 2017, the City, using lease purchase financing, purchased an Altec Aerial Lift Truck for a total of \$157,983. The City will make six annual payments of \$28,903, beginning on December 19, 2018 and ending December 19, 2023. Debt payable of \$108,132 is recorded as Governmental Activities on June 30, 2020.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

If any event of default occurs, and if the lessee agrees to pay, the lessor may require the lessee to pay all amounts currently due and all remaining rent payments due during the fiscal year in effect when the default occurs with interest at the highest lawful rate from the date of the lessor's demand for such payment. Also included in this scenario are additional out-of-pocket expenses incurred by the lessor including attorney fees, repossession, safekeeping, storage, repair, reconditioning, and disposition costs. Alternatively, the lessor can require the lessee to return all equipment for the purpose of lease, sale, or otherwise disposition by the lessor.

Debt service requirements to maturity for Altec Aerial Lift are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 25,951	\$ 2,952	\$ 28,903
2022	26,659	2,243	28,902
2023	27,387	1,516	28,903
2024	28,135	768	28,903
	<u>\$ 108,132</u>	<u>\$ 7,479</u>	<u>\$ 115,611</u>

Public Safety Building 2018A

The City of Salinas 2018A Capital Lease was issued by Salinas Public Facilities, Inc. in the amount of \$48,825,000 on June 28, 2018. The purpose of this financing was to raise funds for the construction of a new Public Safety Building (Police Department) within City limits. The City started making semi-annual payments beginning on December 1, 2018 and ending December 1, 2034 at an average interest rate of 3.375%. Maximum annual debt service is \$4,799,181. Debt payable of \$48,825,000 is recorded as Governmental Activities on June 30, 2020.

In the event of an event of default, the trustee shall be entitled to declare the principal of all the bonds then outstanding, and the interest accrued thereon, to be due and payable immediately. Upon such declaration, anything in the indenture or in the bonds contained to the contrary notwithstanding, shall also be due and payable immediately, and interest on the bonds shall cease to accrue on the date of such declaration.

Debt service requirements to maturity for Public Safety Building 2018A are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 2,640,000	\$ 2,027,556	\$ 4,667,556
2022	2,775,000	2,024,181	4,799,181
2023	2,910,000	1,816,056	4,726,056
2024	3,060,000	1,666,806	4,726,806
2025	3,210,000	1,510,056	4,720,056
2026 - 2030	18,630,000	4,932,031	23,562,031
2031 - 2035	15,600,000	1,217,997	16,817,997
	<u>\$ 48,825,000</u>	<u>\$ 15,194,683</u>	<u>\$ 64,019,683</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

El Gabilan Library 2018B

The City of Salinas 2018B Capital Lease was issued by Salinas Public Facilities, Inc. in the amount of \$19,830,000 on June 28, 2018. The purpose of this financing was to raise funds for the construction of a new Public Library (El Gabilan) within City limits. The City started making semi-annual payments beginning on December 1, 2018 and ending December 1, 2048 at an average interest rate of 3.900%. Maximum annual debt service is \$1,152,781. Debt payable of \$14,340,000 is recorded as Governmental Activities on June 30, 2020.

In the event of an event of default, the trustee shall be entitled to declare the principal of all the bonds then outstanding, and the interest accrued thereon, to be due and payable immediately. Upon such declaration, anything in the indenture or in the bonds contained to the contrary notwithstanding, shall also be due and payable immediately, and interest on the bonds shall cease to accrue on the date of such declaration.

Debt service requirements to maturity for El Gabilan Library 2018B are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 210,000	\$ 577,469	\$ 787,469
2022	215,000	571,094	786,094
2023	220,000	562,369	782,369
2024	235,000	550,994	785,994
2025	240,000	539,119	779,119
2026 - 2030	1,735,000	2,472,375	4,207,375
2031 - 2035	2,265,000	2,021,225	4,286,225
2036 - 2040	2,750,000	1,537,953	4,287,953
2041 - 2045	3,315,000	959,844	4,274,844
2046 - 2050	3,155,000	254,844	3,409,844
	<u>\$ 14,340,000</u>	<u>\$ 10,047,286</u>	<u>\$ 24,387,286</u>

Police/Fire Radios & PW Equipment

The City of Salinas Motorola Radios and Public Work Equipment was issued by Banc of America Public Capital Corporation in the amount of \$3,500,000 on August 17, 2018. This equipment replaces old manufactured models and will make Police, Fire, and Public Work operations more efficient. The lease consists of 84 payments, beginning on August 17, 2019 and ending on August 17, 2025 at an average interest rate of 3.120%. Debt payable of \$3,044,884 is recorded as Governmental Activities on June 30, 2020.

Upon the occurrence of an event of default, legal title and physical position of the equipment shall pass to the Lessor, and the City shall have no further interest therein.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Debt service requirements to maturity for Police/Fire Radios & PW Equipment are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 469,315	\$ 95,000	\$ 564,315
2022	483,958	80,358	564,316
2023	499,057	65,258	564,315
2024	514,628	49,688	564,316
2025	530,684	33,631	564,315
2026 - 2030	547,242	17,074	564,316
	<u>\$ 3,044,884</u>	<u>\$ 341,009</u>	<u>\$ 3,385,893</u>

Certificates of Participation Bonds

Series B-2015

On October 24, 1997, the Salinas Public Financing Authority issued City of Salinas Certificates of Participation (Certificates) Series A-1997 totaling \$11,960,000. The purpose of this financing was to raise money for capital improvement projects and to refund the Authority's Variable Rate Lease Revenue Bonds, which were issued to purchase the 65 W. Alisal Building. The Variable Rate Lease Revenue Bonds Series A-1997 and Series B-1997 were fully retired on November 20, 1997. The outstanding Certificates were secured by liens on City owned assets that included City Hall; Public Safety Building; Steinbeck Library, and 65 W. Alisal Building.

On September 14, 2005, the Salinas Public Financing Authority issued City of Salinas Refunding Certificates of Participation Series 2005B (1997 Capital Improvement Projects). The Refunding Certificates were issued to refund Series A-1997 Certificates. Series 2005B Refunding Certificates were issued in the amount of \$11,705,000 for 24 years at 4.22%. The Refunding Certificates were secured by a lien on the Salinas Community Center with an appraised value of \$13,415,000. With these refunding, liens were removed from the City's Public Safety Building, 65 West Alisal Building and Steinbeck Library.

On September 1, 2015, the City issued Refunding Certificates of Participation Series 2015, in the amount of \$11,440,000 at a 2.53% interest rate, to refund the outstanding portion of the 2005A Certificates of Participation (Twin Creeks) and the 2005B Certificates of Participation (Capital Improvements). Bond started September 1, 2015 and will end after 12 years on September 1, 2027.

The current refunding of the Certificates of Participation Series 2005-A (Business-type Activities) and 2005-B (Governmental Activities) reduced total debt service payments over the next 13 years by \$3,184,743. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,200,896. Debt payable of \$4,845,000 is recorded as Governmental Activities at June 30, 2020.

In the event of an event of default, the trustee shall be entitled to exercise the remedies provided under the agreement to collect the outstanding payments in full, with no grace period permitted.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

The annual debt service requirements to maturity for the certificates are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 585,000	\$ 115,178	\$ 700,178
2022	600,000	100,188	700,188
2023	615,000	84,818	699,818
2024	630,000	69,069	699,069
2025	645,000	52,940	697,940
2026 - 2030	1,770,000	61,479	1,831,479
	<u>\$ 4,845,000</u>	<u>\$ 483,672</u>	<u>\$ 5,328,672</u>

Series 2018B - TRIP

On July 18, 2108, the California Statewide Communities Development Authority Transportation Revenue issued City of Salinas Certificates of Participation, Series 2018B totaling \$37,500,000 at various interest rates plus premium and discounts. The purpose of this financing was to provide expedited funding for the design, acquisition, and construction of local roadway and street improvement projects within the jurisdiction of the City. Debt payable net of premiums and discounts of \$36,820,000 is recorded as Governmental Activities at June 30, 2020.

In the event of an event of default, the trustee shall be entitled to exercise the remedies provided under the agreement to collect the outstanding payments in full, with no grace period permitted.

The annual debt service requirements to maturity for the certificates are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 710,000	\$ 1,624,125	\$ 2,334,125
2022	740,000	1,595,125	2,335,125
2023	750,000	1,561,575	2,311,575
2024	800,000	1,522,825	2,322,825
2025	850,000	1,481,575	2,331,575
2026 - 2030	4,835,000	6,790,925	11,625,925
2031 - 2035	6,095,000	5,500,700	11,595,700
2036 - 2040	7,765,000	3,782,750	11,547,750
2041 - 2045	9,815,000	1,723,188	11,538,188
2046 - 2050	4,460,000	157,500	4,617,500
	<u>\$ 36,820,000</u>	<u>\$ 25,740,288</u>	<u>\$ 62,560,288</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Assessment Districts Bonds

At June 30, 2020, outstanding Assessment District Bonds totaled \$6,905,000. Bonds issued for improvements in special assessment districts are liabilities of the property owners and are secured by liens against the assessed property. In the case of default, the City has the authority to advance bonds payments from the special reserve fund and to foreclosure on delinquent property. The bonds are secured by a pledge of the net revenue of the Assessment District and may not be used for any other purpose. The total Assessment District Reserve Fund balance was \$1,835,161 at June 30, 2020.

Assessment District 2017 Act Bonds

On July 28, 2017 the City issued \$4,555,000 in bonds to refinance the following special assessment district debt:

- 1998 AD 98-1 – Bella Vista III Refunding (\$2,665,000)
- 2000 AD 96-2 – Acacia Park Refunding (\$340,000)
- 2002 RADA – Bella Vista Refunding (\$1,365,000)
- 2002 RADB – Bella Vista Refunding (\$185,000)

The refunding of the assessment districts debt reduced total debt service payments over 9 years by \$937,889. This results was an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$318,303. Maximum debt service is \$882,065, including interest ranging from 2.3% to 2.7% for 9 years.

Upon the occurrence of an event of default, the trustee shall be entitled to exercise the remedies provided under the agreement to compel the City to perform and carry out their duties under the 1913 Act, the 1915 Act, or the 1984 Act and their agreements with the owners provided in the Bond agreement.

Annual debt service requirements to maturity for Assessment District 2017 Act Bonds are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 580,000	\$ 46,215	\$ 626,215
2022	590,000	31,835	621,835
2023	430,000	19,170	449,170
2024	450,000	8,095	458,095
2025	45,000	1,823	46,823
2026 - 2030	45,000	608	45,608
	<u>\$ 2,140,000</u>	<u>\$ 107,746</u>	<u>\$ 2,247,746</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

CFD Monte Bella-2019 - Community Facilities District No. 2016-1 (Monte Bella) of the City of Salinas 2019 Special Tax Bonds (Improvement Area No. 1)

On February 21, 2019, the Bond Purchase Agreement was signed in the amount of \$2,675,000 at various interest rates to finance the acquisition and/or construction of certain public facilities and improvements within Community Facilities District (CFD) No. 2016-1 Improvement Area No. 1 of the district. Debt payable net of premiums of \$2,749,934 is recorded as Governmental Activities at June 30, 2020.

Upon the occurrence of an event of default, the trustee may pursue any available remedy by law to enforce the payment of principal, premium and interest on the outstanding bonds.

Annual debt service requirements to maturity CFD Monte Bella-2019 bonds are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 50,000	\$ 106,819	\$ 156,819
2022	50,000	105,819	155,819
2023	55,000	104,769	159,769
2024	55,000	103,669	158,669
2025	55,000	102,534	157,534
2026 - 2030	310,000	472,750	782,750
2031 - 2035	380,000	397,656	777,656
2036 - 2040	460,000	323,881	783,881
2041 - 2045	560,000	213,250	773,250
2046 - 2050	700,000	72,000	772,000
	<u>\$ 2,675,000</u>	<u>\$ 2,003,147</u>	<u>\$ 4,678,147</u>

CFD Monte Bella-2019 #2 - Community Facilities District No. 2016-1 (Monte Bella) of the City of Salinas 2019 Special Tax Bonds (Improvement Area No. 2)

On December 1, 2019, the Bond Purchase Agreement was signed in the amount of \$2,090,000 at various interest rates to finance the acquisition and/or construction of certain public facilities and improvements within Community Facilities District (CFD) No. 2016- Improvement Area 2 of the district. Debt payable net of premiums of \$2,293,920 is recorded as Governmental Activities at June 30, 2020.

Upon the occurrence of an event of default, the trustee may pursue any available remedy by law to enforce the payment of principal, premium and interest on the outstanding bonds.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Annual debt service requirements to maturity CFD Monte Bella-2019 #2 bonds are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ -	\$ 89,150	\$ 89,150
2022	40,000	88,550	128,550
2023	40,000	87,350	127,350
2024	45,000	85,850	130,850
2025	45,000	84,050	129,050
2026 - 2030	250,000	391,550	641,550
2031 - 2035	305,000	336,250	641,250
2036 - 2040	365,000	277,825	642,825
2041 - 2045	440,000	196,750	636,750
2046 - 2050	560,000	73,250	633,250
	<u>\$ 2,090,000</u>	<u>\$ 1,710,575</u>	<u>\$ 3,800,575</u>

Business-Type Activities

Direct Borrowing

Capital Leases – Annual debt service requirements to maturity for the capital lease for Business-Type Activities are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 693,599	\$ 403,174	\$ 1,096,773
2022	633,867	376,808	1,010,675
2023	656,300	351,716	1,008,016
2024	625,000	325,640	950,640
2025	646,000	300,093	946,093
2026 - 2030	3,651,000	1,080,194	4,731,194
2031 - 2035	3,491,000	287,571	3,778,571
	<u>\$ 10,396,766</u>	<u>\$ 3,125,196</u>	<u>\$ 13,521,962</u>

2014 Lease/Purchase Agreement

The 2014 Lease/Purchase Agreement was issued by the Salinas Facilities Financing Authority on January 29, 2014. The financing was issued to refund the Animal Shelter COP Series A-1999 (\$2,812,000) and the Monterey Street Parking Structure COP Series A-2004 (\$13,253,000). The Monterey Street Parking Structure portion of the financing was issued for 20 years (ending September 1, 2033), at an average interest rate of 4.02%. Maximum annual debt service is \$963,518. The annual debt service requirements for the Monterey Street Parking Structure are illustrated in the table below and are reported as Business-Type Activities.

Upon the occurrence of an event of default, the trustee may pursue any available remedy by law or pursuant to the lease agreement to enforce payment of the outstanding amounts. However, there shall be no right under any circumstance to accelerate the lease payments or otherwise declare any

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

lease payments not then in default to be immediately due and payable. After the occurrence of an event of default, the City will surrender possession of the property to the financing authority, if requested to do so.

Debt service requirements to maturity is as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 551,000	\$ 396,593	\$ 947,593
2022	578,000	373,900	951,900
2023	599,000	350,243	949,243
2024	625,000	325,640	950,640
2025	646,000	300,093	946,093
2026 - 2030	3,651,000	1,080,194	4,731,194
2031 - 2035	3,491,000	287,571	3,778,571
	<u>\$ 10,141,000</u>	<u>\$ 3,114,234</u>	<u>\$ 13,255,234</u>

Street Sweepers

On May 23, 2016 the City, using lease purchase financing, purchased a street sweeper. The City will make six annual payments of \$59,557 at 2.87% interest. On April 6, 2017 the City, using lease purchase financing, purchased a second street sweeper. The City will make six annual payments of \$58,774 at 2.57% interest. Debt payable of \$225,528 is recorded in the Storm Sewer Enterprise Fund at June 30, 2020.

Upon the occurrence of an event of default, the trustee may pursue any available remedy by law or pursuant to the lease agreement to enforce payment of the outstanding amounts. However, there shall be no right under any circumstance to accelerate the lease payments or otherwise declare any lease payments not then in default to be immediately due and payable. The financing authority may also elect to terminate the lease, with the City liable for all costs, losses, or damages incurred by the financing authority.

Debt service requirements to maturity are as follows:

2016 Street Sweeper			
<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 57,895	\$ 1,662	\$ 59,557
2017 Street Sweeper			
<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 54,466	\$ 4,308	\$ 58,774
2022	55,867	2,908	58,775
2023	57,300	1,473	58,773
	<u>\$ 167,633</u>	<u>\$ 8,689</u>	<u>\$ 176,322</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Fire Engine

On January 21, 2014, the City, using lease purchase financing, purchased a Rosenbauer Airwolf fire engine for \$398,997. The fire engine debt is funded 50% by the Airport Fund; see capital leases for governmental type activities for the remaining 50% under *Quantum Pumper Fire Engine & Rosenbauer Airwolf*. The City will make seven annual payments of \$30,849 for the portion associated to business-type activities, beginning on March 1, 2015 and ending on March 1, 2021 at 2.02% interest. Debt payable of \$30,238 is recorded in the Airport Fund at June 30, 2020.

Debt service requirements to maturity is as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 30,238	\$ 611	\$ 30,849

Direct Placement Debt

HUD Section 108 Loan

On March 28, 2015, the City entered into a contract for Loan Guarantee Assistance with the Housing and Urban Development Department (HUD), pursuant to which the City will derive funds for the purposes permitted under the agreement, and will execute one or more City Notes in the maximum aggregate principal amount of up to \$9,390,000. The City executed a note numbered as B-12-MC-06-0005 (Community and Economic Development Fund – Industrial Waste Water Conveyance System Project) in the principal amount of \$4,000,000. The City of Salinas has pledged current and future Community Development Block Grants (CDBG) funds as principal security for the loan. The loan carries a variable interest rate of 20 points (0.2%) above the applicable LIBOR rate. As of June 30, 2020, \$2,395,000 of the loan balance is outstanding.

Upon the event of default, the custodian may take any action available by law, subject to the sections of the agreement, to pursue payment of the outstanding amount, including any additional fees, costs, and expenses incurred by the custodian in connection therewith.

Debt service requirements to maturity is as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 442,000	\$ 55,576	\$ 497,576
2022	460,000	45,795	505,795
2023	478,000	34,535	512,535
2024	497,000	21,721	518,721
2025	518,000	7,382	525,382
	<u>\$ 2,395,000</u>	<u>\$ 165,009</u>	<u>\$ 2,560,009</u>

CITY OF SALINAS
Notes to Basic Financial Statements
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Bonds Payable

Series 2012 – Sanitary Sewer Revenue Bonds

On February 8, 2012, the City of Salinas issued Sanitary Sewer System Revenue Bonds, Series 2012 in the amount of \$17,995,000 to provide funds for the current refunding of the City’s Sanitary Sewer System Revenue Bonds, Series 1998 and to finance capital replacement of existing sewer mains and other sewer related capital replacement. Maximum annual debt service is \$1,022,406, including interest ranging from 1.0% to 4.4% for 30 years. The City is authorized under Chapter 36, Article II, Division 5 of the Salinas City Code, to levy a sewer fee for the purpose of paying sanitary sewer related expenses of the City. On January 10, 2012, the City Council approved adjustments to wastewater collection fees effective February 1, 2012 to reflect the cost of wastewater conveyance through the Enterprise and an amount to cover debt service. The fee is billed by the Monterey Regional Water Pollution Control Agency. Debt payable of \$15,065,000 is recorded in the Sanitary Sewer Enterprise Fund at June 30, 2020.

Upon the occurrence of an event of default, the trustee may pursue any available remedy by law to enforce the immediate payment of the entire principal and interest on the unpaid bonds.

Debt service requirements and maturity are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 420,000	\$ 601,406	\$ 1,021,406
2022	430,000	584,406	1,014,406
2023	450,000	566,806	1,016,806
2024	470,000	550,756	1,020,756
2025	480,000	536,506	1,016,506
2026 - 2030	2,700,000	2,380,178	5,080,178
2031 - 2035	3,275,000	1,792,591	5,067,591
2036 - 2040	4,005,000	1,041,959	5,046,959
2041 - 2045	2,835,000	184,131	3,019,131
	<u>\$ 15,065,000</u>	<u>\$ 8,238,739</u>	<u>\$ 23,303,739</u>

Certificates of Participation, Series A-1999 – Golf Courses (Portion Refunded by Series A-2005 in 2005 and refunded again by Series A-2015)

On March 16, 1999, the Salinas Public Financing Authority issued City of Salinas Certificates of Participation (Certificates) Series A-1999 totaling \$14,315,000. A portion of the Certificates was allocated for the construction of an animal shelter, \$1,250,338, and the balance of the Certificates, \$13,064,662 was allocated for construction of the new Twin Creeks (9-hole) Golf Course.

On August 24, 2004, the City entered into a sublease agreement with the Monterey Peninsula Foundation and its related foundation, Future Citizens Foundation, dba the First Tee of Monterey County providing for the lease of Twin Creeks golf course to Future Citizens Foundation. As a condition of the lease, the City repaid the portion of the 1999 Certificates attributable to the Twin

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Creeks golf course facility (about 57.5% of the lease payments of \$575,000) and refinanced that golf course portion with a new Refunding issue of Certificate of Participation.

On September 14, 2005, the Salinas Public Financing Authority issued City of Salinas Refunding Certificates of Participation Series 2005A, in the amount of \$8,005,000, to refund the portion of the 1999 Certificates attributed to Twin Creeks. Refunding Certificates Series 2005A were issued for 24 years at 4.22%, and were secured by a lien on Twin Creeks golf course. The net value expense of the funding was \$117,298. The refunding was completed to issue qualified 501 (c) 3 bonds to provide for the operation of Twin Creeks golf course by First Tee of Monterey County.

Annual debt service for the 2005A Certificates (\$572,308) was paid by the annual lease payments (\$575,000) from Future Citizens Foundation and guaranteed by the Monterey Peninsula Foundation. At the request of First Tee of Monterey County, on December 6, 2011, the City approved a sublease payment reduction from \$575,000 to \$125,000 (an annual reduction of \$450,000). This request was the result of First Tee's significant golf course operating losses.

With the goal of maintaining a quality of level of service to the thousands of golf youth participants and as the most cost effective alternative, the City Council approved the General Fund support through fiscal year 2015-16 to offset the reduced amount of the sublease to the First Tee of Monterey County.

On September 1, 2015, the City issued Refunding Certificates of Participation Series 2015, in the amount of \$11,440,000 at a 2.53% interest rate, to refund the outstanding portion of the 2005A Certificates of Participation (Twin Creeks) and the 2005B Certificates of Participation (Capital Improvements). Bond started September 1, 2015 and will end after 12 years on September 1, 2027.

The current refunding of the Certificates of Participation Series 2005-A (Business-type Activities) and 2005-B (Governmental Activities) reduced total debt service payments over the next 13 years by \$3,184,743. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,200,896.

Upon the occurrence of an event of default, the trustee may pursue any available remedy by law or pursuant to the lease agreement to enforce payment of the outstanding amounts. However, there shall be no right under any circumstance to accelerate the lease payments or otherwise declare any lease payments not then in default to be immediately due and payable. After the occurrence of an event of default, the City will surrender possession of the property to the financing authority, if requested to do so.

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Debt service requirements to maturity for the Twin Creeks Golf Course is as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 390,000	\$ 69,448	\$ 459,448
2022	400,000	59,455	459,455
2023	410,000	49,209	459,209
2024	420,000	38,709	458,709
2025	430,000	27,957	457,957
2026 - 2030	890,000	22,644	912,644
	<u>\$ 2,940,000</u>	<u>\$ 267,422</u>	<u>\$ 3,207,422</u>

Certificates of Participation, Series A-2008 – Fairways Golf Course

On August 2008, the City of Salinas was issued Refunding Certificates of Participation Series 2008, in the amount of \$4,660,000 at a variable interest rate, to refund the outstanding portion of the 1999 Certificate pertaining to the Fairways Golf Project. Bond started September 1, 2008 and will end after 30 years on September 1, 2038. Following the execution and delivery of the Certificates of Participation Series 2008, the 1999 Certificates, attributed to the animal shelter, will remain outstanding.

In the event of a default, the trustee may pursue any available remedy by law or pursuant to the lease agreement to enforce payment of the outstanding amounts. However, there shall be no right under any circumstance to accelerate the lease payments or otherwise declare any lease payments not then in default to be immediately due and payable.

The annual debt service requirements to maturity for Fairways Golf Course are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 90,000	\$ 192,600	\$ 282,600
2022	105,000	188,550	293,550
2023	115,000	183,825	298,825
2024	130,000	178,650	308,650
2025	145,000	172,800	317,800
2026 - 2030	1,005,000	749,475	1,754,475
2031 - 2035	1,360,000	488,025	1,848,025
2036 - 2040	1,330,000	153,000	1,483,000
	<u>\$ 4,280,000</u>	<u>\$ 2,306,925</u>	<u>\$ 6,586,925</u>

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Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Conduit Debt

In June 1999, the City of Salinas issued Multifamily Housing Revenue Bonds, Series 1999A (\$5,310,000 tax-exempt) and 1999A-T (\$390,000 taxable) for the construction of a 132-unit senior apartment project. Twenty percent (20%) of the project is designated to be affordable to seniors. As of June 30, 2020, the total conduit debt outstanding related to these bonds is \$3,525,000.

On June 2007, the City of Salinas issued Economics Development Revenue Bonds, Series 2007A (\$18,655,000 tax-exempt) and 2007B (\$1,570,000 taxable) for the acquisition of a building located at 1000 Main Street in Salinas. The building is currently leased in part to the County of Monterey Department of Social Services. The project intends to provide monthly rental at below the market value rates to the County of Monterey, a one-million-dollar premise improvement allowance to the Department of Social Services to renovate and upgrade its space in the building and to generate charitable support for the County's residents. The debt was refinanced in 2016 as series 2016A and 2016B. As of June 30, 2020, total conduit debt outstanding related to the Economic Development Revenue Bonds is \$16,130,000.

Pursuant to the bond purchase agreements, the City of Salinas has no obligation related to the repayment of these bonds. Accordingly, the bonds are not reported as liabilities in the City's financial statements.

19. **Restricted Net Position:**

The government-wide statement of net position reports \$89,496,097 of restricted net position, of which enabling legislation restricts \$1,610,130 represented by the net position held at the Sanitary Sewer Fund.

20. **Unearned Revenues and Deferred Inflows of Resources, Net of Allowance:**

Governmental funds report unearned revenues in connection with funds received, in advance for which assets recognition criteria have been met, but for which revenue recognition criteria have not been met. Receivables for revenues not considered available to liquidate liabilities of the current period are considered unavailable revenues and reported as deferred inflows of resources on the governmental funds. Unearned revenues are stated at \$6,987,464, in the Government-Wide Statements. Governmental funds report \$82,464 of unearned revenues and \$10,504,265 of deferred inflows of resources that are not available resources.

CITY OF SALINAS
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For the Fiscal Year Ended June 30, 2020

Unearned revenues and unavailable revenues, net of allowance of the governmental activities at June 30, 2020 consist of the following:

Major funds:	
General Fund unavailable tax receivable	\$ 440,047
Assessment district debt service unavailable assessments receivable	6,905,000
Special Construction Assistance unavailable grants receivable	672,742
Non-major funds:	
Special Revenue	
KDF Los Padres Dev Social Services	
Unearned revenue	19,810
Affordable Housing unavailable housing loans	
Low & moderate incoming housing loans	10,090,413
Less: allowance for doubtful accounts	<u>(10,073,842)</u>
Net affordable housing loans	16,571
Unavailable revenues	<u>644,703</u>
Total affordable housing	<u>661,274</u>
Housing and urban development unavailable housing loans	
Housing rehab loans	1,359,245
First time homebuyers loans	1,237,232
CDBG/home program	<u>18,881,141</u>
Subtotal	21,477,618
Less: allowance for doubtful accounts	<u>(21,234,974)</u>
Net housing and urban development loans	242,644
Unavailable grants receivable	<u>471,323</u>
Total housing and urban development	<u>713,967</u>
Grants	
Unearned revenue	62,654
Unavailable grants receivable	<u>643,259</u>
Total Grants	<u>705,913</u>
Capital Project	
Special aviation	
Unavailable grants receivable	<u>467,976</u>
Total governmental activities	<u><u>\$ 10,586,729</u></u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

21. Prior Period Adjustment:

Implementation of new accounting standard - for the fiscal year ended June 30, 2019, the City implemented the provisions of GASB No. 84 – *Fiduciary Activities*. Management evaluated the implementation considering new guidance regarding Agent Multi-Employer OPEB plans. It was determined that the City did not have control over the assets of \$2,708,129 in the arrangement and, as a result, management removed the OPEB plan as a fiduciary activity.

Correction of error - during 2020, management discovered that capital expenditures that were incurred in 2019 were not accrued due to untimely billing from vendors. A correction was made in the amount of \$2,498,539 to increase the City’s beginning net position as of July 1, 2019 to correct the City’s beginning capital assets.

The following schedule summarized the prior period adjustment to the primary government and fiduciary activities:

	Prior Period Adjustment	Implimentation of GASB 84	Correction for Capital Assets
Net Position			
Governmental Activities	\$ 1,955,475	\$ -	\$ 1,955,475
Business-type Activities			
Industrial Waste	543,064	-	543,064
Total Business-type Activites	543,064	-	543,064
Total Government-wide	\$ 2,498,539	\$ -	\$ 2,498,539
Fiduciary Net Position			
Pension Trust Fund	\$ (2,708,129)	\$ (2,708,129)	\$ -

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

22. Fund Balance:

It is the policy of the City to maintain a minimum reserve for a reasonable level of assurance that the City's day-to-day operations will be able to continue even if circumstances occur where revenues are insufficient to cover expenditures. The minimum reserve of the General Fund is 5% of the next year's General Fund annual budgeted operating expenditures, as calculated by the Finance Director. The minimum fund balance is shown as unassigned in the General Fund.

Fund balance for governmental funds as of June 30, 2020 consists of the following:

	General, Measure E, & Measure G	Assessment District Debt Service	Special Construction Assistance	Other Nonmajor Governmental Funds	Total
Nonspendable:					
Inventory	\$ 8,146	\$ -	\$ -	\$ -	\$ 8,146
Loans & Notes Receivable	-	-	-	-	-
Due from outside agencies	75,000	-	-	-	75,000
Advances	6,535,000	-	-	-	6,535,000
Land Held for Resale	-	-	-	2,507,553	2,507,553
	<u>6,618,146</u>	<u>-</u>	<u>-</u>	<u>2,507,553</u>	<u>9,125,699</u>
Restricted for:					
Public Safety	-	-	-	1,225,613	1,225,613
Future Development	-	-	-	15,783,535	15,783,535
Maintenance District	-	-	-	7,289,327	7,289,327
Recreation Parks	-	-	-	88,234	88,234
Community Development	-	-	-	1,072,901	1,072,901
Franchise-Cable	-	-	-	486,095	486,095
Street Repairs	-	-	-	13,031,837	13,031,837
Municipal Arts	-	-	-	4,970	4,970
Grants	-	-	-	3,209,967	3,209,967
Low/Moderate Housing	-	-	-	3,868,130	3,868,130
Capital Projects	-	-	34,383,600	1,611,494	35,995,094
Debt Service	-	719,092	-	4,213,749	4,932,841
	<u>-</u>	<u>719,092</u>	<u>34,383,600</u>	<u>51,885,852</u>	<u>86,988,544</u>
Committed for:					
Capital Projects	5,038,675	-	-	2,096,246	7,134,921
Assigned for:					
Other Purposes	12,791,207	-	-	-	12,791,207
Carryover Appropriations	17,397,245	-	-	-	17,397,245
Capital Projects	550,552	-	-	-	550,552
	<u>30,739,004</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,739,004</u>
Unassigned:					
Operations-Reserve	13,015,196	-	-	-	13,015,196
Other Unassigned	-	-	(672,742)	(2,493,389)	(3,166,131)
	<u>13,015,196</u>	<u>-</u>	<u>(672,742)</u>	<u>(2,493,389)</u>	<u>9,849,065</u>
Total Fund Balances	<u><u>\$ 55,411,021</u></u>	<u><u>\$ 719,092</u></u>	<u><u>\$ 33,710,858</u></u>	<u><u>\$ 53,996,262</u></u>	<u><u>\$ 143,837,233</u></u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

23. Encumbrance:

The City uses encumbrances to control expenditure commitments for the year and to enhance cash management. Encumbrances represent commitments related to contracts not yet performed and purchase orders not yet filled (executor contracts; and open purchase orders). Commitments for such expenditures of monies are encumbered to reserve a portion of applicable appropriations. Encumbrances still open at year end are not accounted for as expenditures and liabilities but, rather, as restricted, committed, or assigned governmental fund balance.

As of June 30, 2020, total governmental fund encumbrance balances for the City are as follows:

General Fund, Measure E, & Measure G	\$ 3,837,563
Special Construction Assistance	14,807,951
Nonmajor governmental funds	175,400
	<u>\$ 18,820,914</u>

24. Joint Venture – Salinas Valley Solid Waste Authority (Authority):

The Authority is a joint exercise of powers authority, created pursuant to an agreement dated as of January 1, 1997 (the “Authority Agreement”) among the County of Monterey, and the cities of Salinas, Gonzales, Greenfield, Soledad, and King City (the “Members”). The Authority was established to acquire and manage the landfill assets of each member, ensure long-term landfill capacity of the Authority service area and provide a unified and coordinated solid waste management for the members.

The Authority is governed by a nine member governing board, consisting of three members of the Salinas City Council, two members of the Monterey County Board of Supervisors, and one member from each patriating city. Pursuant to the Authority Agreement, while the City of Salinas does not have unilateral control over the activities of the Authority, the affirmative vote of at least one member of the Authority Board who is a member of the Salinas City Council is required to approve Board actions.

With the formation of the Authority, each participating jurisdiction contractually agreed to its responsibilities. In addition, the Authority adopted waste delivery agreements with each Member of the Authority. Each member has committed to deliver waste generated within its boundaries to the Authority’s solid waste facilities, to direct its franchise/permitted solid waste haulers to dispose of waste at these facilities, and to pay tipping fees set by the Authority to cover all Authority-related costs.

The agreement may be terminated under specific terms of withdrawal, which includes a majority vote of the City Council, repayment of all outstanding debt and funding of closure, post closure and site remediation costs upon withdrawal from or termination of the Authority. The members have made no equity contributions, or have sold their interest in their assets to the Authority, and there is no explicit, measurable equity interest in this joint venture.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

The City had no measurable equity interest in the Authority and does not receive a share of operating results. The Authority is currently funding the closure, post closure and site remediation costs based on estimates of these future costs.

The Annual Financial Report of the Salinas Valley Solid Waste Authority is published and available from the Authority Treasurer at the Authority’s Finance Department located at 128 Sun Street, Suite 101, Salinas, CA 93901.

On December 6, 2018, the City issued a notice of intention to withdraw from the Joint Powers Agreement (the “Agreement”) Pursuant to Section 19 of the Joint Powers Agreement, the notice serves as a one-year notice. The City’s notice of intent to withdraw as a member of the Authority merely served as notice to the Authority and its remaining members. The one-year term has passed without any further action from the City or the Authority. However, the City and Authority representatives are working on finding a resolution to the notice.

The City understands and acknowledges its obligation to continue paying its share of the 2014 Bonds as regularly scheduled and agrees to continue paying its share of the obligation after withdrawal from the Authority, should withdrawal occur. In addition, the City understands and acknowledges its obligation to pay its share of financial liability for closure and post-closure and site remediation costs as further described in Section 19(a) of the Agreement. If the City withdraws from the Authority arrangements must be made to meet this obligation.

25. Contingent Liabilities:

Various claims and lawsuits are pending against the City. Although the outcome of those claims and lawsuits are not presently determinable, in the opinion of the City Attorney the resolution of these matters are within the self-insured retention and are not likely to have a material adverse effect on the financial condition of the City.

26. Successor Agency to the Salinas Redevelopment Agency:

Cash and Investments – Cash and investments at June 30, 2020 consisted of the following:

Cash and investments	\$ 3,230,740
Restricted cash and investments	<u>1,617,892</u>
Total Cash and Investments	<u><u>\$ 4,848,632</u></u>

Cash and investments of \$1,617,892 recorded as restricted assets are restricted to cover debt service. These funds are held by the City’s fiscal agent.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Capital Assets – The following is a summary of the Agency’s capital assets at June 30, 2020:

	Balance June 30, 2019	Additions	Adjustments/ Retirements	Balance June 30, 2020
Fiduciary Activities				
Capital assets, not being depreciated				
Land	\$ 149,270	\$ -	\$ -	\$ 149,270
Total assets not being depreciated	149,270	-	-	149,270
Capital assets, being depreciated				
Improvements other than buildings	17,840	-	-	17,840
Total assets being depreciated	17,840	-	-	17,840
Less accumulated depreciation	(17,840)	-	-	(17,840)
Total capital assets being depreciated, net	-	-	-	-
Fiduciary Activities capital assets, net	\$ 149,270	\$ -	\$ -	\$ 149,270

Long Term Debt – The following is a summary of the long term debt at June 30, 2020:

	June 30, 2019	Increases	Decreases	June 30, 2020	Due Within One Year
Fiduciary-type Activities					
Loans and Notes Payable:					
Homeless Shelter	\$ 157,500	\$ -	\$ -	\$ 157,500	\$ -
Total Loans & Notes Payable	157,500	-	-	157,500	-
Tax Allocation Refunding Bonds:					
Series A-1996	1,865,000	-	(115,000)	1,750,000	125,000
Series A-1992	715,485	-	(197,604)	517,881	184,342
Total Bonds Payable	2,580,485	-	(312,604)	2,267,881	309,342
Subtotal	2,737,985	-	(312,604)	2,425,381	309,342
Unamortized Bond Discount	(44,592)	-	8,919	(35,673)	(8,919)
Fiduciary-type Activities	\$ 2,693,393	\$ -	\$ (303,685)	\$ 2,389,708	\$ 300,423

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

The annual requirements to amortize loans and notes and bonds outstanding as of June 30, 2020 by activity are as follows:

Year Ended June 30,	Principal	Interest	Total
2021	\$ 309,342	\$ 1,123,234	\$ 1,432,576
2022	302,406	1,128,660	1,431,066
2023	296,133	1,132,380	1,428,513
2024	1,360,000	37,400	1,397,400
2029-2041	157,500	-	157,500
	<u>\$ 2,425,381</u>	<u>\$ 3,421,674</u>	<u>\$ 5,847,055</u>

Loans and Notes Payable

Homeless Shelter Loan – Green Gold Inn

On March 7, 1995, the Salinas Redevelopment Agency – Central Agency Revitalization Project entered into a funding agreement and received a loan from the City of Salinas Community Development Block Grant Fund for the acquisition of property, Green Gold Inn at 28-32 Soledad Street, to establish a homeless center/shelter. The Agency agreed that the property would be used solely for a homeless center/shelter for a period not less than ten years. If the Agency or the organization holding title to the property disposes of the property or alters the use of the property prior to expiration of the ten year period, the Agency will reimburse the City the full amount of the current fair market value less improvement costs.

Upon completion of the ten-year period, one half of the debt, \$157,500, was forgiven. Upon cessation of the homeless center/shelter operations, the City will be reimbursed the fair market value of the property less the portion of the loan paid and improvement costs.

Debt service requirements for Green Gold Inn homeless center/shelter no interest loan is as follows:

Year Ended June 30,	Principal	Interest	Total
2029-2041	\$ 157,500	\$ -	\$ 157,500

Tax Allocation Bonds

On August 28, 1996, the former Salinas Redevelopment Agency issued \$11,145,000 of Tax Allocation Bonds Series A-1996. On October 27, 1992, the former Redevelopment Agency issued \$6,541,178 of Refunding Tax Allocation Bonds Series A-1992. The bonds were issued to complete project improvements in the Central Agency Revitalization Project area. The bonds were repaid from property taxes levied within the Salinas Redevelopment Agency Central City

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Revitalization Project through January 31, 2012, the dissolution date. This debt is now being paid with taxes received from the Redevelopment Property Tax Trust Fund in accordance with the Recognized Obligation Payments Schedule submitted by the Successor Agency and approved by the State Department of Finance.

The annual debt service requirements for the bonds at June 30, 2020 are as follows:

Year Ended June 30,	TAB Series A-1996		TAB Series A-1992	
	Principal	Interest	Principal	Interest
2021	\$ 125,000	\$ 92,813	\$ 184,342	\$ 1,030,421
2022	130,000	85,800	172,406	1,042,860
2023	135,000	78,513	161,133	1,053,867
2024	1,360,000	37,400	-	-
	<u>\$ 1,750,000</u>	<u>\$ 294,526</u>	<u>\$ 517,881</u>	<u>\$ 3,127,148</u>

The Series A-1996 bond issue has a term bond of \$4,510,000 that matures on November 1, 2023. Debt service payments beginning in fiscal year 2011-2012 are deposits into a sinking fund. The term bonds are subject to redemption prior to maturity from the sinking fund installments on each November 1 on and after November 1, 2011 without premium according to a specified schedule, which is used in these debt service requirements.

The Series A-1992 bond issue has a term bond of \$2,638,475 that matures on November 1, 2022. Debt service payments beginning in fiscal year 2009-2010 are deposits into a sinking fund. The term bonds are subject to redemption prior to maturity from the sinking fund installments on each November 1 on and after November 1, 2009 without premium according to a specified schedule that is used in these debt service requirements.

Unamortized Bond Discount

The Statement of Net Position includes an unamortized bond discount of \$35,673 in Debt Payable-Due in More than One Year-Net of Discounts. The 1996 Tax Allocation Revenue Bonds were sold at a discount of \$249,729. The discount is being amortized over the life of the bond issue (28 years) at an annual rate of \$8,919.

At June 30, 2020 the 1996 Tax Allocation Revenue Bonds unamortized discount was as followed:

	June 30, 2019	Increases	Decreases	June 30, 2020
Tax Allocation Bond, Series A-1996	\$ 44,592	\$ -	\$ (8,919)	\$ 35,673

Commitment to Monterey Street Parking Structure – In November 2001, the City Council and the Agency entered into a Disposition and Development Agreement (DDA) with Maya Cinema Holding Company LLC for the development of a 14-Screen, 2,916-seat multiplex movie theater complex on the 100 block of Main Street. To serve this and other developments within the 100 blocks, the DDA committed the City/Agency to construct a five-level, 435-space public parking

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

structure on the corner of Monterey Street and Market Street adjacent to the National Steinbeck Center and the Maya Cineplex Theater. The public parking garage opened in June 2005, while the Maya Cinemas Multiplex was completed and opened during July 2005. During FY 2013-14 the Certificates of Participation 2004 that funded the construction of the Monterey Street Parking Structure with a balance of \$13,870,000 at January 2014, was refinanced through the Salinas Facilities Financing Authority by a direct private lease placement with Western Alliance Bancorporation. Because the debt service for the 2004 Certificates was reimbursed to the City from redevelopment tax increment, the savings from the 2004 Certificates was distributed to affected taxing entities as apportioned by the County of Monterey, including a portion for the City, due to the dissolution of the City's Redevelopment Agency. With this refinancing, the average annual debt service requirement was reduced by approximately \$123,000.

27. Subsequent Events:

COVID-19 Pandemic and Related Subsequent Events

In 2020, the financial impact of the novel COVID-19 coronavirus has been felt both worldwide and in the United States. Throughout the United States businesses in all financial sectors have felt the negative impacts of the COVID-19 pandemic as jobs have been lost due to sheltering in place in order to mitigate the spread of the virus.

While the City cannot readily estimate the financial impact that the pandemic will have on its business operations, the City does not believe that its mission will be adversely impacted as it has received federal stimulus funding to continue providing essential housing assistance to the thousands of families, seniors, veterans and citizens experiencing homelessness in the City of Salinas.

During the fiscal year, the City was awarded federal funding related to the pandemic. The deadline to expend the CARES Act funds was extended to December 31, 2021. The City anticipates expending all funds it directly receives by this deadline.

Subsequent to the fiscal year end, the City was awarded additional grants related to the COVID-19 pandemic in the amount of \$2,860,077.

The City has evaluated subsequent events through January 25, 2021, the date these financial statements were available to be issued.

**REQUIRED
SUPPLEMENTARY
INFORMATION**



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CITY OF SALINAS
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Budgetary Policy and Control
Budgetary Information
Fiscal Year June 30, 2020

BUDGETING

The budget is prepared by the City Manager and adopted by the City Council. The City Council approves operating appropriations at the department and fund level prior to July 1, each year and may amend the budget during the fiscal year. Budgetary control is maintained at the program level. Formal budgetary integration was employed as a management control device during the fiscal year for the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds, Enterprise Funds and Internal Service Funds.

Budgets are legally adopted for all Governmental and Proprietary Fund Types. Fiduciary Funds and Agency Funds have no adopted budgets because the City is only required to make payments to the extent funds are available. Agency Fund budgets that are approved by their respective governing boards are recorded in the City's accounting system.

The City Manager may transfer budget appropriations between departments and Department Directors may transfer appropriations between programs and accounts within their individual departments and divisions, but only the Council may appropriate funds from reserves or fund balances.

Budget policy excludes the use of taxes, accounts receivable, interest receivable assets and long-term advances that are not currently available resources for budget purposes. Condemnation deposits, are also excluded because they are returned upon right of way acquisition.

Expenditures may not legally exceed budgeted appropriations at the department level. Budgeted amounts shown are as originally adopted and as amended by the City Council during the year. During the year, Council amends the budget with the approval of supplemental appropriations and reviews and amends the budget at mid-year and at year-end.

Appropriations lapse at fiscal year end to the extent they have not been expended. New budget appropriations are approved for the coming year. Project-length financial plans are adopted for all capital projects funds and appropriations are carried forward until project completion. Grant funds are carried forward until the grant expires.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Encumbrances outstanding at year-end are recorded as reservations of fund balance and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

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Fiscal Year June 30, 2020

On November 8, 2005, the voters of Salinas approved Measure V, a 0.50% transactions and use tax. Measure V is a general tax and is reported as part of the General Fund. The tax was effective April 1, 2005 and had an original sunset of ten (10) years. Measure V was revised by the voters on November 6, 2012 eliminating a termination date on the imposition of the tax through Measure E. The Measure E Oversight Committee is a fundamental provision of the voter-approved tax. The Mayor and City Council each annually appoints one member of the public to serve on the Oversight Committee. The committee is responsible for and overseeing the use of Measure E funds to assure consistency with the voter approved tax and the appropriated use of Measure E funds.

On November 4, 2014, the voters of Salinas approved Measure G (For a Safer Better Salinas), a 1.00% transactions and use tax. Measure G is a general tax and is reported as part of the General Fund. The tax was effective April 1, 2015 and had a sunset date of fifteen (15) years. The Measure G Oversight Committee is a fundamental provision of the voter-approved tax. The Mayor and City Council each annually appoints one member of the public to serve on the Oversight Committee. The committees' main responsibilities include the review of the auditor's report of the specific uses of Measure G funds and to issue a public report to the City Council regarding the use of revenue and such other matters as the City Council may assign.

BUDGETARY INFORMATION

The adopted FY 2019-20 budget represents the financial and organizational plan by which the policies and programs approved by the City Council will be implemented. It includes: (1) the programs, projects, services and activities to be provided during the fiscal year; (2) estimated revenues available to finance the operating plan; and (3) the estimated spending requirements of the operating plan. The City's goals and objectives identified by the City Council in the Strategic Plan thru 2019 was approved on June 14, 2016, following strategic planning sessions on January 23 and March 1, 2016 and are as follows:

- Economic Development and Prosperity
- Safe Livable Community - Salinas as a City of Peace
- Effective, Sustainable Government
- Excellent Infrastructure
- Quality of Life

CITY OF SALINAS
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Budgetary Information
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On May 28, 2019, the City Council was introduced and reviewed the proposed operating budget for the City of Salinas and Successor Agency. The Salinas City Council adopted FY 2019-20 Annual Operating Budgets on June 4, 2019. Capital project budget is updated annually.

Annual budgets are prepared for General Governmental Funds, Internal Service, Enterprise Operations, Assessment and maintenance Districts, Block Grant and Home programs, certain Grant and City Agencies, Deferred Compensation and Retirement, Debt Service, Successor Agency and Capital Project Funds.

The annual appropriation resolution adopts the budget at an appropriation level by fund, with detail expenditure by departments and programs included in the budget document.

GENERAL FUND

The General Fund fund balance increased \$2,885,888 to \$27,329,939, of which \$6,618,146 is Non-spendable, \$650,461 is Committed, \$10,996,190 is Assigned and \$9,065,142 is Unassigned.

General Fund reserves have been set-aside by Council for specific purposes. Under the Reserved fund balance category, the General Fund Non-spendable fund balance of \$6,626,381 includes Inventory (\$11,019), Due from outside agencies (\$75,000) and Advances (\$6,085,000). Committed funds balance of \$650,461 is designated for future encumbrances. Carryover Appropriations of \$9,13,891, \$2,500,000 assigned to fund the New York Life retirement account, and other purposes of \$6,085,845 are under the \$10,996,190 Assigned fund balance category.

The General Fund unassigned fund balance is made up of \$6,830,000 is reserved for operations, \$1,150,000 for the Deficit Reduction Reserve, coupled with (\$1,353,619) of future funds required to meet the fund balance reserves at June 30, 2020.

MEASURE E

Measure E is a general tax (discretionary) and is reported as part of the General Fund. The Measure E fund balance decreased \$3,242,220 to \$5,432,100, of which \$152,884 is committed to future Capital Projects, \$6,532,506 is assigned and (\$1,253,290) is unassigned.

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MEASURE G

Measure G is a general tax (discretionary) and is reported as part of the General Fund. The Measure G fund balance increased \$3,495,112 to \$22,648,982, of which \$4,235,330 is Committed for future capital projects, \$13,210,308 is Assigned and \$5,203,344 is Unassigned.

BUDGETARY RESULTS RECONCILED TO GAAP

The budgetary process is based upon accounting for certain transactions on a basis other than the accounting principles generally accepted in the United States (GAAP) basis. The results of operations are presented in the accompanying budget and actual comparison schedules in accordance with the budgetary process (budgetary basis) to provide a meaningful comparison with the budget. The major differences between the budgetary basis actual and GAAP basis are as follows:

- Year-end encumbrances are recognized as the equivalent of expenditures in the budgetary basis financial statements, while encumbered amounts are not recognized as expenditures on the GAAP basis until the equipment, supplies, or services are received.
- Certain loan transactions are recognized as expenditures for the budgetary basis but not for the GAAP basis. When these loans are made, they are recorded as receivables for the GAAP basis and as expenditures for the budgetary basis. When loan repayments are received, they are recorded as reductions to receivables for the GAAP basis, but are recognized as revenues for the budgetary basis.
- Certain accounts such as the change in fair market value of investments included in the City's GAAP basis amounts, for which no formal budgets are prepared, are excluded from the budgetary basis financial statements.
- Certain grant revenues received in advance are recognized on the budgetary basis financial statements, but are deferred and not recognized as revenue on the GAAP basis financial statements. This process normally creates a variance in recognized revenue from the prior year to the current year.

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BUDGET REVISIONS

The following is a summary of the actions taken after the approval on February 25, 2020 of the mid-year adjustments to the fiscal year 2019-20 budget:

- General Fund adjusted upwards its revenue by \$1,200,000 for transient occupancy tax (TOT) and \$400,000 for investment earnings. The operating budget was also increased by \$2.7 million. The Capital Project budget increased in the same mid-year council action by \$6.2 million for a variety of projects.

The budget amounts presented in the accompanying schedule of revenues, expenditures, and changes in fund balances – budget and actual (budgetary basis) reflect such budget revisions.



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CITY OF SALINAS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY POLICY AND CONTROL
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND, MEASURE E, & MEASURE G
FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget
Fund Balance, July 1, 2019	\$ 52,272,241	\$52,272,241	\$ 52,272,241	\$ -
Resources (inflows):				
Taxes	129,169,000	129,169,000	131,612,573	2,443,573
Licenses and Permits	682,118	682,118	824,569	142,451
Intergovernmental	633,400	633,400	757,322	123,922
Charges for Services	4,141,632	4,141,632	5,235,571	1,093,939
Interest	814,000	814,000	1,809,270	995,270
Rental Income	333,800	333,800	276,740	(57,060)
Fines and forfeits	190,000	190,000	368,653	178,653
Miscellaneous	610,000	610,000	1,085,115	475,115
Operating Transfers In	4,088,300	4,088,300	4,048,279	(40,021)
Total Resources	140,662,250	140,662,250	146,018,092	5,355,842
Charges to Appropriations (outflows):				
General Government	20,172,523	28,450,819	23,218,152	5,232,667
Public Safety	75,928,700	76,841,562	75,090,338	1,751,224
Public Works	12,110,755	12,976,594	11,619,514	1,357,080
Recreation	3,911,975	3,980,101	3,216,081	764,020
Library	5,341,593	5,468,130	4,358,898	1,109,232
Capital Outlay	506,567	827,504	552,085	275,419
Transfers Out	22,387,533	46,203,276	24,824,244	21,379,032
Total Charges to Appropriations	140,359,646	174,747,986	142,879,312	31,868,674
Excess of Resources Over (Under)				
Charges to Appropriations	302,604	(34,085,736)	3,138,780	37,224,516
Fund Balance, June 30, 2020	\$ 52,574,845	\$18,186,505	\$ 55,411,021	\$37,224,516

CITY OF SALINAS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY POLICY AND CONTROL
BUDGETARY COMPARISON SCHEDULE
MEASURE E FUND
FISCAL YEAR ENDED JUNE 30, 2020

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Fund Balance, July 1, 2019	\$ 8,674,320	\$ 8,674,320	\$ 8,674,320	\$ -
Resources (inflows):				
Taxes	13,048,000	13,048,000	13,131,294	83,294
Interest	60,000	60,000	140,226	80,226
Miscellaneous	-	-	6,712	6,712
Transfers In	700,000	700,000	700,000	-
Total Resources	<u>13,808,000</u>	<u>13,808,000</u>	<u>13,978,232</u>	<u>170,232</u>
Charges to Appropriations (outflows):				
General Government	480,280	429,780	381,096	48,684
Public Safety	4,189,270	4,189,270	3,952,659	236,611
Public Works	785,130	785,130	726,858	58,272
Recreation	1,442,240	1,435,405	1,154,941	280,464
Library	5,341,593	5,468,130	4,358,898	1,109,232
Capital Outlay	38,000	81,955	76,261	5,694
Transfers Out	1,717,950	3,558,878	6,569,739	(3,010,861)
Total Charges to Appropriations	<u>13,994,463</u>	<u>15,948,548</u>	<u>17,220,452</u>	<u>(1,271,904)</u>
Excess of Resources Over (Under)				
Charges to Appropriations	<u>(186,463)</u>	<u>(2,140,548)</u>	<u>(3,242,220)</u>	<u>(1,101,672)</u>
Fund Balance, June 30, 2020	<u>\$ 8,487,857</u>	<u>\$ 6,533,772</u>	<u>\$ 5,432,100</u>	<u>\$ (1,101,672)</u>

CITY OF SALINAS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY POLICY AND CONTROL
BUDGETARY COMPARISON SCHEDULE
MEASURE G FUND
FISCAL YEAR ENDED JUNE 30, 2020

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Fund Balance, July 1, 2019	\$ 19,153,870	\$ 19,153,870	\$ 19,153,870	\$ -
Resources (inflows):				
Taxes	25,793,000	25,793,000	26,270,746	477,746
Interest	150,000	150,000	341,537	191,537
Miscellaneous	-	-	1,531	1,531
Total Resources	<u>25,943,000</u>	<u>25,943,000</u>	<u>26,613,814</u>	<u>670,814</u>
Charges to Appropriations (outflows):				
General Government	1,328,940	1,339,550	1,312,892	26,658
Public Safety	11,142,980	11,222,491	11,473,597	(251,106)
Public Works	1,219,890	1,285,590	1,023,699	261,891
Recreation	1,145,600	1,140,900	975,958	164,942
Capital Outlay	135,300	62,457	23,265	39,192
Transfers Out	10,969,631	25,033,308	8,309,291	16,724,017
Total Charges to Appropriations	<u>25,942,341</u>	<u>40,084,296</u>	<u>23,118,702</u>	<u>16,965,594</u>
Excess of Resources Over (Under)				
Charges to Appropriations	<u>659</u>	<u>(14,141,296)</u>	<u>3,495,112</u>	<u>17,636,408</u>
Fund Balance, June 30, 2020	<u>\$ 19,154,529</u>	<u>\$ 5,012,574</u>	<u>\$ 22,648,982</u>	<u>\$ 17,636,408</u>

CITY OF SALINAS
REQUIRED SUPPLEMENTARY INFORMATION
CLAIMS DEVELOPMENT
INTERNAL SERVICE FUNDS-GENERAL LIABILITY INSURANCE
LAST TEN FISCAL YEARS

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net earned required contribution and investment revenues	\$ 814,131	\$ 910,555	\$ 952,735	\$ 971,785	\$ 1,892,297	\$ 1,019,378	\$ 1,074,526	\$ 863,563	\$ 342,324	\$ 263,104
Unallocated expenses	315,065	350,753	338,630	353,537	334,291	339,171	314,127	374,303	651,645	748,046
Estimated incurred claims and expenses, end of policy year	102,556	83,079	522,131	161,668	965,536	234,565	36,271	7,532	892,986	4,006
Paid Claims as of:										
End of policy year	14,877	7,665	30,214	18,140	55,188	116,262	15,603	6,310	75,401	3,618
One year later	93,839	245,112	172,798	635,352	282,538	20,991	227,379	22,088	387,594	
Two years later	190,588	466,599	375,290	842,560	570,687	64,153	846,232	285,818		
Three years later	224,592	983,571	1,021,746	1,345,021	679,871	65,043	947,734			
Four years later	224,959	1,081,157	1,133,620	1,635,636	732,404	66,412				
Five years later	224,959	935,894	1,135,208	1,676,450	779,178					
Six years later	721,261	935,894	1,217,035	1,926,852						
Seven years later	721,261	935,894	1,332,414							
Eight years later	721,261	935,894								
Nine years later	721,261									
Reestimated incurred claims and expenses:										
End of policy year	102,556	83,079	522,131	161,668	965,536	234,565	36,271	7,532	892,986	4,006
One year later	174,137	870,512	638,797	2,233,535	1,390,213	194,433	357,416	796,619	1,583,466	
Two years later	219,220	942,962	1,085,173	2,280,849	1,554,039	79,955	1,714,261	327,418		
Three years later	225,383	1,371,990	1,046,887	1,960,665	730,656	94,678	949,419			
Four years later	224,959	1,439,018	1,549,402	1,748,340	1,296,507	80,580				
Five years later	224,959	935,894	1,697,321	1,742,087	1,091,507					
Six years later	752,370	934,894	9,802,320	1,930,214						
Seven years later	721,261	935,894	5,399,014							
Eight years later	721,261	935,894								
Nine years later	731,261									
Increase/(Decrease) in estimated incurred claims and expenses										
End of policy year	628,705	852,815	4,876,883	1,768,546	125,971	(153,985)	913,149	319,886	690,480	-

CITY OF SALINAS
REQUIRED SUPPLEMENTARY INFORMATION
CLAIMS DEVELOPMENT
INTERNAL SERVICE FUNDS-WORKERS COMPENSATION INSURANCE
LAST TEN FISCAL YEARS

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net earned required contribution and investment revenues	\$ 5,353,747	\$ 9,173,838	\$ 7,472,705	\$ 4,377,425	\$ 6,130,921	\$ 13,748,053	\$ 4,743,276	\$ 4,922,253	\$ 6,079,547	\$ 10,151,619
Unallocated expenses	285,858	292,754	323,122	360,203	335,408	471,472	334,542	1,056,134	210,341	436,618
Estimated incurred claims and expenses, end of policy year	937,398	1,720,157	2,243,630	1,666,909	1,432,029	813,874	953,545	1,284,514	1,222,180	1,638,983
Paid claims (cumulative) as of:										
End of policy year	403,754	533,708	646,857	950,284	334,254	333,561	357,390	346,475	722,652	567,497
One year later	1,308,910	1,864,818	1,634,364	1,371,978	1,597,521	1,061,264	1,070,983	1,177,834	1,580,493	
Two years later	1,711,483	2,854,520	1,959,739	1,927,023	2,162,775	1,602,857	1,997,607	1,617,945		
Three years later	1,962,598	3,136,125	2,340,805	2,409,062	2,554,090	1,895,742	2,329,308			
Four years later	2,198,461	3,456,515	2,907,257	2,621,000	2,706,246	2,014,757				
Five years later	2,297,187	3,656,404	3,137,059	2,699,388	2,878,566					
Six years later	2,499,906	3,941,332	4,169,602	2,783,374						
Seven years later	2,637,234	4,403,885	4,208,586							
Eight years later	2,760,940	5,146,241								
Nine years later	2,835,517									
Reestimated incurred claims and expenses:										
End of policy year	937,398	1,720,157	2,243,630	1,666,909	1,432,029	813,874	953,545	1,284,514	1,222,180	1,638,983
One year later	2,328,492	4,335,777	3,285,111	2,218,693	2,641,671	1,711,199	1,934,390	1,833,783	2,488,357	
Two years later	2,538,085	4,746,128	3,764,688	3,204,843	3,520,776	2,433,616	2,924,696	2,290,339		
Three years later	2,654,485	4,801,869	4,196,279	3,674,042	3,793,217	2,406,924	2,932,147			
Four years later	2,883,206	4,995,945	4,760,993	3,643,183	3,694,285	2,505,621				
Five years later	3,103,844	4,894,789	4,849,355	3,745,001	3,718,134					
Six years later	3,166,662	5,124,129	5,004,810	4,104,444						
Seven years later	3,195,849	5,937,210	4,612,669							
Eight years later	3,262,966	5,912,693								
Nine years later	3,786,967									
Increase/(Decrease) in estimated incurred claims and expenses										
End of policy year	2,849,569	4,192,536	2,369,039	2,437,535	2,286,105	1,691,747	1,978,602	1,005,825	1,266,177	-

CITY OF SALINAS
REQUIRED SUPPLEMENTARY INFORMATION
AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CITY'S NET PENSION LIABILITY AND RELATED RATIOS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
LAST 10 FISCAL YEARS[^]

Fiscal Year	2019-20		2018-19		2017-18		2016-17		2015-16		2014-15	
	Miscellaneous	Police	Miscellaneous	Police	Miscellaneous	Police	Miscellaneous	Police	Miscellaneous	Police	Miscellaneous	Police
TOTAL PENSION LIABILITY												
Service Cost	\$ 3,157,247	\$ 6,076,786	\$ 3,099,429	\$ 5,603,486	\$ 2,873,548	\$ 5,171,913	\$ 2,135,480	\$ 4,462,598	\$ 2,197,484	\$ 4,440,981	\$ 2,331,545	\$ 4,932,982
Interest on Total Pension Liability	8,430,817	21,051,415	7,806,166	19,772,458	7,282,974	18,658,643	6,801,939	17,933,618	6,445,778	17,475,350	6,154,034	17,097,550
Changes of Benefit Terms	-	-	-	-	-	-	-	-	-	-	-	-
Difference between Expected and Actual Experience	2,005,995	6,664,829	1,457,261	6,096,574	489,759	(2,807)	(996,921)	(4,299,665)	(1,789,044)	(5,739,808)	-	-
Changes of Assumptions	-	-	(752,607)	(1,307,343)	6,388,079	16,117,523	-	-	(1,686,636)	(4,436,648)	-	-
Benefit Payments, Including Refunds of Employee Contributions	(4,456,008)	(15,037,162)	(3,952,236)	(13,742,608)	(3,361,268)	(12,772,896)	(3,116,204)	(11,890,953)	(2,803,130)	(11,383,179)	(2,673,091)	(10,895,705)
Net Change in Total Pension Liability	9,138,051	18,755,868	7,658,013	16,422,567	13,673,092	27,172,376	4,824,294	6,205,598	2,364,452	356,696	5,812,488	11,134,827
Total Pension Liability - Beginning	116,556,899	292,240,756	108,898,886	275,818,189	95,225,794	248,645,813	90,401,500	242,440,215	88,037,048	242,083,519	82,224,560	230,948,692
Total Pension Liability - Ending (a)	125,694,950	310,996,624	116,556,899	292,240,756	108,898,886	275,818,189	95,225,794	248,645,813	90,401,500	242,440,215	88,037,048	242,083,519
PLAN FIDUCIARY NET POSITION												
Contributions - Employer	3,511,716	9,485,870	3,133,948	8,260,458	3,232,477	7,798,560	2,635,818	6,462,584	2,037,528	5,540,793	2,010,590	5,285,903
Contributions - Employee	1,501,635	1,993,713	1,403,836	1,816,971	1,331,850	1,625,541	1,339,737	1,512,655	987,786	1,350,215	959,420	1,375,826
Net Investment Income	5,681,706	12,630,434	6,712,207	15,347,329	7,844,830	18,439,075	375,028	800,238	1,500,373	3,733,737	9,911,526	25,664,291
Benefit Payments, Including Refunds of Employee Contributions	(4,456,008)	(15,037,162)	(3,952,236)	(13,742,608)	(3,361,268)	(12,772,896)	(3,116,204)	(11,890,953)	(2,803,130)	(11,383,179)	(2,673,091)	(10,895,705)
Net Plan to Plan Resource Movement	-	-	(199)	(447)	-	-	365	19,216	-	-	-	-
Administrative Expense	(61,083)	(136,963)	(122,563)	(282,146)	(102,919)	(245,410)	(41,756)	(103,251)	(77,059)	(190,690)	-	-
Other Miscellaneous Income/(Expense)	199	447	(232,749)	(535,801)	-	-	-	-	-	-	-	-
Net Change in Fiduciary Net Position	6,178,165	8,936,339	6,942,244	10,863,756	8,944,970	14,844,870	1,192,988	(3,199,511)	1,645,498	(949,124)	10,208,445	21,430,315
Plan Fiduciary Net Position - Beginning	85,595,184	191,926,916	78,652,940	181,063,160	69,707,970	166,218,290	68,514,982	169,417,801	66,869,484	170,366,925	56,661,039	148,936,610
Plan Fiduciary Net Position - Ending (b)	91,773,349	200,863,255	85,595,184	191,926,916	78,652,940	181,063,160	69,707,970	166,218,290	68,514,982	169,417,801	66,869,484	170,366,925
Plan Net Pension Liability/(Asset) - Ending (a)-(b)	\$ 33,921,601	\$ 110,133,369	\$ 30,961,715	\$ 100,313,840	\$ 30,245,946	\$ 94,755,029	\$ 25,517,824	\$ 82,427,523	\$ 21,886,518	\$ 73,022,414	\$ 21,167,564	\$ 71,716,594
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.01%	64.59%	73.44%	65.67%	72.23%	65.65%	73.20%	66.85%	75.79%	69.88%	75.96%	70.38%
Covered Employee Payroll*	\$ 20,634,254	\$ 19,051,278	\$ 20,051,944	\$ 17,967,376	\$ 18,618,295	\$ 16,214,420	\$ 15,300,421	\$ 15,715,033	\$ 15,513,480	\$ 15,494,316	\$ 15,831,777	\$ 16,589,818
Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	164.39%	578.09%	154.41%	558.31%	162.45%	584.39%	166.78%	524.51%	141.08%	471.29%	133.70%	432.29%

Notes to Schedule of Changes in Net Pension Liability and Related Ratios:

* For the year ending on the measurement date

[^] Fiscal year 2015 was the 1st year of implementation

**CITY OF SALINAS
REQUIRED SUPPLEMENTARY INFORMATION
AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PLAN
SCHEDULE OF THE CITY'S PENSION PLAN CONTRIBUTIONS AND NOTES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
LAST 10 FISCAL YEARS^**

Fiscal Year	2019-20		2018-19		2017-18		2016-17		2015-16		2014-15	
	Miscellaneous	Police	Miscellaneous	Police	Miscellaneous	Police	Miscellaneous	Police	Miscellaneous	Police	Miscellaneous	Police
Actuarially Determined Contribution Contributions in Relation to the Actuarially Determined Contribution	\$ 7,788,891	\$ 10,296,552	\$ 3,511,716	\$ 9,481,034	\$ 3,133,731	\$ 8,260,675	\$ 3,231,650	\$ 7,799,085	\$ 2,635,818	\$ 6,462,584	\$ 2,037,528	\$ 5,540,793
	7,788,891	10,296,552	3,511,716	9,481,034	3,133,731	8,260,675	3,231,650	7,799,085	2,635,818	6,462,584	2,037,528	5,540,793
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 20,508,948	\$ 19,396,047	\$ 21,485,315	\$ 19,620,883	\$ 20,577,688	\$ 18,758,911	\$ 19,120,162	\$ 17,091,655	\$ 16,519,247	\$ 16,062,098	\$ 13,444,769	\$ 14,664,280
Contributions as a Percentage of Covered-Employee Payroll	37.98%	53.09%	16.34%	48.32%	15.23%	44.04%	16.90%	45.63%	15.96%	40.23%	15.15%	37.78%

^Fiscal year 2015 was the 1st year of implementation

Notes to Schedules

The actuarial methods and assumptions used to set the actuarially determined contributions for the fiscal year 2019-20 were from the June 30, 2016 Valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2016 Funding Valuation Report
Asset Valuation Method	Actuarial Value of Assets. For details, see June 30, 2016 Funding Valuation Report
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3% compounded annually
Investment Rate of Return	7.375% Net of Pension Plan Investment and Administrative Expenses; includes inflation.
Retirement Age	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

**CITY OF SALINAS
REQUIRED SUPPLEMENTARY INFORMATION
COST -SHARING SAFETY MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE PLAN'S (PERF C)
NET PENSION LIABILITY AND RELATED RATIOS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
LAST 10 FISCAL YEARS^**

Fiscal Year Measurement Date	Fire (Tier 1 & Tier 2)					
	2019-20 06/30/2019	2018-19 06/30/2018	2017-18 06/30/2017	2016-17 06/30/2016	2015-16 06/30/2015	2014-15 06/30/2014
City's Proportion of the Net Pension Liability	0.467722%	0.469674%	0.580096%	0.600385%	0.643619%	0.641945%
City's Proportionate Share of the Net Pension Liability	\$ 47,927,704	\$ 45,259,034	\$ 57,529,594	\$ 51,951,899	\$ 44,177,449	\$ 39,944,785
City's Covered - Employee Payroll*	10,748,465	9,763,022	9,636,368	9,436,688	9,158,594	9,531,935
City's Proportionate Share of the Net Pension Liability as a percentage of Covered Payroll	445.90%	463.58%	597.00%	550.53%	482.36%	419.06%
Plan's Fiduciary Net Position as a percentage of the Plan's Total Pension Liability	75.26%	75.26%	73.31%	74.06%	78.40%	79.82%

^Fiscal year 2015 was the 1st year of implementation

* For the year ending on the measurement date

CITY OF SALINAS
REQUIRED SUPPLEMENTARY INFORMATION
COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PLAN
SCHEDULE OF THE CITY'S PENSION PLAN CONTRIBUTIONS AND NOTES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
LAST 10 FISCAL YEARS[^]

Fiscal Year	Fire (Tier 1 & Tier 2)					
	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15
Actuarially Determined Contribution	\$ 5,058,738	\$ 4,369,284	\$ 5,440,481	\$ 5,132,440	\$ 4,732,759	\$ 3,811,507
Contributions in Relation to the Actuarially Determined Contribution	5,058,738	4,369,284	16,741,091	5,132,440	4,732,759	3,811,507
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (11,300,610)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered-Employee Payroll*	\$ 11,013,870	\$ 10,748,465	\$ 9,763,022	\$ 9,636,368	\$ 9,436,688	\$ 9,158,594
Contributions as a Percentage of Covered-Employee Payroll	45.93%	40.65%	171.47%	53.26%	50.15%	41.62%

[^]Fiscal year 2015 was the 1st year of implementation

*For the fiscal year ending on the date shown

CITY OF SALINAS
REQUIRED SUPPLEMENTARY INFORMATION
SINGLE - EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CITY'S NET PENSION LIABILITY AND RELATED RATIOS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
LAST 10 FISCAL YEARS[^]

Fiscal Year	2019-20	2018-19	2017-18	2016-17	2015-16
CHANGE IN TOTAL PENSION LIABILITY					
Service Cost	\$ 232,193	\$ 302,184	\$ 279,000	\$ 336,000	\$ 436,000
Interest	684,730	679,330	537,000	655,000	676,000
Changes of Benefit Terms	-	-	-	531,000	-
Actual vs. expected experience	889,365	-	2,172,000	-	-
Assumption changes	217,496	-	(106,000)	-	-
Benefit Payments, Including Refunds of Employee Contributions	(1,305,661)	(199,769)	(3,508,000)	(87,000)	(3,139,000)
Net Change in Total Pension Liability	<u>718,123</u>	<u>781,745</u>	<u>(626,000)</u>	<u>1,435,000</u>	<u>(2,027,000)</u>
Total Pension Liability - Beginning	<u>20,559,745</u>	<u>19,778,000</u>	<u>20,404,000</u>	<u>18,969,000</u>	<u>20,996,000</u>
Total Pension Liability - Ending (a)	<u>21,277,868</u>	<u>20,559,745</u>	<u>19,778,000</u>	<u>20,404,000</u>	<u>18,969,000</u>
CHANGE IN PLAN FIDUCIARY NET POSITION					
Contributions - Employer	2,919,589	1,927,686	1,654,000	1,483,000	1,340,000
Contributions - Employee	71,806	70,043	69,000	82,000	77,000
Net Investment Income	503,893	60,254	(506,000)	84,000	(85,000)
Benefit Payments, Including Refunds of Employee Contributions	(1,305,661)	(199,769)	(3,508,000)	(87,000)	(3,139,000)
Administrative Expense	(19,188)	(54,195)	(75,000)	(83,000)	(100,000)
Net Change in Fiduciary Net Position	<u>2,170,439</u>	<u>1,804,019</u>	<u>(2,366,000)</u>	<u>1,479,000</u>	<u>(1,907,000)</u>
Plan Fiduciary Net Position - Beginning	<u>4,464,019</u>	<u>2,660,000</u>	<u>5,026,000</u>	<u>3,547,000</u>	<u>5,454,000</u>
Plan Fiduciary Net Position - Ending (b)	<u>6,634,458</u>	<u>4,464,019</u>	<u>2,660,000</u>	<u>5,026,000</u>	<u>3,547,000</u>
Plan Net Pension Liability/(Asset) - Ending (a)-(b)	<u>\$ 14,643,410</u>	<u>\$ 16,095,726</u>	<u>\$ 17,118,000</u>	<u>\$ 15,378,000</u>	<u>\$ 15,422,000</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	31.18%	21.71%	13.45%	24.63%	18.70%
Covered Employee Payroll*	\$ 1,628,432	\$ 1,610,679	\$ 1,649,359	\$ 1,461,000	\$ 1,738,432
Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	899.23%	999.31%	1037.86%	1052.57%	887.12%

* For the year ending on the measurement date

[^] Fiscal year 2016 was the 1st year of implementation

CITY OF SALINAS
REQUIRED SUPPLEMENTARY INFORMATION
SINGLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF THE CITY'S PENSION PLAN CONTRIBUTIONS AND NOTES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
LAST 10 FISCAL YEARS[^]

Fiscal Year	2019-20	2018-19	2017-18*	2016-17*	2015-16*
Actuarially Determined Contribution	\$ 4,114,000	\$ 2,000,000	\$ 1,932,000	\$ 1,583,000	\$ 1,520,000
Contributions in Relation to the Actuarially Determined Contribution	<u>5,573,828</u>	<u>2,135,107</u>	<u>1,614,000</u>	<u>1,571,000</u>	<u>1,107,000</u>
Contribution Deficiency (Excess)	<u>\$ (1,459,828)</u>	<u>\$ (135,107)</u>	<u>\$ 318,000</u>	<u>\$ 12,000</u>	<u>\$ 413,000</u>
City's Covered-Employee Payroll**	\$ 1,273,326	\$ 1,664,538	\$ 1,693,493	\$ 1,796,000	\$ 1,872,000
Contributions as a Percentage of Covered-Employee Payroll	437.74%	128.27%	95.31%	87.47%	59.13%

[^]Fiscal year 2016 was the 1st year of implementation

*Rounded to the nearest thousand of a dollar

**For the fiscal year ending on the date shown

Notes to Schedule of Employer Contributions

Methods and assumptions for 2019-20 Actuarially Determined Contribution

Valuation Date	▪ September 1, 2019
Actuarial Cost Method	▪ Individual Aggregate Cost Method
Amortization Method/Period	▪ N/A
Asset Valuation Method	▪ Cash value as reported by New York Life Investment Management LLC
Discount Rate	▪ 3.40%
General Inflation	▪ 2.25%
Salary Increases	▪ Aggregate - 2.5% annually ▪ Merit - CalPERS 1997-2015 Experience Study
Mortality	▪ CalPERS 1997-2015 Experience Study
Mortality Improvement	▪ Mortality projected fully generational with Scale MP-2019

CITY OF SALINAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S NET OPEB LIABILITY
AND RELATED RATIOS AS OF MEASUREMENT DATE

LAST 10 YEARS[^]

Measurement Date	Fiscal Year End 06/30/20	Fiscal Year End 06/30/19	Fiscal Year End 06/30/18
	06/30/19	06/30/18	06/30/17
Changes in total OPEB liability			
Service cost	\$ 1,065,470	\$ 1,085,475	\$ 1,209,000
Interest	1,143,094	1,064,391	951,000
Changes in benefits terms	574,467	-	-
Actual vs expected experience	(4,138,016)	-	-
Assumption changes	1,474,189	(609,871)	(1,765,000)
Benefit payments including refunds	(945,329)	(915,000)	(861,000)
Net changes in total OPEB liability	(826,125)	624,995	(466,000)
Total OPEB liability - beginning of year	22,499,995	21,875,000	22,341,000
Total OPEB liability - end of year	<u>\$ 21,673,870</u>	<u>\$ 22,499,995</u>	<u>\$ 21,875,000</u>
Changes in plan fiduciary net position			
Contributions - employer	\$ 1,195,329	\$ 1,165,000	\$ 1,111,000
Contributions - employee	-	-	-
Net investment income	152,998	159,215	171,000
Benefit payments and refunds	(945,329)	(915,000)	(861,000)
Administrative expenses	(541)	(3,619)	(1,000)
Other changes	-	-	-
Net changes in plan fiduciary net position	402,457	405,596	420,000
Plan fiduciary net position - beginning of year	2,304,596	1,899,000	1,479,000
Plan fiduciary net position - end of year	<u>\$ 2,707,053</u>	<u>\$ 2,304,596</u>	<u>\$ 1,899,000</u>
Net OPEB liability			
Total OPEB liability	\$ 21,673,870	\$ 22,499,995	\$ 21,875,000
Plan fiduciary net position	2,707,053	2,304,596	1,899,000
Net OPEB liability	\$ 18,966,817	\$ 20,195,399	\$ 19,976,000
Net OPEB liability funded percentage	12.5%	10.2%	8.7%
Covered employee payroll *	\$ 64,026,542	\$ 62,965,263	\$ 48,821,000
Net OPEB liability as a percent of covered-employee payroll	29.6%	32.1%	40.9%

[^] Fiscal year 2018 was the 1st year of implementation.

* For the year ending on the measurement date.

CITY OF SALINAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS
AS OF JUNE 30, 2019
LAST 10 YEARS[^]

Contributions for the fiscal year ended:	<u>06/30/20</u>	<u>06/30/19</u>	<u>06/30/18</u>
Actuarially determined contribution (ADC)	\$ 1,938,000	\$ 2,322,000	\$ 2,188,000
Contributions in relation to the actuarially determined contribution	<u>931,063</u>	<u>1,195,329</u>	<u>1,165,000</u>
Contribution deficiency (excess)	<u>\$ 1,006,937</u>	<u>\$ 1,126,671</u>	<u>\$ 1,023,000</u>
City's covered-employee payroll *	\$ 64,146,096	\$ 64,026,452	\$ 51,530,000
Contributions as a percentage of covered-employee payroll	1.5%	1.9%	2.3%

[^] Fiscal year 2018 was the 1st year of implementation.

* For the fiscal year ended on the date shown.

Notes to Schedule of Employer OPEB Contributions
Methods and Assumptions for 2019/20 Actuarially Determined Contribution

Valuation date	▪ June 30, 2019
Actuarial cost method	▪ Entry age normal, level percentage of pay
Amortization method	▪ Level percentage of pay
Amortization period	▪ 15 years remaining as of June 30, 2019
Assets valuation method	▪ Investment gains and losses spread over 5-year rolling
Discount rate	▪ 6.75%
General inflation	▪ 2.75%
Medical trend	▪ Non-Medicare - 7.25% for 2021, decreasing to an ultimate rate of 4.0% in 2076 ▪ Medicare - 6.3% for 2021, decreasing to an ultimate rate of 4.0% in 2076
Mortality	▪ CalPERS 1997-2015 experience study
Mortality Improvement	▪ Mortality projected fully generational with Scale MP-20



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SUPPLEMENTARY INFORMATION



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NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for specified purposes. The Special Revenue Funds used by the City in this report are as follows:

Lighting, Landscape and Maintenance District - This fund accounts for monies received from the various maintenance districts throughout the City. Funds are used to pay for the lighting and landscape maintenance of the respective districts.

Local Public Safety Fund - This fund accounts for monies received from federal and state grants, which are expended to enhance law enforcement services.

Development Fees - This fund accounts for the fees that subdividers and developers of property are required to pay, by Resolution 3823 (N.C.S.), covering traffic impact, annexation, use of existing or new sewers, storm drains, park facilities, library facilities and street trees.

Gas Tax - This fund accounts for gas tax revenues received from State apportionments of gasoline taxes. Expenditures are restricted to street maintenance and street improvements. No expenditures are made directly from this fund, but transfers are made to the General Fund for street maintenance and engineering salaries and to the Capital Projects Fund for street improvements based on actual expenditures.

Emergency Medical Services Fund - This fund accounts for monies received from County Service Area (CSA) 74. Funds are used to purchase emergency medical and safety equipment under the capital improvement program.

Asset Seizure - This fund accounts for the proceeds from sale of assets seized primarily from illegal narcotics activity. These funds are used for law enforcement.

Traffic Safety - This fund accounts for revenues derived from traffic violations whose use is restricted by State statute for traffic safety and street maintenance purposes. No expenditures are made directly from this fund, but transfers are made to the General Fund for traffic safety expenditures and street maintenance.

Vehicle Abatement - This fund accounts for monies allocated by the State to fund the vehicle abatement program.

Recreation Parks Fund - This fund accounts for revenues received from an admission fee charge that is imposed to events held at the Salinas Sports Complex (Rodeo Grounds stadium). Funds are designated for Parks and Recreation activities.

Cable - This fund accounts for revenues received for public, educational and governmental (PEG) fees from video service providers. Its use is restricted to provide non-commercial public, educational and government channels.

Municipal Art - This fund accounts for revenues received from a 0.5% charge on certain City capital improvement projects. Funds are designated for spending on public art to be located in public places throughout the City.

Contributions and Donations - This fund accounts for contributions and donations from different individuals and agencies to the Library, Rec-Park, Fire and Police Department. Use of the funds are restricted for use of the appropriate Department.

KDF Los Padres Dev Social Services - This fund accounts for social services provided by the City of Salinas to lower income residents of the Development. On June 1, 2003, the Salinas Redevelopment Agency, the City of Salinas and the KDF Los Padres, L.P. entered into a loan agreement where loan payments will be collected annually by the City and used to provide recreational and social services to lower income residents of the Development. Term of the loan is 55 years commencing in 2006. Payment will increase by 3% annually.

Measure X Transport Safety & Inv Plan Fund - This fund accounts for revenues allocated by TAMC from the transportation sales and use tax. Expenditures are restricted to road improvements, pothole repairs, street and road maintenance, traffic deduction and regional safety, mobility and walkability.

SB1 Road Maintenance & Rehab & SB1 Traffic Congestion Relief - This fund accounts for gas tax revenues received from State apportionments of an increased tax on gasoline and a new vehicle license fee from Senate Bill 1 (SB 1), the Road Repair and Accountability Act of 2017. Expenditures are restricted to street maintenance and street improvements including facilities for bicycles and pedestrians. No expenditures are made directly from this fund, but transfers are made to the General Fund for street maintenance and engineering salaries and to the Capital Projects Fund for street improvements based on actual expenditures.

SRA Public Improvement Grant - This fund accounts for the use of monies received from proceeds of the land sale located in Main Street where the “Taylor Farms” headquarters is constructed and other properties held for re-sale.

Affordable Housing Fund - These funds are used to improve and increase the supply of low income housing within the City.

Housing and Urban Development Grant - This fund accounts for the use of community development block grant funds received from the federal government. Other revenues in this fund include repayments of commercial and residential loans and rental income from City property. Funds are used for programs or projects that increase affordable housing and benefit people with special needs such as senior and handicapped citizens.

Grants Fund - This fund accounts for various minor grants received for purposes ranging from library to police operations.

**CITY OF SALINAS
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 2020**

	Lighting, Landscape and Maintenance District	Local Public Safety	Development Fees	Gas Tax	Emergency Medical Services	Asset Seizure	Traffic Safety
ASSETS							
Cash and investments	\$ 7,352,398	\$ 613,300	\$ 15,789,990	\$ 1,058,420	\$ 293,184	\$ 117,828	\$ 5,717
Receivables, net:							
Accounts receivable	-	-	-	-	-	-	-
Accrued interest	20,884	153	43,915	4,289	306	613	-
Due from outside agencies	20,322	80,765	-	299,977	-	-	49,153
Loan receivables	-	-	-	-	-	-	-
Land and properties held for resale	-	-	-	-	-	-	-
Total assets	<u>\$ 7,393,604</u>	<u>\$ 694,218</u>	<u>\$ 15,833,905</u>	<u>\$ 1,362,686</u>	<u>\$ 293,490</u>	<u>\$ 118,441</u>	<u>\$ 54,870</u>
LIABILITIES							
Accounts payable	\$ 60,987	\$ 137,700	\$ -	\$ -	\$ 43,484	\$ -	\$ 32,110
Due to other funds	43,290	1,063	50,370	114,749	97,582	-	-
Unearned revenues	-	-	-	-	-	-	-
Total liabilities	<u>104,277</u>	<u>138,763</u>	<u>50,370</u>	<u>114,749</u>	<u>141,066</u>	<u>-</u>	<u>32,110</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenues - housing loans	-	-	-	-	-	-	-
Unavailable revenues - accrued interest	-	-	-	-	-	-	-
Unavailable revenues - grants	-	-	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE							
Nonspendable	-	-	-	-	-	-	-
Restricted	7,289,327	555,455	15,783,535	1,247,937	152,424	118,441	22,760
Committed	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balances	<u>7,289,327</u>	<u>555,455</u>	<u>15,783,535</u>	<u>1,247,937</u>	<u>152,424</u>	<u>118,441</u>	<u>22,760</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 7,393,604</u>	<u>\$ 694,218</u>	<u>\$ 15,833,905</u>	<u>\$ 1,362,686</u>	<u>\$ 293,490</u>	<u>\$ 118,441</u>	<u>\$ 54,870</u>

**CITY OF SALINAS
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 2020**

	Vehicle Abatement	Recreation Parks	Cable	Municipal Art	Contributions & Donations	KDF Los Padres Dev Social Services	Measure X Transport Safety & Inv Plan
ASSETS							
Cash and investments	\$ 385,306	\$ 88,234	\$ 479,643	\$ 4,970	\$ 137,469	\$ 224,755	\$ 7,545,794
Receivables, net:							
Accounts receivable	-	-	-	-	-	29,780	-
Accrued interest	-	-	-	-	357	613	20,681
Due from outside agencies	-	-	37,702	-	-	-	1,075,284
Loan receivables	-	-	-	-	-	-	-
Land and properties held for resale	-	-	-	-	-	-	-
Total assets	<u>\$ 385,306</u>	<u>\$ 88,234</u>	<u>\$ 517,345</u>	<u>\$ 4,970</u>	<u>\$ 137,826</u>	<u>\$ 255,148</u>	<u>\$ 8,641,759</u>
LIABILITIES							
Accounts payable	\$ 8,773	\$ -	\$ 31,250	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	26,622
Unearned revenues	-	-	-	-	-	19,810	-
Total liabilities	<u>8,773</u>	<u>-</u>	<u>31,250</u>	<u>-</u>	<u>-</u>	<u>19,810</u>	<u>26,622</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenues - housing loans	-	-	-	-	-	-	-
Unavailable revenues - accrued interest	-	-	-	-	-	-	-
Unavailable revenues - grants	-	-	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE							
Nonspendable	-	-	-	-	-	-	-
Restricted	376,533	88,234	486,095	4,970	137,826	235,338	8,615,137
Committed	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balances	<u>376,533</u>	<u>88,234</u>	<u>486,095</u>	<u>4,970</u>	<u>137,826</u>	<u>235,338</u>	<u>8,615,137</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 385,306</u>	<u>\$ 88,234</u>	<u>\$ 517,345</u>	<u>\$ 4,970</u>	<u>\$ 137,826</u>	<u>\$ 255,148</u>	<u>\$ 8,641,759</u>

**CITY OF SALINAS
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 2020**

	SB1 Road Maintenance & Rehab	SB1 Traffic Congestion Relief	SRA Public Impvnt Grant	Affordable Housing	Housing and Urban Development Grant	Grants	Total
ASSETS							
Cash and investments	\$ 2,436,152	\$ 562,762	\$ 1,612,568	\$ 3,181,246	\$ 834,235	\$ 1,296,178	\$ 44,020,149
Receivables, net:							
Accounts receivable	-	-	-	-	24,890	6,155	60,825
Accrued interest	6,894	1,583	4,494	670,313	1,583	-	776,678
Due from outside agencies	430,572	-	-	-	552,573	774,151	3,320,499
Loan receivables	-	-	-	16,571	242,644	-	259,215
Land and properties held for resale	-	-	850,000	1,657,553	-	-	2,507,553
Total assets	<u>\$ 2,873,618</u>	<u>\$ 564,345</u>	<u>\$ 2,467,062</u>	<u>\$ 5,525,683</u>	<u>\$ 1,655,925</u>	<u>\$ 2,076,484</u>	<u>\$ 50,944,919</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 165,275	\$ 66,008	\$ 545,587
Due to other funds	269,200	-	-	-	417,749	728,081	1,748,706
Unearned revenues	-	-	-	-	-	62,654	82,464
Total liabilities	<u>269,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>583,024</u>	<u>856,743</u>	<u>2,376,757</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenues - housing loans	-	-	-	16,571	242,644	-	259,215
Unavailable revenues - accrued interest	-	-	-	644,703	-	-	644,703
Unavailable revenues - grants	-	-	-	-	471,323	643,259	1,114,582
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>661,274</u>	<u>713,967</u>	<u>643,259</u>	<u>2,018,500</u>
FUND BALANCE							
Nonspendable	-	-	850,000	1,657,553	-	-	2,507,553
Restricted	2,604,418	564,345	1,617,062	3,868,130	1,072,901	1,219,741	46,060,609
Committed	-	-	-	-	-	-	-
Unassigned	-	-	-	(661,274)	(713,967)	(643,259)	(2,018,500)
Total fund balances	<u>2,604,418</u>	<u>564,345</u>	<u>2,467,062</u>	<u>4,864,409</u>	<u>358,934</u>	<u>576,482</u>	<u>46,549,662</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 2,873,618</u>	<u>\$ 564,345</u>	<u>\$ 2,467,062</u>	<u>\$ 5,525,683</u>	<u>\$ 1,655,925</u>	<u>\$ 2,076,484</u>	<u>\$ 50,944,919</u>

CITY OF SALINAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Lighting, Landscape and Maintenance District	Local Public Safety	Development Fees	Gas Tax	Emergency Medical Services	Asset Seizure	Traffic Safety
REVENUES							
Taxes	\$ -	\$ 523,897	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - special assessments	1,831,775	-	-	-	-	-	-
Intergovernmental	-	268,218	-	3,423,986	140,516	91,961	-
Charges for services	-	-	657,826	-	-	-	-
Interest	124,071	280	283,347	27,771	1,086	3,340	-
Rental income	-	-	-	177,017	-	-	-
Fines and forfeits	-	-	-	-	-	-	271,609
Miscellaneous	28,136	-	-	-	-	-	-
Total revenues	<u>1,983,982</u>	<u>792,395</u>	<u>941,173</u>	<u>3,628,774</u>	<u>141,602</u>	<u>95,301</u>	<u>271,609</u>
EXPENDITURES							
Current:							
General government	41,628	-	-	-	-	-	32,110
Public safety	-	600,000	-	-	1,136,184	23,619	-
Public works	965,405	-	-	-	-	-	-
Recreation	-	-	-	-	-	-	-
Library	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	5,755	4,606	-
Total expenditures	<u>1,007,033</u>	<u>600,000</u>	<u>-</u>	<u>-</u>	<u>1,141,939</u>	<u>28,225</u>	<u>32,110</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>976,949</u>	<u>192,395</u>	<u>941,173</u>	<u>3,628,774</u>	<u>(1,000,337)</u>	<u>67,076</u>	<u>239,499</u>
OTHER FINANCING SOURCES (USES)							
Operating transfers in	-	-	44,571	-	953,200	-	-
Operating transfers out	(73,651)	(388,000)	(641,863)	(3,676,168)	(161,352)	-	(250,000)
Total other financing sources (uses)	<u>(73,651)</u>	<u>(388,000)</u>	<u>(597,292)</u>	<u>(3,676,168)</u>	<u>791,848</u>	<u>-</u>	<u>(250,000)</u>
NET CHANGE IN FUND BALANCE	<u>903,298</u>	<u>(195,605)</u>	<u>343,881</u>	<u>(47,394)</u>	<u>(208,489)</u>	<u>67,076</u>	<u>(10,501)</u>
FUND BALANCES, BEGINNING OF YEAR	6,386,029	751,060	15,439,654	1,295,331	360,913	51,365	33,261
PRIOR PERIOD ADJUSTMENT	-	-	-	-	-	-	-
FUND BALANCE							
BEGINNING OF YEAR, AS RESTATED	<u>6,386,029</u>	<u>751,060</u>	<u>15,439,654</u>	<u>1,295,331</u>	<u>360,913</u>	<u>51,365</u>	<u>33,261</u>
END OF YEAR	<u>\$ 7,289,327</u>	<u>\$ 555,455</u>	<u>\$ 15,783,535</u>	<u>\$ 1,247,937</u>	<u>\$ 152,424</u>	<u>\$ 118,441</u>	<u>\$ 22,760</u>

CITY OF SALINAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Vehicle Abatement	Recreation Parks	Cable	Municipal Art	Contributions & Donations	KDF Los Padres Dev Social Services	Measure X Transport Safety & Inv Plan
REVENUES							
Taxes	\$ -	\$ -	\$ 169,213	\$ -	\$ -	\$ -	\$ -
Taxes - special assessments	-	-	-	-	-	-	-
Intergovernmental	164,295	-	-	-	754	-	4,307,505
Charges for services	-	-	-	6,608	-	-	-
Interest	-	-	-	140	2,295	3,771	120,465
Rental income	-	42,941	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	39,379	40,742	-
Total revenues	<u>164,295</u>	<u>42,941</u>	<u>169,213</u>	<u>6,748</u>	<u>42,428</u>	<u>44,513</u>	<u>4,427,970</u>
EXPENDITURES							
Current:							
General government	-	-	134,341	22,930	1,154	-	-
Public safety	207,171	-	-	-	27,044	-	-
Public works	-	-	-	-	-	-	-
Recreation	-	15,740	-	-	446	11,428	-
Library	-	-	-	-	-	-	-
Capital outlay	-	-	35,178	-	-	-	-
Total expenditures	<u>207,171</u>	<u>15,740</u>	<u>169,519</u>	<u>22,930</u>	<u>28,644</u>	<u>11,428</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(42,876)</u>	<u>27,201</u>	<u>(306)</u>	<u>(16,182)</u>	<u>13,784</u>	<u>33,085</u>	<u>4,427,970</u>
OTHER FINANCING SOURCES (USES)							
Operating transfers in	50,000	-	-	-	987	-	-
Operating transfers out	-	-	-	-	-	-	(2,651,436)
Total other financing sources (uses)	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>987</u>	<u>-</u>	<u>(2,651,436)</u>
NET CHANGE IN FUND BALANCE	<u>7,124</u>	<u>27,201</u>	<u>(306)</u>	<u>(16,182)</u>	<u>14,771</u>	<u>33,085</u>	<u>1,776,534</u>
FUND BALANCES, BEGINNING OF YEAR	369,409	61,033	486,401	21,152	123,055	202,253	6,838,603
PRIOR PERIOD ADJUSTMENT	-	-	-	-	-	-	-
FUND BALANCE							
BEGINNING OF YEAR, AS RESTATED	<u>369,409</u>	<u>61,033</u>	<u>486,401</u>	<u>21,152</u>	<u>123,055</u>	<u>202,253</u>	<u>6,838,603</u>
END OF YEAR	<u>\$ 376,533</u>	<u>\$ 88,234</u>	<u>\$ 486,095</u>	<u>\$ 4,970</u>	<u>\$ 137,826</u>	<u>\$ 235,338</u>	<u>\$ 8,615,137</u>

CITY OF SALINAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	SBI Road Maintenance & Rehab	SBI Traffic Congestion Relief	SRA Public Improvement Grant	Affordable Housing	Housing and Urban Development Grant	Grants	Total
REVENUES							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 693,110
Taxes - special assessments	-	-	-	-	-	-	1,831,775
Intergovernmental	2,819,623	183,019	-	-	4,246,948	1,526,736	17,173,561
Charges for services	-	-	-	-	-	500	664,934
Interest	38,541	8,893	29,032	33,936	4,981	-	681,949
Rental income	-	-	-	-	-	48,439	268,397
Fines and forfeits	-	-	-	-	-	-	271,609
Miscellaneous	-	-	-	2,350,374	691,646	60,000	3,210,277
Total revenues	<u>2,858,164</u>	<u>191,912</u>	<u>29,032</u>	<u>2,384,310</u>	<u>4,943,575</u>	<u>1,635,675</u>	<u>24,795,612</u>
EXPENDITURES							
Current:							
General government	-	-	-	176	3,570,391	161,785	3,964,515
Public safety	-	-	-	-	-	1,063,995	3,058,013
Public works	-	-	-	-	-	14,089	979,494
Recreation	-	-	-	-	-	163,688	191,302
Library	-	-	-	-	-	103,989	103,989
Capital outlay	-	-	-	-	1,119	43,753	90,411
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>176</u>	<u>3,571,510</u>	<u>1,551,299</u>	<u>8,387,724</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,858,164</u>	<u>191,912</u>	<u>29,032</u>	<u>2,384,134</u>	<u>1,372,065</u>	<u>84,376</u>	<u>16,407,888</u>
OTHER FINANCING SOURCES (USES)							
Operating transfers in	-	-	-	-	15,225	4,972	1,068,955
Operating transfers out	(1,433,246)	-	-	(75,713)	(797,497)	-	(10,148,926)
Total other financing sources (uses)	<u>(1,433,246)</u>	<u>-</u>	<u>-</u>	<u>(75,713)</u>	<u>(782,272)</u>	<u>4,972</u>	<u>(9,079,971)</u>
NET CHANGE IN FUND BALANCE	<u>1,424,918</u>	<u>191,912</u>	<u>29,032</u>	<u>2,308,421</u>	<u>589,793</u>	<u>89,348</u>	<u>7,327,917</u>
FUND BALANCES, BEGINNING OF YEAR	<u>2,749,864</u>	<u>372,433</u>	<u>2,438,030</u>	<u>2,555,988</u>	<u>(230,859)</u>	<u>487,134</u>	<u>40,792,109</u>
PRIOR PERIOD ADJUSTMENT	<u>(1,570,364)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,570,364)</u>
FUND BALANCE							
BEGINNING OF YEAR, AS RESTATED	<u>1,179,500</u>	<u>372,433</u>	<u>2,438,030</u>	<u>2,555,988</u>	<u>(230,859)</u>	<u>487,134</u>	<u>39,221,745</u>
END OF YEAR	<u>\$ 2,604,418</u>	<u>\$ 564,345</u>	<u>\$ 2,467,062</u>	<u>\$ 4,864,409</u>	<u>\$ 358,934</u>	<u>\$ 576,482</u>	<u>\$ 46,549,662</u>

NON-MAJOR GOVERNMENTAL FUNDS

DEBT SERVICE FUNDS

Debt Service Funds are used for the accumulation and disbursement of financial resources that will be used to make principal and interest payments on general long-term debt. The debt service funds include the following debt issuances:

COP 1999 & COP 2004 Consolidation (2014) - This fund is used to accumulate funds for the payment of principal and interest on the 2014 Lease Purchase/Agreement that was issued on January 29, 2014 to refinance the portion of the 1999 Certificates of Participation that were used to finance the construction of the City Animal Shelter. Debt service for the Animal Shelter is used to finance the City's General Fund.

2018 Lease-PS Building Police - This fund is used to accumulate monies for the designing, permitting, constructing and equipping the new public safety building, including ancillary parking and related facilities, located at 312 E Alisal Street in Salinas. Salinas Public Safety Facilities Inc. (SPF) issued lease revenue bonds to finance the construction of the new building. Lease payments are made from the City's Measure G Funds.

COP 2018B T.R.I.P. Total Rd Impy - This fund is used to accumulate monies for the principal and interest payments for the Transportation Revenue COP Certificates issued to finance large scale street improvement projects. COPs will be secured by Measure X Revenues the City receives from the Transportation Agency of Monterey County (TAMC).

Energy Improvement Lease Fund - This fund is used to account for lease payments on debt incurred in fiscal year 2014-15 that funds the City's ongoing efforts to reduce energy consumption and to develop long-term cost savings through increased energy efficiency. The project will install LED lighting on street lights and parking lots in addition to building solar PV installations at the Hitchcock Road Animal Shelter, the Industrial Waste Treatment Plant, the Salinas Municipal Airport, the Permit Center, Sherwood Hall, and the Sewer Lift Station site off Work Street. The Funding came through a private placement in the amount of \$21,908,000. The Debt Service repayment will be over a 17 year period at an interest rate of 3.03%.

Certificates of Participation (2005 A & B) 2015 Refunding Fund - This fund is used to accumulate funds for the payment of principal and interest on the 2005B Certificates of Participation. Proceeds were used to refund the Certificates of Participation 1997. The proceeds from the Certificates of Participation 1997 were used for capital improvements and to refund the Salinas Public Financing Authority's Variable Rate Lease Revenue Bonds that were used to purchase the 65 W. Alisal building. Debt service is financed from installment payments from the Salinas Valley Solid Waste Authority (SVSWA) for the purchase of Crazy Horse Landfill and a lease on the 65 W. Alisal Building.

2018 Lease-El Gabilan Library - This fund is used to accumulate monies for the designing, permitting, constructing and equipping the El Gabilan Library expansion, including ancillary parking, located at 1400 N Main Street in Salinas. Salinas Public Safety Facilities, Inc. (SPF) issued lease revenue bonds to facilitate the construction of the El Gabilan Library. Lease payments are made from the City's Measure E Funds.

Assessment District Administration Fund - This fund accounts for the cost of administering the City's assessment district bonds used to finance improvements within those districts. Funding is provided by an assessment equal to 5% of the assessment amount with a maximum \$16 levy per parcel per bond.

Assessment District Reserve Fund - This fund accounts for the reserves on outstanding assessment districts bonds.

2019 Special Tax Bond Monte Bella - This fund is used to accumulate monies for the principal and interest payments for the 2019 Special Tax Bonds to finance the acquisition and/or construction of certain public facilities and improvements within the Community Facilities District No. 2016-1 (Monte Bella) Area No. 1. The annual levy of special taxes on that area would be used to pay for principal and interest payments on the bonds.

**CITY OF SALINAS
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
JUNE 30, 2020**

	COP 1999 & 2004 Consolidation (2014)	2018 Lease-PS Building Police	COP 2018B T.R.I.P. Total Rd Impv	Energy Improvement Lease	COP 2005 A & B 2015 Refunding
ASSETS					
Cash and investments	\$ 624,728	\$ -	\$ 1,123,564	\$ 35,806	\$ 86,899
Receivables:					
Accrued interest	1,736	-	3,115	-	255
Restricted cash and investments	-	-	-	-	-
Total assets	<u>\$ 626,464</u>	<u>\$ -</u>	<u>\$ 1,126,679</u>	<u>\$ 35,806</u>	<u>\$ 87,154</u>
LIABILITIES					
Accounts payable	\$ -	\$ 2,265	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Total liabilities	<u>-</u>	<u>2,265</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE					
Restricted	626,464	-	1,126,679	35,806	87,154
Unassigned	-	(2,265)	-	-	-
Total fund balance	<u>626,464</u>	<u>(2,265)</u>	<u>1,126,679</u>	<u>35,806</u>	<u>87,154</u>
Total liabilities and fund balances	<u>\$ 626,464</u>	<u>\$ -</u>	<u>\$ 1,126,679</u>	<u>\$ 35,806</u>	<u>\$ 87,154</u>

**CITY OF SALINAS
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
JUNE 30, 2020**

	2018 Lease-El Gabilan Library	Assessment District Administration	Assessment District Reserve	2019 Special Tax Bond Monte Bella	Total
ASSETS					
Cash and investments	\$ -	\$ -	\$ 1,830,055	\$ 318,633	\$ 4,019,685
Receivables:					
Accrued interest	-	-	5,106	-	10,212
Restricted cash and investments	-	-	-	183,852	183,852
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,835,161</u>	<u>\$ 502,485</u>	<u>\$ 4,213,749</u>
LIABILITIES					
Accounts payable	\$ 2,470	\$ -	\$ -	\$ -	\$ 4,735
Due to other funds	-	2,178	-	-	2,178
Total liabilities	<u>2,470</u>	<u>2,178</u>	<u>-</u>	<u>-</u>	<u>6,913</u>
FUND BALANCE					
Restricted	-	-	1,835,161	502,485	4,213,749
Unassigned	<u>(2,470)</u>	<u>(2,178)</u>	<u>-</u>	<u>-</u>	<u>(6,913)</u>
Total fund balance	<u>(2,470)</u>	<u>(2,178)</u>	<u>1,835,161</u>	<u>502,485</u>	<u>4,206,836</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,835,161</u>	<u>\$ 502,485</u>	<u>\$ 4,213,749</u>

CITY OF SALINAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	COP 1999 & 2004 Consolidation (2014)	2018 Lease-PS Building Police	COP 2018B T.R.I.P. Total Rd Impv	Energy Improvement Lease	COP 2005 A & B 2015 Refunding
REVENUES					
Taxes - special assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	11,490	-	427,272	141	2,096
Miscellaneous	-	-	1,150	-	-
Total revenues	<u>11,490</u>	<u>-</u>	<u>428,422</u>	<u>141</u>	<u>2,096</u>
EXPENDITURES					
Current:					
General government	-	437,235	-	-	-
Capital outlay	-	29,165	-	-	-
Debt service:					
Principal retirement	145,000	-	680,000	987,037	570,000
Interest and fiscal charges	81,626	740,818	1,654,300	584,405	129,789
Total expenditures	<u>226,626</u>	<u>1,207,218</u>	<u>2,334,300</u>	<u>1,571,442</u>	<u>699,789</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(215,136)</u>	<u>(1,207,218)</u>	<u>(1,905,878)</u>	<u>(1,571,301)</u>	<u>(697,693)</u>
OTHER FINANCING SOURCES					
Housing loan repayment from Successor Agency	-	-	-	1,335	-
Operating transfers in	-	1,208,116	2,328,702	1,570,107	699,789
Total other financing sources	<u>-</u>	<u>1,208,116</u>	<u>2,328,702</u>	<u>1,571,442</u>	<u>699,789</u>
NET CHANGE IN FUND BALANCES	(215,136)	898	422,824	141	2,096
FUND BALANCES, BEGINNING OF YEAR	<u>841,600</u>	<u>(3,163)</u>	<u>703,855</u>	<u>35,665</u>	<u>85,058</u>
FUND BALANCES, END OF YEAR	<u>\$ 626,464</u>	<u>\$ (2,265)</u>	<u>\$ 1,126,679</u>	<u>\$ 35,806</u>	<u>\$ 87,154</u>

CITY OF SALINAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	2018	Assessment	Assessment	2019	
	Lease-El	District	District	Special Tax Bond	Total
	Gabilan Library	Administration	Reserve	Monte Bella	
REVENUES					
Taxes - special assessments	\$ -	\$ -	\$ -	\$ 165,611	\$ 165,611
Interest	-	-	33,147	473	474,619
Miscellaneous	-	-	-	-	1,150
Total revenues	-	-	33,147	166,084	641,380
EXPENDITURES					
Current:					
General government	180,220	-	-	12,846	630,301
Capital outlay	10,001	-	-	-	39,166
Debt service:					
Principal retirement	5,490,000	-	-	-	7,872,037
Interest and fiscal charges	369,154	-	-	298,797	3,858,889
Total expenditures	6,049,375	-	-	311,643	12,400,393
EXCESS (DEFICIENCY) OF REVENUES					
OVER (UNDER) EXPENDITURES					
	(6,049,375)	-	33,147	(145,559)	(11,759,013)
OTHER FINANCING SOURCES					
Housing loan repayment from Successor Agency	-	-	-	-	1,335
Operating transfers in	6,048,705	-	-	355,988	12,211,407
Total other financing sources	6,048,705	-	-	355,988	12,212,742
NET CHANGE IN FUND BALANCES	(670)	-	33,147	210,429	453,729
FUND BALANCES, BEGINNING OF YEAR	(1,800)	(2,178)	1,802,014	292,056	3,753,107
FUND BALANCES, END OF YEAR	\$ (2,470)	\$ (2,178)	\$ 1,835,161	\$ 502,485	\$ 4,206,836

NON-MAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECT FUNDS

Capital Projects Funds are used to account for major capital acquisition and construction activities. The Capital Projects Funds used by the City in this report are as follows:

Special Aviation Fund - This fund accounts for federal and state airport grants. Funds are used to reimburse the Capital Projects Fund for airport capital expenditures.

Assessment District Projects Fund - This fund accounts for bond proceeds from assessment districts used for capital improvements. Funds are used to reimburse the Capital Projects Fund for assessment district capital project expenditures.

2019 Spec Tax Bond Monte Bella - This fund accounts for bond proceeds from assessments from the Monte Bella District for Capital Improvements. Funds are used to reimburse the Capital Projects Fund for Monte Bella District Capital Project Expenditures.

Capital Projects - This fund accounts for all capital project expenditures. Funds are transferred in from various other funds after expenditures are made. This revolving fund was established with \$2,000,000 and is used to advance capital project expenditures prior to reimbursement of Federal, State, and other construction grants and bond financing.



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**CITY OF SALINAS
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS
JUNE 30, 2020**

	Special Aviation	Assessment District Project	2019 Spec Tax Bond Monte Bella	Capital Projects	Total
ASSETS					
Cash and investments	\$ 807,930	\$ 413,485	\$ 77	\$ 2,000,000	\$ 3,221,492
Receivables, net:					
Accrued interest	2,298	1,123	51	-	3,472
Due from outside agencies	467,976	-	-	-	467,976
Due from other funds	-	-	-	803,909	803,909
Restricted cash and investments	-	-	237,639	-	237,639
Total assets	<u>\$ 1,278,204</u>	<u>\$ 414,608</u>	<u>\$ 237,767</u>	<u>\$ 2,803,909</u>	<u>\$ 4,734,488</u>
LIABILITIES					
Accounts payable	\$ 8,402	\$ -	\$ -	\$ 803,909	\$ 812,311
Due to other funds	-	-	214,437	-	214,437
Total liabilities	<u>8,402</u>	<u>-</u>	<u>214,437</u>	<u>803,909</u>	<u>1,026,748</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues - grants	467,976	-	-	-	467,976
Total deferred inflows of resources	<u>467,976</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>467,976</u>
FUND BALANCE					
Restricted	1,173,556	414,608	23,330	-	1,611,494
Committed	96,246	-	-	2,000,000	2,096,246
Unassigned	(467,976)	-	-	-	(467,976)
Total fund balance	<u>801,826</u>	<u>414,608</u>	<u>23,330</u>	<u>2,000,000</u>	<u>3,239,764</u>
Total liabilities, deferred inflows, and fund balance	<u>\$ 1,278,204</u>	<u>\$ 414,608</u>	<u>\$ 237,767</u>	<u>\$ 2,803,909</u>	<u>\$ 4,734,488</u>

CITY OF SALINAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Special Aviation	Assessment District Project	2019 Spec Tax Bond Monte Bella	Capital Projects	Total
REVENUES					
Intergovernmental	\$ 1,127,950	\$ -	\$ -	\$ -	\$ 1,127,950
Interest	12,981	7,341	(1,848)	-	18,474
Total revenues	<u>1,140,931</u>	<u>7,341</u>	<u>(1,848)</u>	<u>-</u>	<u>1,146,424</u>
EXPENDITURES					
Current:					
General government	-	-	-	1,263,915	1,263,915
Public safety	-	-	-	432,286	432,286
Public works	-	-	-	4,632,613	4,632,613
Recreation	-	-	-	86,198	86,198
Library	-	-	-	318,336	318,336
Capital outlay	858,188	-	1,542,176	2,067,462	4,467,826
Debt service:					
Principal retirement	-	-	-	1,203,545	1,203,545
Interest and fiscal charges	-	-	-	176,654	176,654
Total expenditures	<u>858,188</u>	<u>-</u>	<u>1,542,176</u>	<u>10,181,009</u>	<u>12,581,373</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>282,743</u>	<u>7,341</u>	<u>(1,544,024)</u>	<u>(10,181,009)</u>	<u>(11,434,949)</u>
OTHER FINANCING SOURCES (USES)					
Loan proceeds	-	-	2,293,920	-	2,293,920
Operating transfers in	-	-	-	10,181,009	10,181,009
Operating transfers out	-	-	(751,744)	-	(751,744)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>1,542,176</u>	<u>10,181,009</u>	<u>11,723,185</u>
NET CHANGE IN FUND BALANCE	<u>282,743</u>	<u>7,341</u>	<u>(1,848)</u>	<u>-</u>	<u>288,236</u>
FUND BALANCE, BEGINNING OF YEAR	<u>519,083</u>	<u>407,267</u>	<u>25,178</u>	<u>2,000,000</u>	<u>2,951,528</u>
FUND BALANCE, END OF YEAR	<u>\$ 801,826</u>	<u>\$ 414,608</u>	<u>\$ 23,330</u>	<u>\$ 2,000,000</u>	<u>\$ 3,239,764</u>

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Risk Management Fund - This fund is used to account for the City's risk management program which administers employee benefits and the Internal Service Funds insurance programs.

General Insurance Fund - This fund is used to account for city-wide safety programs, employee assistance programs, unemployment claims, biennial physical exams, and insurance for property, fine arts, and reimbursable damages.

Workers Compensation Fund - This fund is used to account for the City's self-insured workers compensation program.

General Liability Fund - This fund is used to account for the City's self-insured general liability insurance program.

Fleet Maintenance Fund - This fund is used to account for the inspection, maintenance, and repair of all the City's vehicles and equipment.



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CITY OF SALINAS
COMBINING STATEMENT OF FUND NET POSITION (DEFICIT)
INTERNAL SERVICE FUNDS
JUNE 30, 2020

	Risk Management	General Insurance	Workers Compensation	General Liability	Fleet Maintenance	Total
ASSETS						
Current Assets:						
Cash and cash equivalents	\$ 1,942,016	\$ 3,540,089	\$ 6,101,102	\$ 4,245,186	\$ 1,042,465	\$ 16,870,858
Receivables, net						
Excess insurance receivable	-	-	-	-	-	-
Accrued interest	-	-	18,384	10,060	-	28,444
Due from general fund	-	-	13,381,563	-	-	13,381,563
Total current assets	<u>1,942,016</u>	<u>3,540,089</u>	<u>19,501,049</u>	<u>4,255,246</u>	<u>1,042,465</u>	<u>30,280,865</u>
Noncurrent Assets:						
Restricted cash and investments	-	-	542,394	149,661	-	692,055
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>542,394</u>	<u>149,661</u>	<u>-</u>	<u>692,055</u>
Total assets	<u>1,942,016</u>	<u>3,540,089</u>	<u>20,043,443</u>	<u>4,404,907</u>	<u>1,042,465</u>	<u>30,972,920</u>
DEFERRED OUTFLOWS OF RESOURCES						
Related to pensions	-	-	-	124,978	249,956	374,934
Related to OPEB	-	-	4,259	10,311	21,742	36,312
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>4,259</u>	<u>135,289</u>	<u>271,698</u>	<u>411,246</u>
Total assets and deferred outflows	<u>1,942,016</u>	<u>3,540,089</u>	<u>20,047,702</u>	<u>4,540,196</u>	<u>1,314,163</u>	<u>31,384,166</u>
LIABILITIES						
Current Liabilities:						
Accounts payable	-	7,002	6,130	14,557	69,123	96,812
Insurance claims payable	-	-	20,008,346	6,543,545	-	26,551,891
Long term debt - due within one year	-	-	514	3,868	16,624	21,006
Total current liabilities	<u>-</u>	<u>7,002</u>	<u>20,014,990</u>	<u>6,561,970</u>	<u>85,747</u>	<u>26,669,709</u>
Noncurrent Liabilities:						
Long term debt - due in more than one year	-	-	2,058	15,470	66,498	84,026
Net pension liability	-	-	-	339,216	678,432	1,017,648
Net OPEB liability	-	-	36,037	87,247	183,978	307,262
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>38,095</u>	<u>441,933</u>	<u>928,908</u>	<u>1,408,936</u>
Total liabilities	<u>-</u>	<u>7,002</u>	<u>20,053,085</u>	<u>7,003,903</u>	<u>1,014,655</u>	<u>28,078,645</u>
DEFERRED INFLOWS OF RESOURCES						
Related to pensions	-	-	-	9,483	18,963	28,446
Related to OPEB	-	-	10,242	24,795	52,285	87,322
Total deferred inflows	<u>-</u>	<u>-</u>	<u>10,242</u>	<u>34,278</u>	<u>71,248</u>	<u>115,768</u>
NET POSITION (DEFICIT)						
Restricted	-	-	-	-	-	-
Unrestricted	1,942,016	3,533,087	(15,625)	(2,497,985)	228,260	3,189,753
Total net position (deficit)	<u>\$ 1,942,016</u>	<u>\$ 3,533,087</u>	<u>\$ (15,625)</u>	<u>\$ (2,497,985)</u>	<u>\$ 228,260</u>	<u>\$ 3,189,753</u>

CITY OF SALINAS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION (DEFICIT)
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Risk Management	General Insurance	Workers Compensation	General Liability	Fleet Maintenance	Total
OPERATING REVENUES						
Charges for services	\$ 673	\$ 218,615	\$ 3,119,076	\$ 200,420	\$ 7,482	\$ 3,546,266
Total operating revenues	673	218,615	3,119,076	200,420	7,482	3,546,266
OPERATING EXPENSES						
Personnel services	-	-	163,611	377,488	415,414	956,513
Contractual services	-	16,471	449,257	75,917	278,853	820,498
Supplies	-	-	-	-	571,627	571,627
Insurance	-	382,649	331,532	672,126	-	1,386,307
Insurance claims	-	-	2,350,993	5,760,053	-	8,111,046
Other	278	277,574	27,216	-	57,446	362,514
Total operating expenses	278	676,694	3,322,609	6,885,584	1,323,340	12,208,505
OPERATING INCOME (LOSS)	395	(458,079)	(203,533)	(6,685,164)	(1,315,858)	(8,662,239)
NONOPERATING REVENUES (EXPENSES)						
Investment income	-	-	110,868	62,684	-	173,552
Total nonoperating revenues (expenses)	-	-	110,868	62,684	-	173,552
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	395	(458,079)	(92,665)	(6,622,480)	(1,315,858)	(8,488,687)
Transfers in	-	-	-	2,202,900	1,995,400	4,198,300
CHANGE IN NET POSITION	395	(458,079)	(92,665)	(4,419,580)	679,542	(4,290,387)
NET POSITION (DEFICIT), BEGINNING OF YEAR	1,941,621	3,991,166	77,040	1,921,595	(451,282)	7,480,140
NET POSITION (DEFICIT), END OF YEAR	\$ 1,942,016	\$ 3,533,087	\$ (15,625)	\$ (2,497,985)	\$ 228,260	\$ 3,189,753

**CITY OF SALINAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>Risk Management Fund</u>	<u>General Insurance Fund</u>	<u>Workers Compensation Fund</u>	<u>General Liability Fund</u>	<u>Fleet Maintenance Fund</u>	<u>Total</u>
Cash Flows from Operating Activities:						
Receipts from interfund services provided	\$ 673	\$ 218,615	\$ 3,119,076	\$ 8,200,420	\$ 7,482	\$ 11,546,266
Payments to Suppliers	(278)	(686,510)	(825,534)	(748,043)	(925,448)	(3,185,813)
Payments to Employees	-	-	(144,370)	(383,106)	(903,176)	(1,430,652)
Payments to Claimants	-	-	(2,954,158)	(9,189,771)	-	(12,143,929)
Net Cash Provided (Used) by Operating Activities	<u>395</u>	<u>(467,895)</u>	<u>(804,986)</u>	<u>(2,120,500)</u>	<u>(1,821,142)</u>	<u>(5,214,128)</u>
Cash Flows from Non-Capital Financing Activities:						
Operating Transfers In	-	-	2,014,587	2,202,900	1,995,400	6,212,887
Net Cash Provided by Non-capital Financing Activities	<u>-</u>	<u>-</u>	<u>2,014,587</u>	<u>2,202,900</u>	<u>1,995,400</u>	<u>6,212,887</u>
Cash Flows from Investing Activities:						
Interest received	-	-	110,868	62,684	-	173,552
Increase in fair value of LAIF investments	-	-	5,063	6,759	-	11,822
Net Cash Provided by Investing Activities	<u>-</u>	<u>-</u>	<u>115,931</u>	<u>69,443</u>	<u>-</u>	<u>185,374</u>
Net increase (decrease) in cash and cash equivalents	395	(467,895)	1,325,532	151,843	174,258	1,184,133
Cash and cash equivalents at beginning of year	1,941,621	4,007,984	5,317,964	4,243,004	868,207	16,378,780
Cash and cash equivalents at end of year	<u>\$ 1,942,016</u>	<u>\$ 3,540,089</u>	<u>\$ 6,643,496</u>	<u>\$ 4,394,847</u>	<u>\$ 1,042,465</u>	<u>\$ 17,562,913</u>

**CITY OF SALINAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>Risk Management Fund</u>	<u>General Insurance Fund</u>	<u>Workers Compensation Fund</u>	<u>General Liability Fund</u>	<u>Fleet Maintenance Fund</u>	<u>Total</u>
Reconciliation of cash and cash equivalents to the Statement of Net Position						
Ending cash and cash equivalents - statement of cash flows	\$ 1,942,016	\$ 3,540,089	\$ 6,643,496	\$ 4,394,847	\$ 1,042,465	\$ 17,562,913
Less amounts reported in restricted cash and investments	-	-	(542,394)	(149,661)	-	(692,055)
Cash and cash equivalents - statement of net position	<u>\$ 1,942,016</u>	<u>\$ 3,540,089</u>	<u>\$ 6,101,102</u>	<u>\$ 4,245,186</u>	<u>\$ 1,042,465</u>	<u>\$ 16,870,858</u>
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income (loss)	<u>\$ 395</u>	<u>\$ (458,079)</u>	<u>\$ (203,533)</u>	<u>\$ (6,685,164)</u>	<u>\$ (1,315,858)</u>	<u>\$ (8,662,239)</u>
Adjustments to Reconcile Net Income to						
Net Cash Provided by Operating Activities:						
(Increase) decrease in excess insurance receivable	-	-	-	8,000,000	-	8,000,000
(Increase) decrease in deferred outflows - pension	-	-	-	(39,049)	93,761	54,712
(Increase) decrease in deferred outflows - OPEB	-	-	(2,756)	(4,515)	(11,375)	(18,646)
Increase (decrease) in accounts payable	-	(9,816)	(14,676)	1,855	(12,437)	(35,074)
Increase (decrease) in insurance claims	-	-	(603,165)	(3,429,718)	-	(4,032,883)
Increase (decrease) in accrued leave	-	-	763	5,362	(26,770)	(20,645)
Increase (decrease) in net pension liability	-	-	-	29,599	(560,037)	(530,438)
Increase (decrease) in net OPEB liability	-	-	10,647	(10,678)	8,821	8,790
Increase (decrease) in deferred inflows - pension	-	-	-	(3,319)	(32,239)	(35,558)
Increase (decrease) in deferred inflows - OPEB	-	-	7,734	15,127	34,992	57,853
Total Adjustments to Net Income	<u>-</u>	<u>(9,816)</u>	<u>(601,453)</u>	<u>4,564,664</u>	<u>(505,284)</u>	<u>3,448,111</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 395</u>	<u>\$ (467,895)</u>	<u>\$ (804,986)</u>	<u>\$ (2,120,500)</u>	<u>\$ (1,821,142)</u>	<u>\$ (5,214,128)</u>

Fiduciary Funds

PRIVATE-PURPOSE TRUST FUNDS

The private-purpose trust funds accounts for assets and activities of the dissolved Redevelopment Agency, which is accounted for in the Successor Agency Trust, and other trust arrangement not otherwise reported in a pension trust.

Successor Agency –

RORF - This fund accounts for all the financial activities of the Redevelopment Obligation Retirement Fund (RORF) related to the former Redevelopment Project Area in accordance with AB 1x26 and AB 1484 which unwind the Redevelopment Agency of the City of Salinas.

Administration – This fund accounts for the administrative activities of the Successor Agency to the former Salinas Redevelopment Agency which was dissolved on February 1, 2012 in accordance with AB 1x26 (enacted June 28, 2011).

Other Private Purpose Trust Funds – These funds are used to account for other trust arrangements not properly reported in a pension trust fund under which principal and income benefit individuals, private organizations, or other governments. The City accounts for the following trust funds: Community Center, Monterey Regional Water Pollution Control Agency (MRWPCA) Fees, Sales Tax, Payroll Taxes, Developer Deposits, Evidence Room, Construction Bonds, Monterey County Tourism Improvement District, Leadership Salinas, and miscellaneous.



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CITY OF SALINAS
COMBINING STATEMENT OF NET POSITION (DEFICIT)
PRIVATE PURPOSE TRUST FUNDS
JUNE 30, 2020

	Successor Agency Trust			Other Private Purpose Trust	Total
	Redevelopment Obligation Retirement Fund	Administration	Total Successor Agency Trust		
ASSETS					
Cash and investments	\$ 3,220,740	\$ 10,000	\$ 3,230,740	\$ 770,723	\$ 4,001,463
Cash and investments held by fiscal agent	1,617,892	-	1,617,892	-	1,617,892
Receivables					
Accounts	-	-	-	7,618	7,618
Interest	5,004	-	5,004	-	5,004
Loans and notes receivable	173,900	-	173,900	-	173,900
Capital assets, net of accumulated depreciation	149,270	-	149,270	-	149,270
Total assets	5,166,806	10,000	5,176,806	778,341	5,955,147
LIABILITIES					
Accounts payable	-	146	146	127,046	127,192
Interest payable	697,009	-	697,009	-	697,009
Deposits	-	-	-	73,719	73,719
Advance from other agencies	203,834	-	203,834	-	203,834
Long term debt					
Due within one year	300,423	-	300,423	-	300,423
Due in more than one year	2,089,285	-	2,089,285	-	2,089,285
Total liabilities	3,290,551	146	3,290,697	200,765	3,491,462
DEFERRED INFLOWS OF RESOURCES					
Future ROPS	2,147,942	10,000	2,157,942	-	2,157,942
Total deferred inflows of resources	2,147,942	10,000	2,157,942	-	2,157,942
NET POSITION (DEFICIT)					
Restricted for:					
Individuals and organizations	(271,687)	(146)	(271,833)	577,576	305,743
Total net position	\$ (271,687)	\$ (146)	\$ (271,833)	\$ 577,576	\$ 305,743

CITY OF SALINAS
COMBINING STATEMENT OF CHANGES IN NET POSITION (DEFICIT)
PRIVATE PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Successor Agency Trust				Total
	Redevelopment Obligation Retirement Fund	Total Successor Agency Trust		Other Private Purpose Trust	
	Administration				
ADDITIONS					
Taxes	\$ 4,693,618	\$ 10,000	\$ 4,703,618	\$ -	\$ 4,703,618
Contributions					
Private contributions	-	-	-	1,350,174	1,350,174
Investment earnings					
Interest	106,721	-	106,721	-	106,721
Total additions	<u>4,800,339</u>	<u>10,000</u>	<u>4,810,339</u>	<u>1,350,174</u>	<u>6,160,513</u>
DEDUCTIONS					
Expenses	1,256,660	43,867	1,300,527	154,774	1,455,301
Payments on behalf of trustees	-	-	-	1,233,194	1,233,194
Contribution to other agencies	3,140,129	1,334	3,141,463	-	3,141,463
Total deductions	<u>4,396,789</u>	<u>45,201</u>	<u>4,441,990</u>	<u>1,387,968</u>	<u>5,829,958</u>
CHANGE IN NET POSITION (DEFICIT)	403,550	(35,201)	368,349	(37,794)	330,555
NET POSITION (DEFICIT)					
BEGINNING OF YEAR	<u>(675,237)</u>	<u>35,055</u>	<u>(640,182)</u>	<u>615,370</u>	<u>(24,812)</u>
END OF YEAR	<u>\$ (271,687)</u>	<u>\$ (146)</u>	<u>\$ (271,833)</u>	<u>\$ 577,576</u>	<u>\$ 305,743</u>

CUSTODIAL FUNDS

Agency Funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds operate as a clearing mechanism. Cash resources are collected, held for a brief period and then distributed to the proper recipients. The City has a fiduciary responsibility for the assets, which it does not own outright.

Business Improvements District Fund - This fund accounts for the business license surcharged assessment imposed on Alisal businesses, and are used to promote and revitalize the business district. Expenditures are determined by the districts' Board of Directors and approved by the City Council.

Flexible Spending - This fund is used to account for revenues resulting of employee concessions contributions used to reduce the cost of medical, vision and dental health insurance premiums.

Cafeteria Plan - This fund is used to account for the City's Cafeteria Plan for unreimbursed medical and dependent care payments (Flexible Spending Account) operated under Section 125 of the Internal Revenue Code. Pre-tax monies are deducted from employees in accordance with their Salary Redirection Agreements and used to reimburse employees for qualified unreimbursed medical and dependent care expenses after obtaining approval from the City's cafeteria plan administrator.

Downtown Community Benefit District - This fund accounts for the property assessment generated revenues imposed on the Downtown Community Benefit District. The concept is that eventually the Downtown Community Benefit District will grow and receive revenues from multiple sources within a defined boundary that can among other things, including entrepreneurial activities, special mandate, are not be excluded, and no exemptions for not-for-profit entities are being considered. It can be governed by a 501(c)3 non-profit corporation, merging the existing energies in Downtown into just one organization, rather than the 501(c)6 BID and the OSA Foundation. It can receive grants and donations, and merge these with more assessments that are powerful.



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CITY OF SALINAS
COMBINING STATEMENT OF NET POSITION
CUSTODIAL FUNDS
JUNE 30, 2020

	SUBA Business Improvement District	Flexible Spending	Cafeteria Plan	Downtown Community Benefit District	Total
ASSETS					
Cash and investments	\$ 30	\$ 137,427	\$ 1	\$ -	\$ 137,458
Receivables					
Accounts	-	166,724	-	-	166,724
Total assets	<u>30</u>	<u>304,151</u>	<u>1</u>	<u>-</u>	<u>304,182</u>
LIABILITIES					
Accounts payable	-	218,433	-	-	218,433
Total liabilities	<u>-</u>	<u>218,433</u>	<u>-</u>	<u>-</u>	<u>218,433</u>
NET POSITION					
Restricted for:					
Individuals and organizations	30	85,718	1	-	85,749
	<u>\$ 30</u>	<u>\$ 85,718</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 85,749</u>

CITY OF SALINAS
COMBINING STATEMENT OF CHANGES IN NET POSITION
CUSTODIAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	SUBA Business Improvement District	Flexible Spending	Cafeteria Plan	Downtown Community Benefit District	Total
ADDITIONS					
Contributions					
Plan members	\$ -	\$ 276,888	\$ -	\$ -	\$ 276,888
Total contributions	-	276,888	-	-	276,888
Assessments collected for other governments	25,077	-	-	455,973	481,050
Total additions	25,077	276,888	-	455,973	757,938
DEDUCTIONS					
Benefit payments	-	283,008	-	-	283,008
Assessments disbursed to other governments	25,047	-	-	455,973	481,020
Total deductions	25,047	283,008	-	455,973	764,028
CHANGE IN NET POSITION (DEFICIT)	30	(6,120)	-	-	(6,090)
NET POSITION					
BEGINNING OF YEAR	-	91,838	1	-	91,839
END OF YEAR	\$ 30	\$ 85,718	\$ 1	\$ -	\$ 85,749

**GENERAL,
MEASURE E,
& MEASURE G FUNDS**



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CITY OF SALINAS
COMBINING BALANCE SHEET
GENERAL, MEASURE E, & MEASURE G FUNDS
JUNE 30, 2020

	<u>General</u>	<u>Measure E</u>	<u>Measure G</u>	<u>Total</u>
ASSETS				
Cash and investments	\$ 27,007,150	\$ 3,442,786	\$ 18,656,907	\$ 49,106,843
Receivables, net				
Taxes	9,322,767	2,358,289	4,731,690	16,412,746
Accounts	341,674	1,220	-	342,894
Accrued interest	217,076	20,477	55,967	293,520
Due from outside agencies	75,000	-	-	75,000
Due from other funds	4,009,884	-	-	4,009,884
Inventory	8,146	-	-	8,146
Advances to other funds	6,535,000	-	-	6,535,000
Total assets	<u>\$ 47,516,697</u>	<u>\$ 5,822,772</u>	<u>\$ 23,444,564</u>	<u>\$ 76,784,033</u>
LIABILITIES				
Accounts payable	\$ 6,246,037	\$ 381,504	\$ 604,642	\$ 7,232,183
Deposits	31,034	-	-	31,034
Due to other funds	13,469,640	9,168	190,940	13,669,748
Total liabilities	<u>19,746,711</u>	<u>390,672</u>	<u>795,582</u>	<u>20,932,965</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - taxes	440,047	-	-	440,047
Total deferred inflows of resources	<u>440,047</u>	<u>-</u>	<u>-</u>	<u>440,047</u>
FUND BALANCE				
Nonspendable	6,618,146	-	-	6,618,146
Committed	650,461	152,884	4,235,330	5,038,675
Assigned	10,996,190	6,532,506	13,210,308	30,739,004
Unassigned	9,065,142	(1,253,290)	5,203,344	13,015,196
Total fund balance	<u>27,329,939</u>	<u>5,432,100</u>	<u>22,648,982</u>	<u>55,411,021</u>
Total liabilities, deferred inflows, and fund balance	<u>\$ 47,516,697</u>	<u>\$ 5,822,772</u>	<u>\$ 23,444,564</u>	<u>\$ 76,784,033</u>

CITY OF SALINAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL, MEASURE E, & MEASURE G FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>General</u>	<u>Measure E</u>	<u>Measure G</u>	<u>Total</u>
REVENUES				
Taxes	\$ 92,210,533	\$ 13,131,294	\$ 26,270,746	\$ 131,612,573
Licenses and permits	824,569	-	-	824,569
Intergovernmental	757,322	-	-	757,322
Charges for services	5,235,571	-	-	5,235,571
Interest	1,327,507	140,226	341,537	1,809,270
Rental income	276,740	-	-	276,740
Fines and forfeits	368,653	-	-	368,653
Miscellaneous	1,076,872	6,712	1,531	1,085,115
Total revenues	<u>102,077,767</u>	<u>13,278,232</u>	<u>26,613,814</u>	<u>141,969,813</u>
EXPENDITURES				
Current:				
General government	21,524,164	381,096	1,312,892	23,218,152
Public safety	59,664,082	3,952,659	11,473,597	75,090,338
Public works	9,868,957	726,858	1,023,699	11,619,514
Recreation	1,085,182	1,154,941	975,958	3,216,081
Library	-	4,358,898	-	4,358,898
Capital outlay	452,559	76,261	23,265	552,085
Total expenditures	<u>92,594,944</u>	<u>10,650,713</u>	<u>14,809,411</u>	<u>118,055,068</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>9,482,823</u>	<u>2,627,519</u>	<u>11,804,403</u>	<u>23,914,745</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	3,348,279	700,000	-	4,048,279
Operating transfers out	(9,945,214)	(6,569,739)	(8,309,291)	(24,824,244)
Total other financing sources (uses)	<u>(6,596,935)</u>	<u>(5,869,739)</u>	<u>(8,309,291)</u>	<u>(20,775,965)</u>
NET CHANGE IN FUND BALANCE	2,885,888	(3,242,220)	3,495,112	3,138,780
FUND BALANCE, BEGINNING OF YEAR	<u>24,444,051</u>	<u>8,674,320</u>	<u>19,153,870</u>	<u>52,272,241</u>
FUND BALANCE, END OF YEAR	<u>\$ 27,329,939</u>	<u>\$ 5,432,100</u>	<u>\$ 22,648,982</u>	<u>\$ 55,411,021</u>



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