

CITY OF SAN CARLOS

SAN CARLOS, CALIFORNIA

20-21

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR 2020 - 2021
JULY 1, 2020 - JUNE 30, 2021**



CITY OF GOOD LIVING

This Page Left Intentionally Blank

CITY OF SAN CARLOS, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Prepared by
CITY OF SAN CARLOS FINANCE DIVISION

This Page Left Intentionally Blank

CITY OF SAN CARLOS

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2021

Table of Contents

	<u>Page</u>
INTRODUCTORY SECTION:	
Letter of Transmittal	v
Directory of Officials	xix
The Residents of the City of San Carlos.....	xx
Administrative Services.....	xxi
Certificate of Achievement for Excellence in Financial Reporting (GFOA)	xxii
FINANCIAL SECTION:	
<i>Independent Auditor's Report on Basic Financial Statements</i>	1
<i>Management's Discussion and Analysis</i>	5
Basic Financial Statements:	
Government Wide Financial Statements:	
Statement of Net Position.....	23
Statement of Activities	24
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet.....	28
Reconciliation of the Governmental Funds – Balance Sheet with the Statement of Net Position	30
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	32
Reconciliation of the Net Change in Fund Balances – Total Governmental Funds with the Statements of Activities	34
Budgetary Comparison Statement by Department – General Fund	36

CITY OF SAN CARLOS

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2021

Table of Contents

	<u>Page</u>
FINANCIAL SECTION (Continued):	
<i>Proprietary Funds:</i>	
Statement of Net Position	40
Statement of Revenues, Expenses, and Changes in Net Position	41
Statement of Cash Flows	42
<i>Fiduciary Funds:</i>	
Statement of Fiduciary Net Position.....	44
Statement of Changes in Fiduciary Net Position	45
Notes to Basic Financial Statements.....	47
Required Supplementary Information:	
Schedule of the Proportionate Share of the Net Pension Liability – CalPERS Cost Sharing Plan	98
Schedule of Plan Contributions – CalPERS Cost Sharing Plan	99
Schedule of Changes in the Net Pension Liability and Related Ratios – PARS Longevity Recognition Plan	100
Schedule of Plan Contributions – PARS Longevity Recognition Plan.....	101
Schedule of Changes in the Net OPEB Liability and Related Ratios – Other Post-Employment Benefits Plan.....	102
Schedule of Contributions – Other Post-Employment Benefits Plan.....	103
Supplementary Information:	
Major Governmental Funds, Other than the General Fund:	
Capital Improvement – Budgetary Comparison Schedule	106
Housing Capital Projects Fund – Budgetary Comparison Schedule.....	107
<i>Non-major Governmental Funds:</i>	
Combining Balance Sheet	110

CITY OF SAN CARLOS

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2021

Table of Contents

	<u>Page</u>
FINANCIAL SECTION (Continued):	
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	114
<i>Budgetary Comparison Schedules – Special Revenue Funds:</i>	
NPDES.....	117
Police Grants	118
San Carlos Library Tenant.....	119
<i>Capital Project Funds:</i>	
Equipment Replacement.....	120
Measure A and Measure W	121
Gas Tax	122
Park Fee	123
Parking In-Lieu.....	124
<i>Debt Service Funds:</i>	
San Carlos Library Bonds	125
<i>Internal Service Funds:</i>	
Combining Statements of Net Position	128
Combining Statements of Revenues, Expenses, and Changes in Net Position	129
Combining Statements of Cash Flows.....	130

CITY OF SAN CARLOS

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2021

Table of Contents

	<u>Page</u>
STATISTICAL SECTION:	
Net Position by Component – Last Ten Fiscal Years	133
Changes in Net Position – Last Ten Fiscal Years.....	134
Fund Balances Governmental Funds – Last Ten Fiscal Years	138
Changes in Fund Balances Governmental Funds – Last Ten Fiscal Years	139
Assessed Valuation, Tax Rates and Tax Levies – Last Ten Fiscal Years	140
Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years	141
Principal Property Tax Payers – Current Fiscal Year and Ten Years Prior	142
Property Tax Levies and Collections – Last Ten Fiscal Years	143
Ratio of Outstanding Debt by Type – Last Ten Fiscal Years	144
Ratio of General Bonded Debt Outstanding – Last Ten Fiscal Years	145
Pledged-Revenue Coverage – Sewer Fund – Silicon Valley Clean Water Financing Agreement – Last Ten Fiscal Years	146
Direct and Overlapping Debt.....	147
Computation of Legal Bonded Debt Margin – Last Ten Fiscal Years.....	148
Demographic and Economic Statistics – Last Ten Fiscal Years	149
Principal Employers – Current Year and Ten Years Ago	150
Full Time Equivalent City Personnel by Function – Last Ten Fiscal Years	151
Operating Indicators by Function/Program – Last Ten Years.....	152
Capital Assets by Statistics By Function/Program – Last Ten Years	153



November 22, 2021

To the Members of the City Council and Residents of San Carlos:

It is the policy of the City of San Carlos to annually publish a complete set of financial statements presented in conformity with Generally Accepted Accounting Principles (“GAAP”) and audited in accordance with generally accepted auditing standards by an independent firm of certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial statements of the City of San Carlos (“the City”) for the fiscal year ended June 30, 2021.

This report consists of management’s representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City established a comprehensive internal control framework that is designed both to protect the City’s assets from loss, theft, or misuse and to compile sufficiently reliable information for the preparation of the City’s financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City’s comprehensive framework of internal controls was designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City’s financial statements have been audited by Maze & Associates, a firm of certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year that ended June 30, 2021 are free of material misstatement. 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. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City’s financial statements for the fiscal year that ended June 30, 2021 were fairly presented in conformity with GAAP. The independent auditor’s report is presented as the first component of the financial section of this 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.

Profile of the Government

San Carlos, “The City of Good Living”, incorporated in 1925, is located in the center of the San Francisco Bay Area region of the State of California, which is considered to be one of the most expensive areas of the state and country in which to live. San Francisco is 25 miles north and San Jose is 25 miles south. San Carlos boasts an ideal climate, good government, outstanding school system, attractive residential areas, a fine shopping district, excellent restaurants, a modern industrial and commercial area, and plenty of open space. As part of the northern end of Silicon Valley, San Carlos hosts several technology companies and is the address of many West Coast biotech and medical instrumentation firms. The City currently occupies a land area of six square miles and serves a population of approximately 30,000.

The City is a General Law city, empowered to levy a transient occupancy tax on hotel/motel stays and a business registration fee on for-profit businesses within its boundaries. It also is empowered by State statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the City Council.

The City has operated under the council-manager form of government since 1925. Policy-making and legislative authority are vested in a City Council consisting of the Mayor, selected by the Council, and four other Council Members. The City Council is responsible for, among other things, passing ordinances, adopting the budget, appointing advisory commissions/committees, and hiring both the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments. The City Council is elected on a non-partisan, at large basis. Council Members serve four-year staggered terms, with two or three Council Members elected every two years. The Mayor and Vice-Mayor are selected from among the five Council Members to serve one-year terms.

The City provides a full range of services, including: police and fire; the construction and maintenance of highways, streets and other infrastructure; and recreational activities and cultural events.

Budget Process

The goals of the City’s budget process are to identify necessary and/or desirable service increase options and identify possible service reduction options, which are all combined to reach a balanced and sustainable budget. Each City department is provided with a base budget with certain inflationary increases and is given an opportunity to request additional funding if needed. The City Manager, Assistant City Manager, Administrative Services Director, and the Financial Services Manager meet with each department individually to discuss and finalize the proposed budget recommendations. In the second year of the two-year budget cycle, departments are given another opportunity to review their projections and budgets and request additional funding if needed. Those recommendations are also reviewed by the City Manager, Assistant City Manager, Administrative Services Director, and Financial Services Manager. The City Manager then presents the proposed biennial budget or mid-cycle review budget to the Council for review prior to the end of May every year. The Council holds a public hearing on the proposed budget and adopts a final budget by the end of June, the close of the City’s fiscal

year. The appropriated budget is prepared by fund, function/program (e.g., public safety) and department (e.g., Community Development). Department heads may make transfers of appropriations within a department. Transfers of appropriations between departments, but within the same fund, can be approved administratively (by the Administrative Services Director or City Manager). However, transfers of appropriations that change total fund appropriations must be approved by the City Council. Expenditures that exceed appropriations at the fund level must be approved by the City Council.

Budgets are adopted on a basis consistent with GAAP. Budget-to-actual comparisons are presented in the supplementary section of the accompanying financial statements for each individual governmental fund for which an appropriated annual budget has been adopted.

For several years, the City has followed this format and adopted two-year budgets, most recently the Fiscal Year ("FY") 2021-23 Biennial Budget. On February 27, 2017, the City Council adopted Ordinance 1519 to consolidate the City's General Municipal Election with the Statewide Election, thereby moving to even-numbered year elections. In an effort to realign the budget with the new election cycles, it was planned that the FY 2020-21 Budget would cover the period of one year instead of two.

In addition, in March 2020, the City and the rest of the world experienced an unprecedented event with the declaration of the worldwide pandemic of a novel coronavirus (named "COVID-19" by the World Health Organization). It was also highly unexpected when the City of San Carlos was informed that a hotel within the city would be used to quarantine several individuals that had been exposed to COVID-19. That same day, the City Manager activated the City's Emergency Operations Center and, acting as Director of Emergency Services, proclaimed the existence of a local emergency pursuant to 2.28.060(A)(1) of the San Carlos Municipal Code in response.

As a result of the pandemic, the budget for FY 2020-21 was different than any other fiscal year. In April 2020, the City Council approved Resolution 2020-019, authorizing the City Manager "Continuing Resolution Authority" consistent with the FY 2019-20 Operating and Capital Budget through September 30, 2020. Continuing resolution authority is authority to continue services and to pay bills and payroll at a level consistent with the prior year's budget.

On May 26, 2020, the City Manager presented the Council with some preliminary financial projections. The early projections indicated a loss of revenues in the amount of \$3 to \$5 million, or 6-10%, of our total operating budget. Those projections were very preliminary and assumed that the Shelter-in-Place Order would be lifted as of May 31, 2020, which did not happen. The projections also did not assume another outbreak and possible additional shutdowns in the fall of 2020. In addition to the revenue losses, COVID-19 related spending continued during FY 2020-21. Additional funding was added to the base budget to cover multiple deep cleanings of our facilities, and continued facility enhancements and purchases of personal safety equipment and supplies to provide for the safety of employees and the public.

In August 2020, the Council held a Study Session to discuss a number of cost reduction strategies to weather the consequences of expected lost revenue. These included expenditure reductions (elimination of vacant positions, special events, reductions in supplies and services) in the amount of \$2.2 million and employee concessions bargained and agreed to in June 2020 in the amount of \$1.2 million.

The Fiscal Year (“FY”) 2020-21 Budget was adopted by Council via Resolution 2020-069 on September 28, 2020.

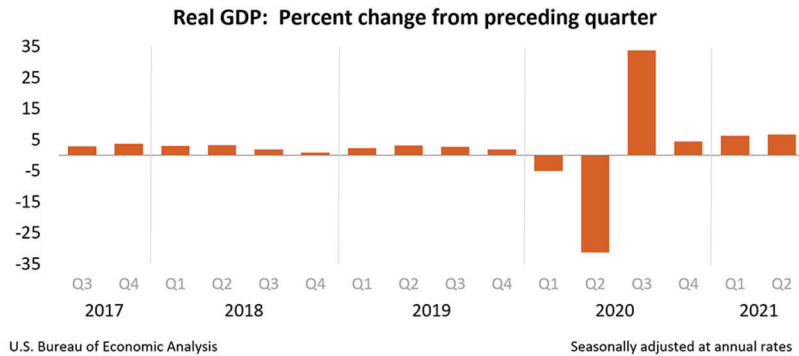
Economic Condition and Outlook

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

Economic Update

The COVID-19 pandemic impacted every section of the state and local economy and caused record high unemployment. The mandated stay-at-home orders, closures of restaurants, event spaces, and tourist sites drastically impacted the economy. However, businesses found creative ways to modify their service delivery models to continue to serve their customers. Even with those changes, it was anticipated that it will take time before consumer activity returns to normal.

In September 2021, it was reported that the real gross domestic product (“GDP”) increased at an annual rate of 6.7% in the second quarter of 2021, reflecting the continued economic recovery, reopening of establishments, and continued government response related to the COVID-19 pandemic. In the second quarter, government assistance payments in the form of loans to businesses and grants to state and local governments increased, while social benefits to households, such as the direct economic impact payments, declined. In the first quarter of 2021, real GDP increased 6.3%



According to the September 2021 report from the California Employment Development Department (EDD), California’s unemployment rate decreased to 7.5% in August as the state’s employers gained 104,300 payroll jobs. The state unemployment rate has now dropped 8.5% from its pandemic peak of 16% in April 2020. Of the 2,714,800 jobs lost in March and April 2020 due to the COVID-19 pandemic, California has now regained 1,686,000 jobs (62.1%). Nine of California’s 11 industry sectors gained jobs in August. Government (+46,900) has the state’s largest month-over gain driven by hiring in Local Government Education as a new school year begins and public schools reopen.

Professional & Business Services (+14,000) performed well as its Professional, Scientific, and Technical Services subsector has now regained all jobs it had lost since the beginning of the pandemic. Educational & Health Services (-6,300) had the largest month-over job reduction due a large decrease in Health Services.

As of August 2021, there were an estimated 417,700 jobs in the county, an increase of 23,500 jobs from June 2020. The unemployment rate in San Mateo County has decreased from 10.8% in June 2020 to 4.6% in August 2021. The San Carlos unemployment rate has decreased from 7.4% in June 2020 to 3.6% in August 2021. This compares with an unadjusted unemployment rate of 7.5% for California and 5.2% for the nation during the same period. As of August 2021, there were 975,500 jobs reported in Santa Clara County, an area to which our economic fortunes are closely linked. This represents an increase of 46,400 jobs from one year earlier. Santa Clara County's unemployment rate has decreased from 10.7% in June 2020 to 4.8% in August 2021.

Sales Taxes. Retail sales surged in March 2021 as federal stimulus checks bolstered wallets and the rollout of COVID-19 vaccines boosted spending at stores. The Commerce Department said that retail sales soared a seasonally adjusted 9.8% in March compared with the month prior. It was the steepest increase since May last year, when the retail sector started to rebound from the early spring shutdowns across the nation.

According to our third party consultant, HdL Companies, San Carlos' sales tax receipts from April through June 2021 were 34.9% above the first sales period in 2020. Adjustments for delayed payments and other reporting modifications resulted in actual sales that were up 45.2%. Overall place of sale collections soared 63% compared to the extreme lows of a year ago during the height of the pandemic shut-downs. All but one major sales tax category posted huge increases (only food-drugs saw a minor dip in revenues). The City's largest business segment, building-construction, posted stellar results as home improvement projects and construction activity continued. A big rebound in the business services sector helped push business-industry receipts up. Apparel, sporting/bike stores, and other general consumer goods surged 177.7%, reflecting a return to in-store shopping as people felt safer with the roll-out of vaccines.

Property Taxes. The National Association of Realtors ("NAR") released a report in May 2021 stating that following the quickest recovery in the nation's history in the wake of the COVID-19 pandemic, the U.S. economy is expected to grow at a high rate in 2021. Despite high unemployment, the economic recovery – propelled by favorable monetary and fiscal policies – has created the hottest housing market in nearly 50 years. The marketplace has surpassed pre-pandemic levels in terms of sales, but the fast-paced recovery has contributed to historic home price growth. In fact, an NAR report found that 89% of metros saw prices climb at double-digit rates on a year-over-year basis during the first quarter of 2021. The low supply of housing combined with low mortgage rates have created home price surges.

In April 2021, San Mateo County was the first county in California where the median sales price for single-family homes exceeded \$2 million. According to data from the California Association of Realtors, the median price of a single-family home in San Mateo County increased slightly from \$1.985 million in March 2021 to \$2.094 million in June 2021. This is an increase of 25% as compared with the median sales prices of \$1.672 million from the same period a year ago. In San Carlos, the median price of a single-family home increased \$543,000 from \$1,925,000 from the same period a year ago.

Despite the pandemic, commercial real estate has also continued to grow and the City experienced a net taxable value increase of 8.3% for the 2020-21 tax roll, which was modestly more than the increase experienced countywide at 7.0%. The assessed value increase between 2019-20 and 2020-21 was \$986 million.

The significant increases in retail spending and commercial and retail transactions and development were higher than originally expected, therefore the expected revenue losses did not materialize. In addition, expenditures were less than budgeted primarily due to salary savings from positions held vacant during the year and savings from the timing of professional services expenses that were tied to the large scale development projects.

As the attached financial statements will reflect, the City's conservative budgeting coupled with the unexpected growth kept the City in strong financial shape.

Financial Policies

In June 2008, the City Council approved financial policies formalizing long standing practices used in the past to prepare the budget. The policies were established to ensure that the City's finances are managed in a manner that will: (1) continue to provide for the delivery of quality services; (2) maintain and enhance service delivery as the community grows in accordance with the City's General Plan; (3) guarantee a balanced budget annually assuring that the City is always living within its means; and (4) establish reserves necessary to meet known and unknown future obligations. These financial policies are reviewed and updated as needed every two years as part of the biennial budget process. The City Council most recently adopted the financial policies on June 14, 2021 via Resolution 2021-052.

Financial Control

The Finance Division of the City is responsible for: establishing and maintaining an appropriate internal control structure surrounding the safeguarding of assets; the reliability of financial records to prepare the financial statements in conformity with GAAP; and maintaining asset accountability. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. We believe the City's systems of internal accounting controls adequately safeguard assets and provide reasonable assurance that financial transactions are properly recorded.

Long-term Financial Planning and Major Initiatives

Long-term Financial Planning

The City Council and City management continue to emphasize "structural balance" in the City's financial planning. The City has established economic reserves to meet future opportunities and unexpected changes, and has structurally aligned its revenues and expenditures to provide for a sustainable financial balance. To that end, the City has taken the following steps over the years:

- Budget revenues conservatively and expenditures at full cost;
- Maintain the condition of City facilities and infrastructure to optimize the use and minimize future repair/replacement costs;
- Maintain a highly motivated, talented, and well-trained workforce to serve the needs of the community;
- Retain municipal ownership of commercial properties and use ground leases to diversify the City's revenue stream;
- Secure outside funding and/or low-cost debt financing, and set aside City resources to pay for capital improvement program projects; and
- Limit the growth of on-going expenses for City services to a financially sustainable level.

In FY 2020-21, the City Council and Executive Management staff continued the Strategic Planning process begun in FY 2005-06. As part of this process, the City retained two facilitators to lead us through the City's Strategic Planning process. The process resulted in the review of the City's Mission Statement, Vision Statement, Core Values, and the establishment of Goals and Objectives. The City Council appropriates the funds necessary to meet operating and capital activities and the adopted strategic goals and objectives.

Major Events and Initiatives

Highlights of the City's major events and initiatives that were completed or in progress as of June 30, 2021 or soon after the year-end are as follows:

COVID-19

As a result of concerns over COVID-19, the San Mateo County Health Department recommended that all non-essential functions be cancelled. Therefore in March 2020, the City of San Carlos took the following actions:

- Closed the Adult Community Center ("ACC");
- Closed the Youth Center following the closure of the schools;
- Closed City Hall to the public and moved the majority of employees to a remote work environment;
- Closed the San Carlos Library;
- Closed playgrounds and public restrooms;
- Moved Council and Commission meetings to online platforms;
- Cancelled private events in City facilities;
- Cancelled Youth Center and ACC activities, including senior trips, spring break camps, and activities.
- Suspended sports leagues; and
- Cancelled City events including: Hometown Days; Farmers' Market; Summer Concerts; and future events scheduled for the Fall/Winter time frame in accordance with the health orders.

Despite all of the reductions in expenditures and the facility closures, staff across the entire organization adapted quickly to rapidly changing circumstances and continued to provide services in person and remotely. They accomplished this through creativity, innovation, and working collaboratively as one organization. Examples include staff working outside their normal job roles in the City's emergency operations center or through reassignment projects to best meet the

community's immediate needs, field staff and maintenance crews adjusting their schedules and work protocols to enhance safety, and many public-facing programs transitioning from in-person activities to online formats.

City staff have provided crucial and vital services throughout the pandemic, including but not limited to, maintenance of streets, sidewalks and parks that were heavily used by the community during the stay-at-home order; the temporary closure of the 600-700 Blocks of Laurel Street and elimination of parking on portions of Laurel Street and San Carlos Avenue to allow restaurants and businesses to use the right-of-way to extend outdoor dining and showcase merchandise; provided support to the senior community; established City workplace safety protocols; and much more.

Staff also made numerous operational improvements during this time, many of which will have lasting benefits. One example is modifications to the Adult Community Center Lunch Program, which transformed the program to a "grab and go" format that has increased participation and now serves twice the number of meals on an annual basis. Another example is the creation of the Street/Bicycle Loop Plans to encourage pedestrian and bicyclist activity.

On June 15, 2021, following the distribution of vaccines, the State of California lifted most restrictions on businesses. As such, the City began the process of reopening facilities and in-person events, additional classes and special events, including the following:

- On June 21, 2021, City Hall reopened to the public on Mondays, Tuesdays, and Thursdays with online services available on Wednesdays and Fridays;
- On July 12, 2021, the Adult Community Center reopened for in-person activities and classes;
- On August 1, 2021, the fitness center at the ACC reopened along with fitness classes;
- The Youth Center reopened on June 14, 2021 with in person summer camps and on August 18, 2021, the Youth Center drop in program resumed for the 2021-22 school year;
- Summer movie nights and summer concerts resumed at Burton Park;
- The Farmers' Market resumed on Sunday mornings; and
- Plans are in place to resume the Goblin Walk in October and the Night of Holiday Lights in December.

The State and Local Coronavirus Fiscal Recovery Funds legislation, part of the American Rescue Plan Act ("ARPA"), was signed into law by President Biden on March 11, 2021. The bill includes \$350 billion in funds allocated to recovering from the pandemic and restoring the economy. This includes \$195.3B to states and the District of Columbia, \$65.1B to counties, \$45.6B to metropolitan cities, etc., and \$19.5B to non-entitlement units of government. The U.S. Department of the Treasury will oversee and administer these payments to the State of California for non-entitlement cities (population less than 50,000), which includes the City of San Carlos. The City received \$3,610,447 from the State of California on July 13, 2021, which represents 50% of the City's total ARPA allocation. The second installment is expected to be received at the end of July 2022. All funds must be obligated by December 2024. ARPA funds can be used to support public health responses,

replace public sector revenue loss, improve water and sewer infrastructure, address negative economic impacts, support premium pay for essential workers, and improve broadband infrastructure. Staff will be bringing a discussion to the Council this coming winter to discuss the spending options.

Climate Mitigation and Adaptation Plan (“CMAP”)

As part of the City’s 2009 General Plan, the City Council adopted its first Climate Action Plan (“CAP”) establishing a greenhouse gas (“GHG”) reduction targets of 15% reduction by 2020 and 35% reduction by 2030 relative to 2005 levels. The 2009 CAP identified 21 reduction measures to achieve these targets. The City met and exceeded its 2020 reduction goal, as documented with the most recent GHG emission inventory using 2018 data, which showed a 25% reduction in GHG emissions compared to 2005 levels.

Since the original CAP was adopted, there have been updates to the State’s climate mitigation targets, changes to GHG accounting standards, advancements in clean technologies, and changes to how energy is procured locally. At the same time, the harmful effects of climate change, such as sea level rise, drought, flooding, and wildfires are increasingly affecting California, lending to the urgency to prepare for climate-related impacts. Finally, the City’s General Plan calls for the review of the Climate Action Plan every five years, emphasizing the need for an updated plan to address climate change.

The preparation of the CMAP followed best practice guidance and included three key phases – conducting a technical analysis, drafting GHG reduction and adaptation strategies, and preparing the Draft CMAP. Community and stakeholder engagement was integrated into each phase and throughout the project. The CMAP was developed to update the community’s strategic path to reducing GHG emissions and adapting to a changing climate.

The CMAP includes the following:

- Past and current GHG inventories and forecast;
- Long-term GHG reduction goals for 2030 and 2050;
- GHG reduction policies to achieve 2030 and 2050 reduction goals;
- Identification of climate impacts and vulnerabilities;
- Climate adaptation and resilience policies; and
- An implementation and monitoring program.

Council reviewed the CMAP at a Study Session held on June 28, 2021 and adopted the CMAP at the September 27, 2021 Council meeting.

East Side Innovation District Vision Plan and Outreach

The East Side Innovation District Vision Plan is an initiative that will establish a guiding vision to manage and direct changes in development patterns and address the influx of jobs in the industrial and commercial areas from Holly Street to Brittan Avenue and between Old County Road and Industrial Road.

Work began in January 2021 and since that time, existing conditions and analysis of infrastructure was completed, including an evaluation of best practices and case studies, a project website developed, a Spotlight newsletter mailed to every

resident to inform them about this endeavor, and several stakeholder focus group sessions were held with property and business owners, developers, and nearby neighborhood residents.

Following two well-attended community workshops and online surveys, the East Side Innovation District Vision Plan evolved into a collection of “10 Big Moves” that continue to be refined based on community input, a Joint Study Session with the Transportation & Circulation Commission and Planning Commission held on August 25, 2021 and most recently a Special Council Study Session held on September 8, 2021. The “10 Big Moves,” or strategies, are summarized as follows:

1. Establish Industrial Road as a Green Boulevard
2. Establish an Open Space Network
3. Promote Environmental Stewardship (originally, Re-Imagine Pulgas Creek)
4. Integrate Recycled Water Infrastructure
5. Support Distinct District Subareas
6. Prioritize Activity Hubs
7. Foster an Inclusive Business Environment
8. Invest in Multi-Modal Streets
9. Reduce Congestion Through Coordinated Transportation
10. Adopt a Shared District Parking Strategy

Staff received input and direction from the City Council on the plan and after incorporating changes will present the Plan for adoption at a City Council Public Hearing scheduled for October 2021.

Downtown and Laurel Street Corridor Plan

Several years ago, the City Council advanced the idea of creating a new plan for the San Carlos downtown. This was 10 years after the adoption of the 2009 San Carlos General Plan (the guiding document that shapes the future of the city). With increasing interest in walkability and outdoor dining, and with the recent closure of certain portions of Laurel Street to pedestrian-only access— a new vision for San Carlos’ downtown emerged and with it, much discussion over whether to make the closure temporary, permanent, or something else entirely. This is the ideal time to address the future of downtown Laurel Street and its surroundings.

The City Council is committed to working with residents, property owners, business owners, committees, commissions, the Chamber of Commerce, and all other interested members of the community to develop a plan for the downtown area. The goal will be to understand and ensure that Laurel Street, including downtown, meets the needs of the community and businesses now and into the future.

The development of a new plan for Laurel Street and the downtown will take approximately two years. Communication and outreach to the community began in the summer of 2021 and the planning process will begin in the first quarter of 2022, wrapping up with Council adoption in the first quarter of 2024.

San Carlos 2040

San Carlos 2040 is the Focused General Plan Update specifically centered on the City’s Housing and Environmental Safety Elements that include updates to the City’s Zoning Ordinance. This is a two-year initiative to guide housing decisions for

the next eight years and address how to accommodate 2,735 new housing units from 2023-2031, as required by the State's Regional Housing Needs Allocation (RHNA). This project will review and update the City's Environmental Safety Element, which focuses on reducing the potential short and long-term risks resulting from fires, floods, droughts, earthquakes, landslides, climate change and other hazards.

Wildfire Mitigation Efforts and Outreach

San Carlos, like many other communities, is not immune to wildfire threat. It is important to regularly discuss emergency preparedness to make sure our community is ready for wildfire events. The City hosted Wildfire Preparedness Community Meetings in person or via Zoom annually since 2019. The purpose of these meetings is to continually remind the community about wildfire threats and emergency preparedness, and discuss available resources. In July 2021, several members of the community also participated in our annual wildfire preparedness evacuation drill.

In the last few years, the City received two grants focusing on fuel management in parks and open spaces. The first grant was funded in part by the California Fire Safe Council in partnership with Fire Safe San Mateo County. Work funded by this grant was done in Eaton and Big Canyon parks, including removal of vegetation using CALFIRE hand crews.

The second grant received is funded by the Federal Emergency Management Agency (FEMA) and will consist of fuels management in Crestview and Highlands parks and other areas identified during environmental review. The project requires the use of CALFIRE hand crews, goats, and heavy equipment.

Construction Updates on Large Developments

26 El Camino Real – Hyatt Place Hotel

The hotel development includes the demolition of the existing 29-room hotel and construction of a new four-story hotel. The hotel will include 104 guest rooms, with below-grade parking and site landscaping. On-site hotel amenities include a lobby, enclosed pool, fitness center, and limited guest food service. The Planning Commission approved Design Review, Conditional Use Permit, and Grading and Dirt Haul for this development at its July 17, 2017 meeting. This project is currently under construction and is anticipated to be completed late 2021 or early 2022.

501 Industrial Road – New Hotel

The City has received a preliminary application for a new 188 room hotel. The project includes a six-story building with at grade parking and site landscaping improvements. This project is still under review and if approved construction would begin early 2023.

Alexandria Center for Life Science

The City has received a preliminary application for a science and technology campus. The project involves construction of an office/research and development

(R&D) campus-style development on the approximately 25.34-acre site bounded by Industrial Road to the east, Commercial Street to the north, Old County Road to the west, and Pulgas Creek to the south. The site includes the following addresses: 900, 960, 961, 967 Industrial Road; 1003, 1011 Commercial Street; and 915, 1055 and 1063 Old County Road.

The proposed campus-like development includes six life science research and development (“R&D”) buildings, one centrally located community center, two parking garages, and community-accessible open space and amenities, including enhancement of the Pulgas Creek corridor along the project’s southern boundary. Ground-floor retail amenities are proposed in a portion of the parking garage fronting Commercial Street and the adjacent pedestrian walkway. The targeted retail tenant would be a grab-and-go food service and/or coffee shop that would primarily serve on-site uses. The office/R&D buildings will be at grade, five to seven stories tall, and vary in height from about 81 to 113 feet. The parking garages will each include eight levels of parking, including a rooftop and a basement level and reach heights of 80 feet. The one-story community center would have an articulated roof reaching heights up to about 37 feet.

The project will be implemented in three phases. In addition to construction of the proposed buildings and outdoor improvements, each phase would include demolition of any remaining structures in that phase area and any adjacent roadway and creek-side improvements. The preliminary schedule estimates all phases would be completed by 2028.

887 Industrial Road (formerly known as Meridian 25)

The City approved an application for a new Class A office complex on Industrial Road at the corner of Bransten Road in 2016. The project includes demolition of the existing industrial buildings and construction of two new office buildings, landscaping, outdoor amenity space, and a parking structure. The office buildings are six stories and include a total of approximately 528,520 square feet of floor area. The parking structure has approximately 1,510 vehicle parking spaces over six levels; three levels are underground, one at grade and two above-grade. The project also includes 151 short-term and 76 long-term bicycle parking spaces. The landscaping and amenity space is approximately two acres and includes 150 new trees. In 2018, the new property owner applied for revisions to the architectural design of the project. This project was completed and occupied in 2021.

1030 Brittan Avenue

This project is the construction of a new three-story building with one level of underground parking, a first floor that includes parking and tenant space, and two levels of laboratory and office area. The Planning Commission approved the project on July 19, 2021. Construction is expected to begin in early 2022 with an estimated completion date of 2024.

1091 Industrial Road

This project includes a three-story building with two levels dedicated to parking garage below grade with an amenity building serving food and drinks at the

building entry. Demolition was completed and construction is underway with an estimated completion date of summer 2022.

888 Bransten Road

This project includes demolition of existing one and two-story industrial buildings and construction of a new six-story building for office, technology, or R&D over two levels of below-grade parking. The application is currently under review and if approved, construction could begin late 2022 with an expected completion date of 2024.

777 Industrial Road

This project includes redevelopment of the former Honda dealership to a life science R&D building. The project includes three levels of office/lab space above at-grade parking. The Planning Commission approved the development application in June 2021. Construction is anticipated to begin early 2022 with an expected completion date of 2024.

405 Industrial Road

This project includes demolition of the existing Public Storage buildings and construction of a new six-story building for life science R&D use with two levels of parking above grade and one parking level underground. The application is currently under review and if approved, construction could begin late 2022 with an expected completion date of 2024.

841 Old County Road

This project includes demolition of existing one and two-story commercial buildings and construction of a two new buildings, one four-story and one five-story with two levels of underground parking for life science R&D use. The application is currently under review and if approved, construction could begin late 2022 with an expected completion date of 2024.

806 Alameda de las Pulgas

The City received an application for 87 townhouse units at 806 Alameda de las Pulgas. The proposed project lies on an 11.4 acre site. The project is currently undergoing environmental review per the California Environmental Quality Act and a Public Hearing is anticipated for early 2022. If approved, construction could begin as early as late 2022 with an expected completion date of 2025.

150-160 Vista Del Grande

The City received an application for 89 residential units at 150-160 Vista del Grande. The proposed project lies on a 12.2 acre site. The project is currently undergoing environmental review per the California Environmental Quality Act and a Public Hearing is anticipated for mid- 2022. If approved, construction could begin in late 2022 with an expected completion date of 2025.

Financial Awards and Acknowledgements

Government Finance Officers Association of the United States and Canada (“GFOA”) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City for its Comprehensive Annual Financial Report (“Annual Report”) for the fiscal year ended June 30, 2020. This was the 27th consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized Annual Report. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Annual Report continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

This report represents the culmination of months of work by dedicated staff in the Administrative Services Department-Finance Division. Special thanks go to Financial Services Manager, Carrie Tam, Senior Accountants Tammy Mak and Marco Lao, Accounting Technicians Andrew Tina and Jenny Cam, Administrative Assistant Cheryl Hong, City Treasurer Inge Tiegel, and the audit staff at Maze & Associates. Credit also must be given to City Council for its unfailing support for maintaining the highest standards of professionalism in the management of the City’s finances.

Respectfully submitted,



Jeff D. Maltbie
City Manager



Rebecca Mendenhall
Administrative Services Director



MAYOR



LAURA PARMER-LOHAN

MEMBERS OF THE CITY COUNCIL



**SARA MCDOWELL,
VICE MAYOR**



**RON COLLINS,
COUNCIL MEMBER**



**JOHN DUGAN,
COUNCIL MEMBER**



**ADAM RAK,
COUNCIL MEMBER**

CITY TREASURER

INGE TIEGEL

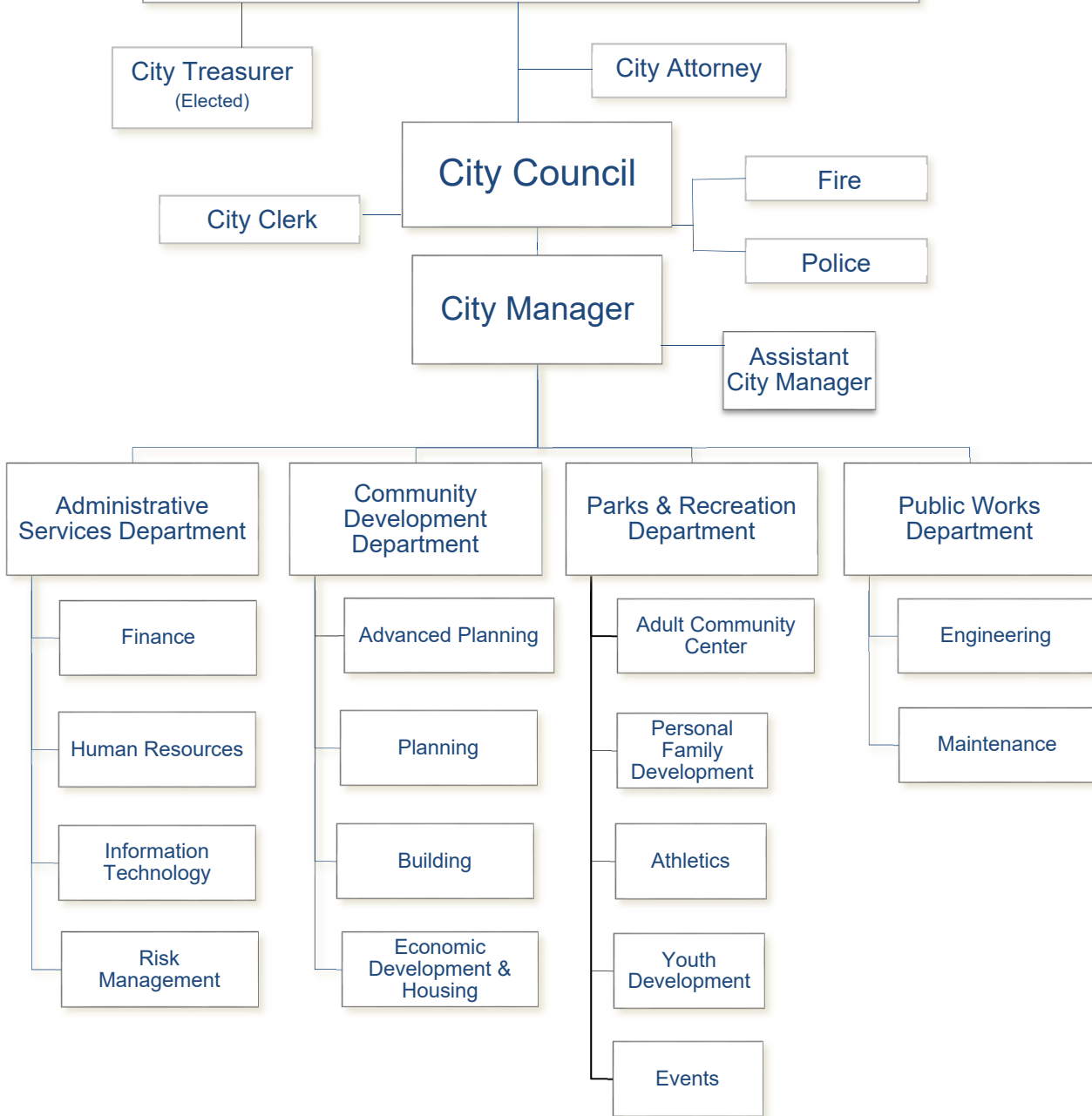
CITY STAFF

JEFF MALTBIE
City Manager

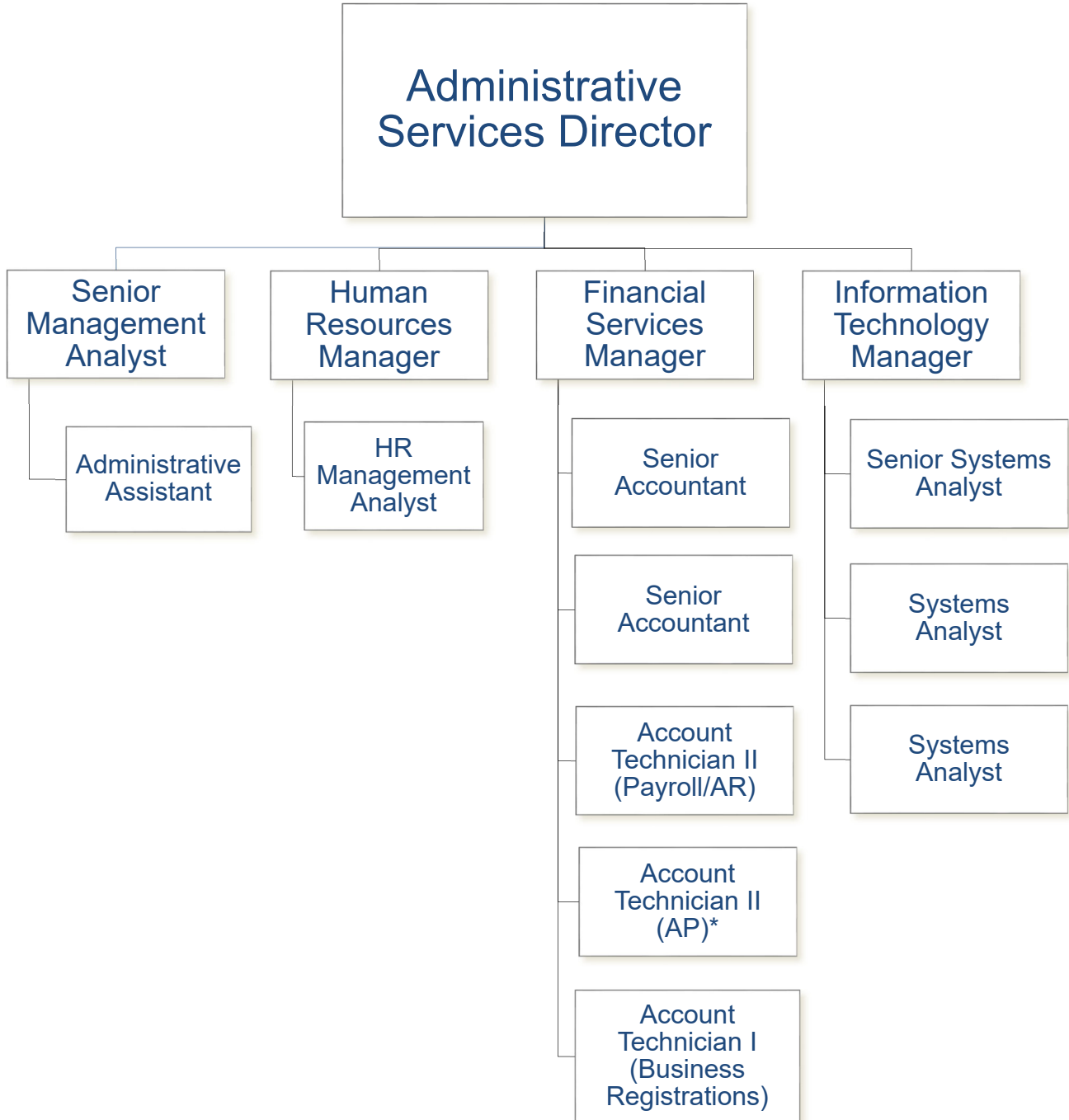
REBECCA MENDENHALL
Administrative Services
Director

CARRIE TAM
Financial Services Manager

The Residents of the City of San Carlos



Administrative Services



*Position is currently underfilled



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of San Carlos
California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO

INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the City Council
City of San Carlos, 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 the City of San Carlos, California, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

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 the 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 City'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 City'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.

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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons listed in the Table of Contents as part of the basic financial statements for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed in Note 3b, in the fiscal year 2021 report, the City made a loan to the developer on June 15, 2020 that was recorded as expenditure. As a result, beginning fund balance at July 1, 2020 for the Housing Capital Projects Fund was restated and increased in the amount of \$4,000,000, and the beginning net position for Governmental Activities was also restated and increased in the same amount.

The emphasis of this matter does not constitute a modification of our opinions.

Change in Accounting Principles

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 84 – Fiduciary Activities, which became effective during the year ended June 30, 2021 and established the new fund type, Custodial Funds, and eliminated the fund type of Agency Funds as discussed in Note 9c to the financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and other 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, Supplementary Information, and Statistical Section listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 Supplementary Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have 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 October 1, 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 the City's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
October 1, 2021

This Page Left Intentionally Blank

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

This section of the City's Comprehensive Annual Financial Report presents an overview and analysis of the City's financial activities for the fiscal year ending June 30, 2021. We encourage readers to consider the information presented here in conjunction with the accompanying transmittal letter and basic financial statements.

FINANCIAL HIGHLIGHTS

City-wide:

- Total City assets increased by \$52.2 million to \$374.4 million, of which \$302.2 million represented governmental assets and \$72.2 million represented business-type assets.
- City deferred outflows related to pension and other post-employment benefits ("OPEB") decreased by \$5.5 million to \$13.5 million, of which \$12.3 million represented governmental deferred outflows related to pension and other post-employment benefits and \$1.2 million represented business-type deferred outflows related to pension and other post-employment benefits.
- Total City liabilities increased by \$1.1 million to \$62.8 million, of which \$59.4 million were governmental liabilities and \$3.4 million were business-type liabilities.
- City deferred inflows related to pension and OPEB increased by \$1.0 million to \$7.6 million, of which \$6.8 million were governmental deferred inflows related to pension and other post-employment benefits and \$0.8 million were business-type deferred inflows related to pension and other post-employment benefits.
- The City's assets and deferred outflows of resources exceeded the liabilities and deferred inflows by \$317.4 million ("net position"), which increased by \$44.7 million. Of this amount, \$43.5 million represented unrestricted net position for governmental activities, which may be used to meet the government's ongoing obligations to residents and creditors. The restricted net position for business-type activities was \$35.3 million.
- City-wide revenues were \$99.4 million, of which \$78.3 million were generated by governmental activities that increased by \$13.7 million and \$21.1 million were generated by business-type activities, which increased by \$0.5 million.
- City-wide expenses were \$58.7 million, of which \$45.7 million were incurred by governmental activities and \$13.0 million were incurred by business-type activities.
- Included in the Statement of Activities was a restatement of \$4.0 million in governmental activities. As disclosed in Note 3 in the fiscal year 2021 report, the City made a payment to the developer on June 15, 2020. As a result, the beginning fund balance in the Housing Fund has been restated and increased by the amount of \$4.0 million, and the Statement of Net Position for Governmental Activities was also restated and increased in the same amount. For more information, see Note 3b.

Fund Level:

- Governmental funds increased by \$10.3 million to \$104.6 million. Of this amount, \$3.5 million, or 3.3%, was unassigned fund balance and available for spending at the City's discretion. As mentioned above, there was a restatement to the beginning Housing Fund balance of \$4.0 million.
- Governmental Fund revenues were \$61.5 million, a decrease of \$0.9 million from the prior year.
- Governmental Fund expenditures were \$51.8 million, a decrease of \$17.5 million from the prior year.
- Enterprise Fund net position increased by \$7.5 million to \$69.1 million. Of this amount, \$35.3 million, or 51.1%, was restricted for enterprise activities.
- Enterprise Fund operating revenues were \$21.1 million in fiscal year 2021 compared to \$20.0 million in the prior year.

- Enterprise Fund operating expenditures were \$14.3 million, an increase of \$1.0 million from \$13.3 million in the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of six parts: 1) introductory section; 2) management’s discussion and analysis (this section); 3) basic financial statements; 4) required supplementary information; 5) an optional section that presents combining statements for non-major governmental funds and internal service funds; and 6) a statistical section.

The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are **government-wide financial statements** that provide both long-term and short-term information about the City’s overall financial status.
- The remaining statements are **fund financial statements** that focus on individual parts of the City government, reporting the City’s operations in *more detail* than the government-wide statements.
 - The *governmental funds* statements tell how *general government* services, like public safety, were financed in the *short-term* and what remains for future spending.
 - *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates like businesses, such as the sewer system.
 - *Fiduciary fund* statements provide information about fiduciary relationships – like the custodial funds of the City – in which the City acts solely as *agent or trustee* for the benefit of others to whom the resources belong.

The financial statements also include notes that explain some of the information in these statements and provide more detailed data. The statements are followed by a section of required supplementary information that provides additional financial and budgetary information.

Figure A-1 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of the MD&A explains the structure and contents of each of the statements.

**Figure A-1
City of San Carlos Comprehensive Annual Financial Report**

Comprehensive Annual Financial Report	<i>Introductory Section</i>	Introductory Sections			
	<i>Financial Section</i>	Management’s Discussion and Analysis			
		Government-wide Financial Statements	Fund Financial Statements		
		Statement of Net Position	Governmental Funds	Proprietary Funds	Fiduciary Funds
			Balance Sheet	Statement of Net Position	Statement of Fiduciary Net Position
			Reconciliation of the Governmental Funds Balance Sheet		
		Statement of Activities	Statement of Revenues, Expenditures and Changes in Fund Balance	Statement of Revenues, Expenses and Changes in Fund Net Position	Statement of Changes in Fiduciary Net Position
			Reconciliation of the Net Changes in Fund Balances	Statement of Cash Flows	
		NOTES TO THE FINANCIAL STATEMENTS			
	REQUIRED SUPPLEMENTARY INFORMATION				
INFORMATION ON INDIVIDUAL NON-MAJOR FUNDS AND OTHER SUPPLEMENTARY INFORMATION					
<i>Statistical Section</i>	STATISTICAL SECTION				

Reporting the City as a Whole

The accompanying **government-wide financial statements** include two statements that present financial data for the City as a whole. One of the most important questions asked about the City's finances is: "Is the City, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and deferred outflows of resources and liabilities and deferred inflows of resources 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.

These two statements report the City's net position and the changes in it. One can think of the City's net position – the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources – as one way to measure the City's financial health, or *financial position*. Over time, *increases and decreases* in the City's net position are one indicator of whether its *financial health* is improving or deteriorating. One will need to consider other non-financial factors, such as changes in the City's property tax base and the condition of the City's roads, to assess the *overall health* of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City's services into two kinds of activities:

- *Governmental activities* – Most of the City's basic services are reported here. Sales taxes, property taxes, state subventions, such as Senate Bill 1 ("SB 1") funding for transportation, street, and road rehabilitation, and other revenues finance most of these activities.
- *Business-type activities* – The City charges a fee to customers to help cover all or most of the cost of the services related to the Wastewater Enterprise Fund.

Reporting the City's Most Significant Funds

The **fund financial statements** provide detailed information about the City's most significant funds – not the City as a whole. Some funds are required to be established by State law or by bond covenants. However, City Council establishes many other funds to help control and manage money for particular purposes or to show that the City is meeting administrative responsibilities for using certain taxes, grants or other monies. The City's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

- *Governmental funds* – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other current financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are described in the reconciliation that follows the fund financial statements.

- *Proprietary funds* – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City’s enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. Internal service funds (the other component of proprietary funds) are used to report activities that provide supplies and services for the City’s other programs and activities.

Reporting the City’s Fiduciary Responsibilities

The City is an agent for certain assets held for, and under the control of, other organizations and individuals. All of the City’s fiduciary activities are reported in a separate Statement of Fiduciary Net Position. These activities are excluded from the City’s other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Custodial funds include: the City/County Association of Governments of San Mateo County (“C/CAG”); and the Peninsula Traffic Congestion Relief Alliance (“Commute.org”). The Private Purpose Trust Fund is used to report resources held in trust for the Successor Agency of the former Redevelopment Agency (“RDA”).

Government-Wide Statement Summaries

Net position may over time serve as a useful indicator of a City’s financial position. The City’s assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$317.4 million at June 30, 2021.

Net Position

Table 1 below reflects the City’s net position as of June 30, 2021 and June 30, 2020:

Table 1
City’s Comparative Statement of Net Position
June 30, 2021 and 2020
(Amounts in Millions)

	Governmental Activities		Business - Type Activities		All Government		Total % Change
	2021	2020	2021	2020	2021	2020	
Current and other assets	\$ 124.5	\$ 103.2	\$ 38.3	\$ 32.4	\$ 162.8	\$ 135.6	20.1%
Capital assets	177.7	154.5	33.8	32.1	211.5	186.6	13.3%
Total Assets	302.2	257.7	72.1	64.5	374.3	322.2	16.2%
Deferred outflows related to pension	12.3	17.1	1.1	1.8	13.4	18.9	-29.1%
Total deferred outflow	12.3	17.1	1.1	1.8	13.4	18.9	-29.1%
Current and other liabilities	15.5	9.1	0.7	0.7	16.2	9.8	65.3%
Non-Current Long-term obligations	43.9	48.5	2.7	3.4	46.6	51.9	-10.2%
Total Liabilities	59.4	57.6	3.4	4.1	62.8	61.7	1.8%
Deferred inflows related to pension	6.8	6.1	0.7	0.6	7.5	6.7	11.9%
Total deferred inflow	6.8	6.1	0.7	0.6	7.5	6.7	11.9%
Net Position:							
Net investment in capital assets	\$ 174.9	\$ 151.3	\$ 33.8	\$ 32.1	\$ 208.7	\$ 183.4	13.8%
Restricted	29.9	20.2	35.3	29.5	65.2	49.7	31.2%
Unrestricted	43.5	39.6	-	-	43.5	39.6	9.8%
Total Net Position	\$ 248.3	\$ 211.1	\$ 69.1	\$ 61.6	\$ 317.4	\$ 272.7	16.4%

The largest portion of the net position (65.8%) reflects the City's \$208.7 million investment in capital assets less any capital-related outstanding debt. Capital assets are the aggregated value of land, infrastructure, equipment, buildings, and improvements that are used to provide services. Their value is reported net of related debt because the funds to repay the debt come from other sources. The City's capital assets cannot be sold and used to liquidate liabilities. This portion for the net position increased by \$25.3 million, or 13.8%, over the prior year mainly because of the addition in capital assets associated with new equipment purchases and construction projects that were completed or underway. These include: the City owned and maintained part of the Wheeler Plaza Public Parking Garage; the 817 Walnut housing project; the Park Restroom Renovation and Replacement project; the San Carlos Ave Pedestrian Safety Improvement project; the Upgrade of the Existing Sports Field Lighting at Burton and Highlands Parks project; the Pedestrian Enhancement at Arroyo/Cedar & Hemlock/Orange Pathway; the new sewer inspection equipment; new Public Safety equipment; and three new vehicles for the Corporation Yard.

Another portion of the City's net position is subject to external restrictions, such as debt covenants, grantor's stipulations, or enabling legislation, on how it may be used. As of June 30, 2021, the restricted assets were 20.5%, or \$65.2 million, of the total net position. Of this amount, \$35.3 million is restricted for business-type activities, \$20.1 million for low and moderate income housing, which includes: a \$4.0 million restatement for the 817 Walnut property; \$6.2 million for capital projects, such as street rehabilitation and maintenance; and \$0.9 million for debt service. The remaining amount relates to Police grants and the Park In-Lieu fees.

The unrestricted net position of \$43.5 million represents the remaining balance of the net position. The remaining portion of the unrestricted net position may be used to meet the City's ongoing and unexpected expenses, including facility and infrastructure improvements, pension-related liabilities, property acquisition, and emergency repairs and replacement.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole and for its separate governmental and business-type activities. The City reported positive balances in these categories for the prior fiscal year as well.

Statement of Activities and Changes in Net Position

The City's net position increased by \$40.7 million and included a \$4.0 million restatement for the 817 Walnut property, amounting to \$317.4 million during the fiscal year ended June 30, 2021, as indicated in the Statement of Activities and Changes in Net Position (see Table 2 on next page).

Table 2
Statement of Activities and Changes in Net Position
June 30, 2021 and 2020
(Amounts in Millions)

	Governmental Activities		Business-Type Activities		All Government		% change
	2021	2020	2021	2020	2021	2020	
Program Revenues:							
Charges for Services	\$ 11.9	\$ 8.7	\$ 21.1	\$ 20.0	\$ 33.0	\$ 28.7	15.0%
Operating Grants & Contributions	4.8	6.2	-	-	4.8	6.2	-22.6%
Capital Grants & Contributions	20.8	3.7	-	-	20.8	3.7	462.2%
General Revenues:							
Property Taxes	17.3	16.9	-	-	17.3	16.9	2.4%
Other Taxes	17.9	19.3	-	-	17.9	19.3	-7.3%
Other General Revenues	5.6	9.8	-	0.6	5.6	10.4	-46.2%
Total Revenues	\$ 78.3	\$ 64.6	\$ 21.1	\$ 20.6	\$ 99.4	\$ 85.2	16.7%
Program Expenses:							
General Government	\$ 6.9	\$ 14.3	\$ -	\$ -	\$ 6.9	\$ 14.3	-51.7%
Community Development	4.2	7.0	-	-	4.2	7.0	-40.0%
Public Safety	21.0	21.4	-	-	21.0	21.4	-1.9%
Public Works	10.7	12.5	-	-	10.7	12.5	-14.4%
Parks & Recreation	2.8	3.0	-	-	2.8	3.0	-6.7%
Sewer Operations	-	-	13.0	11.8	13.0	11.8	10.2%
Interest Expenses	0.1	0.1	-	-	0.1	0.1	0.0%
Total Expenses	\$ 45.7	\$ 58.3	\$ 13.0	\$ 11.8	\$ 58.7	\$ 70.1	-16.3%
Inc/(Dec) in Net Position before transfers and extraordinary gain	\$ 32.6	\$ 6.3	\$ 8.1	\$ 8.8	\$ 40.7	\$ 15.1	169.3%
Transfers	0.6	0.6	(0.6)	(0.6)	-	-	0%
Change in Net Position	\$ 33.2	\$ 6.9	\$ 7.5	\$ 8.2	\$ 40.7	\$ 15.1	169.3%
Beginning Net Position, as restated (Note 9)	\$ 215.1	\$ 204.2	\$ 61.6	\$ 53.4	\$ 276.7	\$ 257.6	7.4%
Ending Net Position	\$ 248.3	\$ 211.1	\$ 69.1	\$ 61.6	\$ 317.4	\$ 272.7	16.4%

The Statement of Activities presents program revenues and expenses and general revenues in detail. All of these are elements in the Changes in Net Position summarized in Table 2 above.

As of June 30, 2021, the City's total net position was \$317.4 million. This is an increase of \$44.7 million, or 16.4%, from the prior year, which includes a restatement to the beginning balance of \$4.0 million. The changes in net position are explained in the following paragraphs. Total revenue of all government-wide activities was \$99.4 million, an increase of \$14.2 million, or 16.7%, while the total expense of all government-wide activities decreased by \$11.4 million, or 16.3%, to \$58.7 million.

Governmental Activities

Net position in the governmental activities totaled \$248.3 million, an increase of \$33.2 million, or 15.7%, from the prior year. There was a restatement of \$4.0 million to the beginning net position.

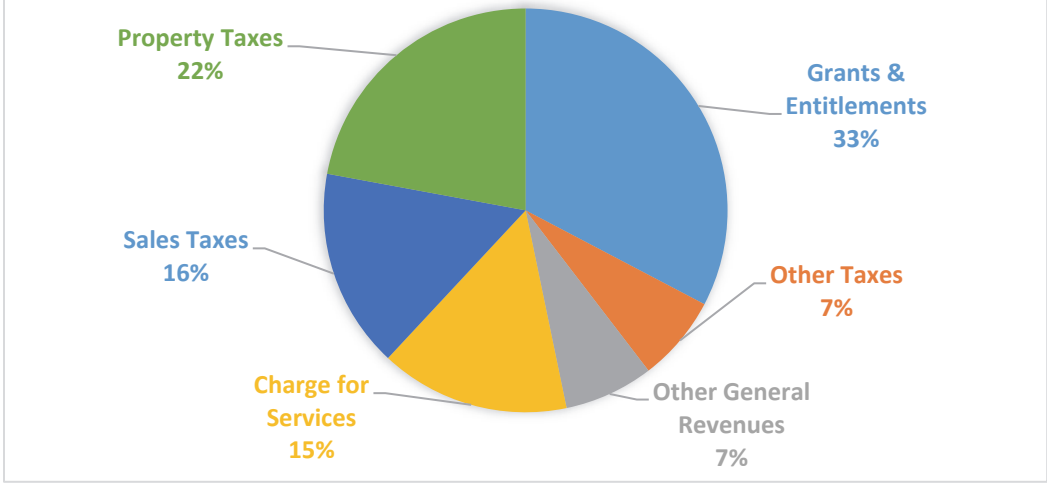
Total revenue for the City's governmental activities before extraordinary gain and transfers increased by \$13.7 million, or 21.2%, to \$78.3 million. Total governmental activity expenses decreased by \$12.6 million, or 21.6%, to \$45.7 million. Transfers into governmental activities from the Wastewater Fund were \$0.6 million, which was the same as the previous fiscal year.

As shown in the Statement of Activities, the amount that taxpayers ultimately financed for these activities through City taxes was \$35.2 million, as some of the cost was paid by those who directly benefited from the programs (\$11.9 million), or by other governments and organizations that subsidized certain programs with grants and contributions (\$25.6 million), or by other general revenues (\$5.6 million).

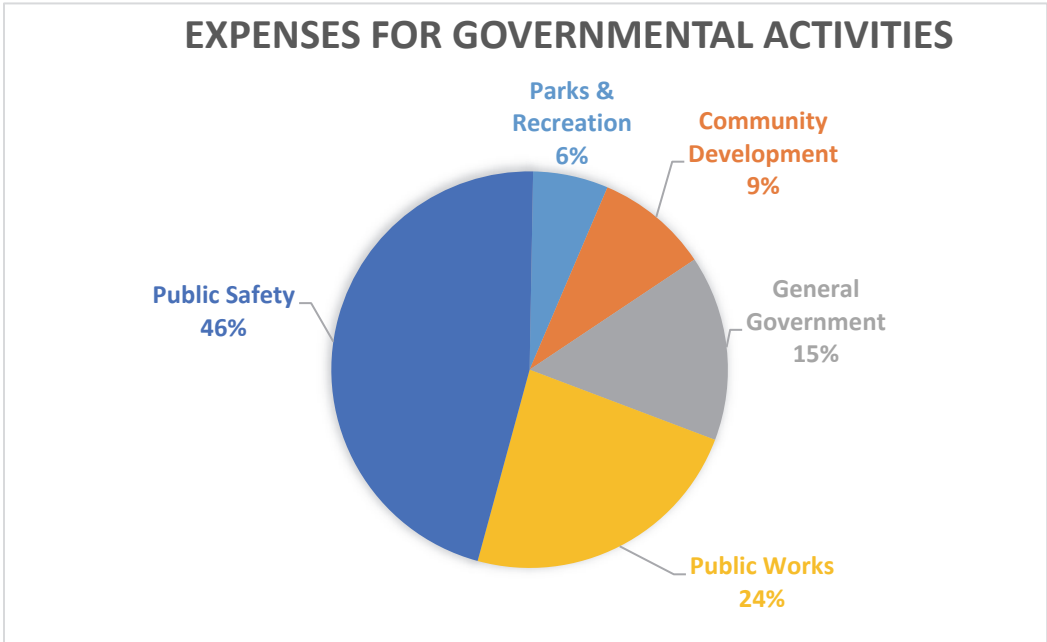
The reasons for significant changes in the revenues and expenses of the City's governmental activities are as follows:

- **Property Taxes** increased by \$0.4 million, or 2.4%, to \$17.3 million primarily due to the increase in the assessed value of properties from new developments, transfers of ownership, and the sale of properties offset by a decrease in tax increment revenue. After the redevelopment agencies were dissolved in 2011, tax increment revenue that would have gone to redevelopment agencies was required to be deposited into the Redevelopment Property Tax Trust Fund (RPTTF) per Health and Safety Code (HSC) 24183. These funds are administered and distributed to local taxing agencies by the County. In May 2020, the California Court of Appeals changed the calculations for distributing former Redevelopment Agency ("RDA") residual dollars, which negatively impacted the amount of RDA pass through and residual property tax revenue the City will receive. Therefore, although the City is entitled to receive an annual increase on its assessed property, the amount of pass through revenues from the former redevelopment agencies has decreased.
- **Sales Taxes** decreased slightly by \$0.1 million, or 0.8%, to \$12.5 million in comparison with the prior year mainly due to the continued impacts of the COVID-19 pandemic and the public health orders that temporarily closed businesses and impacted consumer spending patterns, particularly with regard to business and industry, restaurants and hotels, food and drugs, and autos and transportation.
- **Charges for Services** increased by \$3.2 million, or 36.8%, to \$11.9 million, mainly due to increased revenue related to building plan checks and permits for large scale development projects, such as the Alexandria Properties projects and the Life Science buildings. Revenue related to development activities typically fluctuates from year to year depending on the timing of large construction projects and when developers pull their permits.
- **Operating Grants and Contributions** decreased by \$1.4 million, or 22.6%, to \$4.8 million, mainly due to less affordable housing in-lieu fees received from large development projects compared to the prior year.
- **Capital Grants and Contributions** increased by \$17.1 million, or 462.2%, to \$20.8 million, mainly due to \$16.4 million in capitalized assets for the 817 Walnut building and the City-maintained portion of the Wheeler Plaza Public Parking Garage. As noted previously, revenue related to development activities can fluctuate from year to year depending on the timing of large construction projects and when developers pull their permits.
- **Other General Revenues** decreased by \$4.2 million, or 42.9%, to \$5.6 million, from the prior year. The decrease is due to less investment income and the fair market value adjustment for investments due to lower interest rates. Vehicle In-Lieu revenues ("VLF") also decreased due to the county-wide shortfall mentioned in the General Fund discussion below.
- **Other Taxes** includes transient occupancy taxes ("TOT"), sales taxes, and franchise taxes, which decreased by \$1.4 million, or 7.3%, to \$17.9 million. As noted above, sales tax revenue decreased as a result of the pandemic. TOT decreased by \$1.3 million, or 51.2%, to \$1.2 million primarily due to the large drop in hotel occupancy as a result of the pandemic stay at home orders.
- **Governmental Expenses** totaled \$45.7 million in the fiscal year 2021, a decrease of \$12.6 million from the prior year's expenses of \$58.3 million. The decrease is mainly associated with the prior year one-time pay-down of \$7.0 million to the pension plan, and expense decreases across all the departments as a response to the COVID-19 pandemic, which led to expense reductions, including the elimination of seven full-time positions and salary and benefit concessions.

REVENUES BY SOURCE FOR GOVERNMENTAL ACTIVITIES



EXPENSES FOR GOVERNMENTAL ACTIVITIES



Business-Type Activities

Business-type activities' total net position for fiscal year 2021 was \$69.1 million, an increase of \$7.5 million, or 12.2%, from the prior year as indicated in the Statement of Activities and Changes in Net Position. The change in Net Position was less in the current fiscal year when compared to the prior year primarily due to higher expenditures in pension benefits, depreciation expense, and operating overhead. In the prior year, business-type activities recognized a one-time pension cost reduction due to the \$7 million pay-down of the pension. There was an adjustment to the City's investment in Silicon Valley Clean Water ("SVCW"), which reflected a net increase in the investment of \$1.3 million. Every year the City adjusts this investment based on the City's proportion of financial activity in SVCW. SVCW (formerly the South Bayside System Authority) was formed in 1975 between the cities of San Carlos, Belmont, Redwood City, and the West Bay Sanitation District to operate a wastewater treatment facility. The cost of operating and maintaining the facility is divided in proportion to the volume of sewage entering from each member entity.

The restricted portion of the ending net position includes \$8.8 million in investment in the SVCW joint venture that is not readily available for day-to-day operational spending. As of June 30, 2021, the City's direct obligation is approximately \$85.8 million. Since the City reports the SVCW joint venture as net investment, this obligation is not directly reported in the City's financial statements as long-term debt. More information can be found in Note 13d to the Financial Statements.

Financial Analysis of the City's Funds

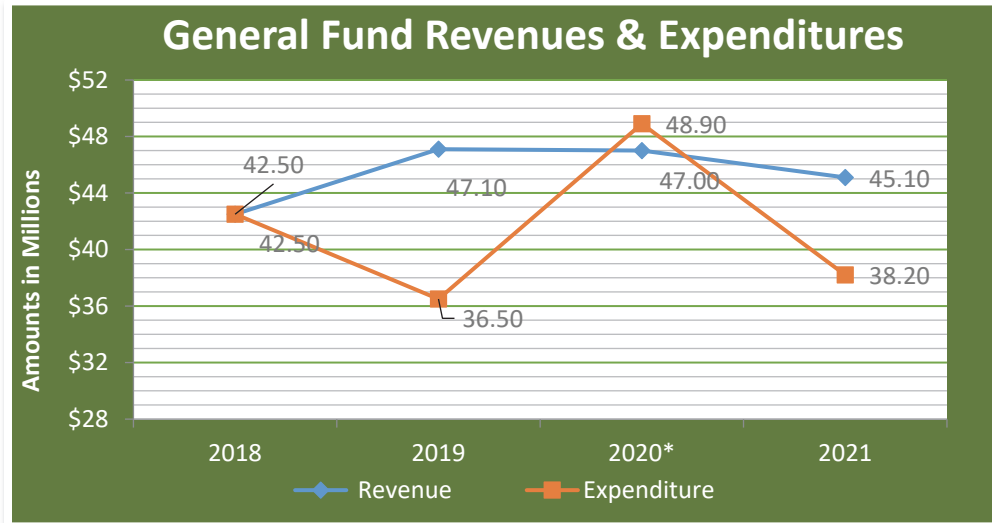
As noted earlier, the City uses fund accounting to provide proper financial management of the City's resources and to demonstrate compliance with finance-related legal requirements.

Governmental Funds

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance in the General Fund was \$37.7 million, representing an increase of \$1.3 million, or 3.5%, higher than the fiscal year 2020 fund balance of \$36.4 million. This increase is explained in the following paragraphs.

The General Fund's total revenues decreased by \$1.9 million, or 4.0%, to \$45.1 million compared to the prior fiscal year amount of \$47.0 million. The General Fund expenditures totaled \$38.2 million, a decrease of \$10.7 million, or 21.9%, from prior year expenditures of \$48.9 million. The decrease in expenditures was primarily caused by a one-time pay-down of \$7.0 million to the pension plan in the prior year and a decrease in salaries and benefit costs and other expenditures incurred as cost-saving measures resulting from the COVID-19 pandemic.

The following chart shows the Revenues and Expenditures over the years:



*General Fund actual expenditures includes a \$7.0 million payment towards California Public Employees Retirement System ("CalPERS") Unfunded Pension Liability and Other Post-Employment Benefits ("OPEB") Trusts in fiscal year 2018 and a \$7.0 million payment of CalPERS Unfunded Pension Liability in fiscal year 2020.

Revenues

General Fund Actual Revenues (Amounts in Millions)				
	FY 18	FY 19	FY 20	FY 21
Total Revenues	\$ 42.5	\$ 47.1	\$ 47.0	\$ 45.1
Dollar Change	N/A	\$ 4.6	\$ (0.1)	\$ (1.9)
Percentage Change	N/A	10.8%	-0.2%	-4.0%

Significant changes in the Revenues of the City's General Fund from the prior year are as follows:

- **Property Taxes** increased by \$0.4 million, or 3.1%, primarily due to the increase in the assessed value of properties for new developments, transfers of ownership, and the sale of properties. As noted above, the increase in assessed values were offset by the decrease in the amount of tax increment revenue received.
- **Sales Taxes** decreased slightly by \$0.1 million, or 0.5%, in comparison with the prior year due to the impacts of the COVID-19 pandemic and the resultant public health orders that impacted local businesses and disrupted spending patterns. Although this is a decrease in revenue, the large decreases originally projected at the start of the pandemic did not materialize, as businesses were able to modify their delivery of products and services to continue to serve their customers. The building-construction sector, with 1) increased price of goods – like lumber, 2) continued home improvement projects, and 3) advantageous fall/winter weather conditions, saw strong gains that remained constant throughout the pandemic. Exponential growth from countywide use tax pools further helped offset the declines.
- **Charges for Services** increased by \$0.7 million, or 18.8%. This was primarily due to the timing of plan check services related to development. Fees from some large scale development projects, such as the Shell Life Sciences building at 1091 Industrial Way, were received.
- **Use of Money and Property** decreased by \$2.4 million, or 56.7%. The decrease is primarily a result of less investment income as interest rates have significantly dropped and the fair market value adjustment caused investment income to drop even more. Leases and rental income also decreased as a result of decreases in revenue share related to the digital billboards and the rent forbearance agreement with the Arbor Bay School.
- **Revenues from Licenses and Permits** increased by \$1.9 million, or 88.3%, when compared to the previous year. The current year was particularly strong in this category due to the onset of several large projects, and the demand for building, electrical, plumbing, encroachment, and mechanical permits remained high partly due to many residents working from home in response to the COVID-19 pandemic and opting to perform construction projects during that time.
- **Business Registration** remained flat at \$1.1 million compared to the prior year.
- **Transient Occupancy Tax, or TOT**, decreased by \$1.3 million, or 51.2%, compared to the prior year despite an increase in tax rate on January 1, 2021 from 12.5% to 13.0% due to the passage of Measure QQ. This measure increased the local hotel tax on hotel guests from 10% to 12% beginning on January 1, 2019, with an annual increase of 0.5% and capped at 14%. The main reason for the decrease in TOT was the large drop in hotel occupancy as a result of the COVID-19 pandemic stay at home orders. Public Health orders led to many businesses closing their campuses and transitioning to a remote-working model, which led to significantly less business travel into the area and reduced demand for hotel rooms.
- **Vehicle In-Lieu Revenues** decreased by \$1.3 million, or 35.8%, compared to the prior year. In fiscal year 2004-05, Senate Bill 1096 was enacted, which redirected Motor Vehicle License Fees ("VLF") collected by the Department of Motor Vehicles from the cities and counties to the State. To make the cities and counties whole, the legislation specified cities would be "backfilled" this revenue by the County as a "property tax in-lieu" payment rather than paid directly by the State. The County notified the City that if the "backfilled" amount exceed a certain limit, there will not be enough money to fully cover the amount owed. In April 2021, San Mateo County notified the City that it was experiencing a county-wide shortfall in fiscal year 2020-21 in the amount of \$96 million due to a reduction in the number of non-basic aid school districts in the County, which in turn resulted in less available property tax revenues to fund the FY 2020-1 VLF. The County is working with the State on recovery, but the soonest this year's shortfall would be repaid is fiscal year 2022-23.
- **Other General Revenues** remained relatively flat at \$1.5 million for the year.

Expenditures

General Fund Actual Expenditures*				
(Amounts in Millions)				
	FY 18	FY 19	FY 20	FY 21
Total Expenditures	\$ 42.5	\$ 36.5	\$ 48.9	\$ 38.2
Dollar Change	N/A	\$ (6.0)	\$ 12.4	\$ (10.7)
Percentage Change	N/A	-14.1%	34.0%	-21.9%

*General Fund actual expenditures includes a \$7.0 million payment towards California Public Employees Retirement System (“CalPERS”) Unfunded Pension Liability and OPEB Trusts in fiscal year 2018 and a \$7.0 million payment of CalPERS Unfunded Pension Liability in fiscal year 2020.

Significant changes in the Expenditures of the City’s General Fund from the prior year are as follows:

- **General Government Expenditures** decreased by \$10.0 million, or 63.3%. The decrease is primarily associated with the one-time payments from the General Fund Assigned Reserve funds in the amount of \$7.0 million to CalPERS to pay-down the pension liability, and a \$2.0 million endowment to the Community Foundation of San Carlos, both paid in the previous fiscal year. Other cost-saving measures resulting from the COVID-19 pandemic also led to the decrease in expenditures.
- **Community Development Expenditures** increased slightly by \$0.3 million, or 6.5%, largely due to a greater need for consultants and contractors to assist with economic development and planning projects.
- **Public Safety Expenditures** increased slightly by \$0.3 million, or 1.4%, higher than the previous year. The primary reason for the change is contract increases for fire, police, and dispatch services.
- **Public Works Expenditures** decreased by \$0.4 million, or 8.1%, mainly due to budget reductions approved by the City Council, lower expenditures for utilities and maintenance at City parks and facilities, and less contract consultation services for construction plan checks.
- **Parks and Recreation Expenditures** decreased by \$1.0 million, or 31.3%, mainly due to a reduced need for instructors as a result of cancellation of programs and classes due to the COVID-19 pandemic. Similarly, as a result of the pandemic, two full-time and several part-time positions were eliminated contributing to lower salary and benefit costs. The City started resuming some part-time positions towards the end of the fiscal year.

Capital Improvement Fund – This fund has a fund balance of \$30.3 million at the close of fiscal year 2021, which represents an increase of \$2.2 million from the prior year. Significant changes in the Capital Improvement Fund are as follows:

- **Transfers** between the General Fund and the Capital Improvement Fund decreased by \$0.7 million to \$1.5 million.
- **Licenses and Permits** and **Traffic Impact Mitigation Fees** increased by \$0.5 million compared to the prior year due to more large-scale development project fees received than in the previous fiscal year.
- **Other Revenue** increased by \$0.7 million due to a one-time donation to the Adult Community Center and the Youth Center.
- **Property Taxes** increased by \$0.1 million due to an increase in assessed values, causing Educational Revenue Augmentation Fund (“ERAF”) to increase.
- **Funding From Other Agencies** amounted to \$1.1 million, as \$1.1 million in grants was received for the Pedestrian Enhancement at Arroyo/Cedar & Hemlock/Orange Pathway project, the San Carlos Avenue Pedestrian Safety Improvements project, and the Fuel Management at City Parks project.

- **Use of Money and Property** decreased by \$0.1 million mostly due to the decrease in investment income from the lower increased rates compared to the previous year.
- **Capital Project Expenditures** decreased by \$2.1 million due to the timing and scale of capital projects. Some capital projects were deferred to future fiscal years as a result of the COVID-19 pandemic and its impact on the ability of contractors to perform work.

Housing Capital Projects Fund – This fund is used to account for affordable housing-related financial activities. As of June 30, 2021, it has a fund balance of \$20.1 million, which is restricted for housing purposes. The fund balance increased by \$6.2 million compared to the prior year primarily due to the \$4.0 million restatement to the beginning fund balance mentioned in Note 3b and decreases in expenditures. The prior year included large purchase of property at 817 Walnut Street (\$4.0 million) and 1232 Cherry Street (\$2.8 million) for affordable housing development projects.

Other Governmental Funds – The total fund balance for the Other Governmental Funds increased to \$16.5 million compared with \$11.8 million in the previous fiscal year, an increase of \$4.7 million, or 39.5%. This was due to mainly to an increased transfer for the Annual Street Resurfacing project of \$4 million from the Facility/infrastructure improvements reserve.

Major Enterprise Fund – The City's proprietary fund statements provide the same type of information found in the government-wide financial statements. The Wastewater Fund is the only enterprise fund reported in the proprietary funds Statement of Revenues, Expenses and Changes in Fund Net Position.

The Wastewater Fund's total net position at the end of the fiscal year was \$69.1 million, an increase of \$7.6 million, or 12.3%. The operating revenues in the Wastewater Fund of \$21.2 million increased by \$1.2 million when compared to the previous fiscal year due to a 4.5% increase in the sewer rates.

Also, as stated previously, the City recorded an adjustment in the investment in SVCW during this fiscal year of \$1.3 million. More detail on the investment can be found in Note 13d. Included in the \$69.1 million ending net position, \$15.9 million is restricted for capital projects, \$3.5 million is restricted for debt service, \$2.3 million is restricted for pension and other benefits programs, and \$13.7 million is restricted for sewer system maintenance.

Internal Service Funds – The City uses internal service funds to account for risk management, including worker's compensation, general liability, and property insurance. The Longevity Benefits Fund is used to account for OPEB for retired employees.

General Fund Budgetary Highlights

The final General Fund budget differs from the original adopted budget by \$0.15 million mainly because of amendments approved by City Council during the year. There were increases in budgeted revenues and expenditures. The changes were as follows:

- Increase in the General Government expenditure budget by \$0.12 million, primarily for the one-time contribution to the San Mateo County Strong Fund and its Restaurant, Brewery, and Winery Relief Program and community outreach related to Eucalyptus Avenue holiday events.
- Increase in the Parks and Recreation budget by \$0.03 million for an additional full-time position and operating expenditures for the San Carlos Farmers' Market added towards the end of the fiscal year.

Major deviations between the final budget of the General Fund and its actual operating results for Revenue and Expenditures are discussed below.

Revenue. Total revenues were greater than the final budget by \$4.1 million, or 10.0%. The City's policy is to budget conservatively. Revenues are estimated using accepted standards and estimates provided by the State, other governmental agencies, and outside consultants.

- **Property Taxes** were slightly lower than the budget by \$0.5 million, or 3.0%. Although there was an increase in assessed values, it was offset by the change in the tax increment revenue, which negatively impacted the amount of RDA pass through and residual property tax revenue the City received.
- **Sales Taxes** were higher than budget by \$1.7 million, or 17.5%. The City anticipated that the COVID-19 pandemic would continue to severely disrupt spending patterns as public health orders impacted many businesses. However, as noted above, the large decreases originally projected at the start of the pandemic did not materialize, as businesses were able to modify their delivery of products and services to continue to serve their customers.
- **Vehicle In-Lieu** was lower than budgeted by \$0.8 million, or 25.3%, due to the County-wide shortfall in available funds for VLF, as mentioned earlier.
- **Business Registration** exceeded budget by \$0.2 million, or 25.8%, due to scheduled annual rate increases and increased efforts in collecting delinquent business registration fees.
- **Transient Occupancy Taxes** were higher than budget by \$0.6 million, or 92.1%. Although the budget projected large declines in occupancy rates and revenues, this did not materialize to the extent originally thought. Although the stay at home orders were in effect over the winter months, hotels were still renting rooms to essential workers, resulting in increases over budget.
- **Use of Money and Property Revenues** were less than budget by \$1.1 million, or 38.0%, due to a larger than expected drop in interest rates, a less favorable fair value adjustment, and less revenue from the rental properties and billboards.
- **Current Charges for Services** were higher than budget by \$1.3 million, or 39.3%, primarily due to the timing of large scale development that fluctuates from year to year. In addition, some recreation programming was able to resume sooner than expected as some of the COVID-19 public health orders are relaxed.
- **License and Permit Revenues** exceeded the budget by \$2.3 million, or 130.7%, due to new residential and commercial building projects and renovations of existing properties. As noted previously, the timing of large development is difficult to predict and can fluctuate greatly from year to year.
- **Revenue from Other Agencies** exceeded the budget by \$0.3 million, as the City received \$0.3 million from the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act").
- **Other Revenue** exceeded budget by \$0.2 million, or 12.6%, due to increases in cost reimbursements from the County of San Mateo Sheriff's Office.

Expenditures. Total expenditures were under budget by \$4.7 million, or 10.9%.

- **Salaries and Benefits** were under budget by \$1.5 million, or 8.8%, due to the salary and benefit savings realized from vacant or under-filled positions during the fiscal year and the savings generated from the prepayment of pension obligations in fiscal year 2018 and 2020.
- **Operating Expenditures** were under budget by \$3.2 million, or 11.1%, primarily in professional services due to the delays in the start and completion of certain projects and major developments exacerbated by the COVID-19 pandemic, and cost savings from fuel and vehicle maintenance, equipment purchase and maintenance, instructors, and legal services.

Other Budgetary Highlights

Capital Outlay for total Governmental Funds was also under budget by \$43.5 million primarily due to the Holly Street/US 101 Interchange project being stalled, as well as delays in numerous other projects, including: the Fire Station 16 Replacement project; 817 Walnut; Brittan Ave and Alameda de las Pulgas Widening project; Annual Street Resurfacing project; and Traffic Calming Improvements project caused by the COVID-19 pandemic. The majority of these projects will roll forward to the next fiscal year.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for government and business-type activities amounts to \$211.5 million as of June 30, 2021. The investment in capital assets includes land, buildings, machinery and equipment, park facilities, roads, and streets. The total increase in capital assets for fiscal year 2021 is \$24.9 million, or 13.3%. The increase relates to the current year capital assets additions, largely the 817 Walnut building and the City-maintained portion of the Wheeler Plaza Public Parking Garage. The increase is offset by the increase in depreciation and retirement of capital assets.

	Governmental Activities		Business Type Activities		All Government		% Change
	2021	2020	2021	2020	2021	2020	
Land and other assets not being depreciated	\$ 78.1	\$ 80.4	\$ 0.2	\$ 0.2	\$ 78.3	\$ 80.6	-2.9%
Facilities, infrastructure and equipment, net of depreciation	99.6	74.1	33.6	31.9	133.2	106.0	25.7%
Total	\$ 177.7	\$ 154.5	\$ 33.8	\$ 32.1	\$ 211.5	\$ 186.6	13.3%

For the government-wide statement of net position presentation, all depreciable capital assets are depreciated from the acquisition date to the end of the current fiscal year.

Governmental fund financial statements record capital asset purchases as expenditures. Ongoing infrastructure projects are accounted for in construction-in-progress. Additional information about the City's capital assets can be found in Note 5 to the financial statements.

Long-Term Obligations

At the end of the fiscal year 2021, the City had total outstanding long-term obligations of \$2.7 million, a decrease of 12.9%, due to the pay down of the General Obligation ("GO") bond.

	Governmental Activities		% Change
	2021	2020	
2015 GO Refunding Bond	\$ 2.7	\$ 3.1	-12.9%
Total	\$ 2.7	\$ 3.1	-12.9%

As of June 30, 2021, the City's general obligation limit is \$467.5 million, 3.75% of total assessed valuation subject to taxation. With outstanding debt of \$2.7 million subject to the legal debt limit, the City is not at risk of exceeding its legal debt limit.

Additional information on the City's long-term debt can be found in Note 7 to the accompanying financial statements.

Economic Factors and Next Year's Budgets and Rates

The following key economic factors were considered in developing the fiscal year 2022 budget:

- *Revenue Projections.* The overall growth of the General Fund Revenue is projected to be approximately 12.2% higher than the fiscal year 2021 revised budget. The fiscal year 2022 budget shows reflect the expected economic recovery following the COVID-19 pandemic in the sales tax, TOT, and charges for current services revenue budgets.
- *Expenditures.* The overall General Fund Expenditure is budgeted to be 7.6% higher than in the fiscal year 2021 revised budget. In fiscal year 2021, the impact of the COVID-19 pandemic on the City's revenues required significant cost reductions including elimination of certain unfilled positions, reduction of part-time recreation staff and programming, and a reduction of recruitment services, training, and professional development costs. The fiscal year 2022 budget includes the restoration of certain expenditures and positions that were cut or eliminated. Salary and benefits expenditure increases are based on the known Memorandum of Understanding ("MOU") provisions negotiated with the bargaining groups, net of bargained concessions. Operating expenditures increased for known contract arrangements, utilities, office and field program supplies, equipment leases, maintenance, training, and other anticipated needs.
- *Capital Improvement Project Funds.* An update of the five-year Capital Improvement Plan was included as part of the fiscal year 2022 budget process. Changes to existing projects and the addition of new projects totaling \$26.6 million in expenditures were approved for fiscal year 2022. The changes and additions included: (1) Annual Street Resurfacing; (2) Fire Station 16 Replacement; (3) San Carlos Avenue Sidewalk Installation and Eucalyptus Tree Removal; (4) El Camino Real/Rail Corridor Tree Planting and Irrigation Installation; (5) Parking Management System Expansion and Extension; (6) Bicycle Pedestrian Master Plan Implementation; (7) Surveillance Cameras in Public Parks; (8) Downtown Planning Initiative; (9) San Carlos Avenue Quick-Build Pilot Program; (10) Storm Water Motor Control Center and Pump Replacements; (11) Fire Station 16 Upgrade; and (12) Cherry Street Below Market Rate Housing.
- *Sewer Rate Adjustments.* Per City Council's decision during the wastewater rate setting discussions in 2019, there will be a 4.5% sewer rate increase in fiscal year 2022. The revenues collected through the sewer fees are used to fund capital improvements and the City's share of the SVCW's sewer treatment plant improvements.

Contacting the City's Financial Management

This financial report is designed to provide our residents, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. Questions about this report or additional financial information can be obtained by contacting the City at:

City of San Carlos
Administrative Services Department
600 Elm Street
San Carlos, CA 94070
(650) 802-4128

This Page Left Intentionally Blank

CITY OF SAN CARLOS

**STATEMENT OF NET POSITION
AND STATEMENT OF ACTIVITIES**

The Statement of Net Position and the Statement of Activities summarize the entire City's financial activities and financial position.

The Statement of Net Position reports the difference between the City's total assets and deferred outflows of resources and the City's total liabilities and deferred inflows of resources, including all the City's capital assets and all its long-term debt. The Statement of Net Position summarizes the financial position of all of the City's Governmental Activities in a single column, and the financial position of all of the City's Business-Type Activities in a single column; these columns are followed by a Total column that presents the financial position of the entire City.

The City's Governmental Activities include the activities of its General Fund, along with all its Special Revenue, Capital Projects, and Debt Service Funds. Since the City's Internal Service Funds service these Funds, their activities are consolidated with Governmental Activities, after eliminating inter-fund transactions and balances. The City's Business-Type Activities include all its Enterprise Fund activities.

The Statement of Activities reports increases and decreases in the City's net position. It is also prepared on the full accrual basis, which means it includes all the City's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund financial statements, which reflect only current assets, current liabilities, deferred outflows/inflows of resources, available revenues and measurable expenditures.

The Statement of Activities presents the City's expenses first, listed by program, and follows these with the expenses of its business-type activities. Program revenues – that is, revenues which are generated directly by these programs – are then deducted from program expenses to arrive at the net expense of each governmental and business-type program. The City's general revenues are then listed in the Governmental Activities or Business-type Activities column, as appropriate, and the Change in Net Position is computed and reconciled with the Statement of Net Position.

Both these Statements include the financial activities of the City and San Carlos Housing Authority, which is legally separate but is a component unit of the City because it is controlled by the City, which is financially accountable for the activities of these entities.

This Page Left Intentionally Blank

CITY OF SAN CARLOS

STATEMENT OF NET POSITION
JUNE 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments	\$ 109,675,022	\$ 28,242,459	\$ 137,917,481
Cash and investments with fiscal agents	1,140,627	-	1,140,627
Receivables:			
Accounts	5,656,720	923,764	6,580,484
Notes and loans	5,786,145	-	5,786,145
Down payment assistance loan program	534,526	-	534,526
Prepaid items	309,293	333,377	642,670
Property held for resale	1,470,630	-	1,470,630
Investment in SVCW	-	8,848,015	8,848,015
Capital assets, not being depreciated:			
Land	62,344,554	153,734	62,498,288
Rights of way	2,413,714	-	2,413,714
Construction in progress	13,282,503	-	13,282,503
Capital assets, net of depreciation	99,620,711	33,675,924	133,296,635
Total Assets	302,234,445	72,177,273	374,411,718
Deferred Outflows of Resources:			
Deferred pension related items	11,781,953	1,081,098	12,863,051
Deferred OPEB related items	520,204	77,732	597,936
Total Deferred Outflows of Resources	12,302,157	1,158,830	13,460,987
Liabilities:			
Accounts payable and accrued liabilities	11,928,232	712,021	12,640,253
Accrued benefits	14,111	-	14,111
Deposits payable	3,281,489	-	3,281,489
Unearned revenue	304,968	-	304,968
Non-Current Liabilities:			
Due within one year	1,247,849	50,500	1,298,349
Due in more than one year	3,083,163	33,667	3,116,830
Net pension liability, due in more than one year	38,146,952	2,419,414	40,566,366
Net OPEB liability, due in more than one year	1,404,535	209,873	1,614,408
Total Liabilities	59,411,299	3,425,475	62,836,774
Deferred Inflows of Resources:			
Deferred pension related items	6,256,210	705,975	6,962,185
Deferred OPEB related items	588,848	87,989	676,837
Total Deferred Inflows of Resources	6,845,058	793,964	7,639,022
Net Position:			
Net investment in capital assets	174,874,347	33,829,658	208,704,005
Restricted for:			
Public safety	349,737	-	349,737
Parks and recreation	2,277,643	-	2,277,643
Public works	6,205,372	-	6,205,372
Housing	20,125,582	-	20,125,582
Capital projects	-	15,873,015	15,873,015
Debt Service	936,862	3,491,800	4,428,662
Pension and other benefits programs	-	2,264,421	2,264,421
Sewer system maintenance	-	13,657,770	13,657,770
Unrestricted	43,510,702	-	43,510,702
Total Net Position	\$ 248,280,245	\$ 69,116,664	\$ 317,396,909

See Notes to Financial Statements

CITY OF SAN CARLOS

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 6,858,609	\$ 1,421,092	\$ 260,204	\$ -
Public safety	21,027,010	541,764	156,937	-
Community development	4,246,931	6,862,012	2,473,489	16,595,799
Parks and recreation	2,792,235	626,332	67,904	1,246,033
Public works	10,685,934	2,486,563	1,802,658	2,991,669
Interest on long-term debt	44,819	-	-	-
Total Governmental Activities	45,655,538	11,937,763	4,761,192	20,833,501
Business-type Activities:				
Sewer	12,997,274	21,188,241	-	-
Total Business-type Activities	12,997,274	21,188,241	-	-
Total Primary Government	\$ 58,652,812	\$ 33,126,004	\$ 4,761,192	\$ 20,833,501

General revenues:

Taxes:

- Property taxes, levied for general purpose
- Transient occupancy taxes
- Sales taxes
- Franchise taxes
- Motor vehicle in-lieu
- Use of money and property
- Miscellaneous

Transfers

Total general revenues and transfers

Change in Net Position

Net Position, beginning of the year, as restated (Note 3c)

Net Position, end of the Year

See Notes to Financial Statements

**Net (Expenses) Revenues and Changes
In Net Position**

Primary Government

Governmental Activities	Business-type Activities	Total
\$ (5,177,313)	\$ -	\$ (5,177,313)
(20,328,309)	-	(20,328,309)
21,684,369	-	21,684,369
(851,966)	-	(851,966)
(3,405,044)	-	(3,405,044)
(44,819)	-	(44,819)
(8,123,082)	-	(8,123,082)
-	8,190,967	8,190,967
-	8,190,967	8,190,967
(8,123,082)	8,190,967	67,885
17,311,790	-	17,311,790
1,200,905	-	1,200,905
12,533,764	-	12,533,764
4,112,616	-	4,112,616
2,314,833	-	2,314,833
2,348,979	5,685	2,354,664
814,964	1,558	816,522
633,400	(633,400)	-
41,271,251	(626,157)	40,645,094
33,148,169	7,564,810	40,712,979
215,132,076	61,551,854	276,683,930
\$ 248,280,245	\$ 69,116,664	\$ 317,396,909

See Notes to Financial Statements

This Page Left Intentionally Blank

FUND FINANCIAL STATEMENTS

Only individual major funds are presented in the Fund Financial Statements, while non-major funds are combined in a single column. Major funds are defined generally as having significant activities or balances in the current year.

MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be Major Funds by the City. Individual non-major funds may be found in the Supplementary section.

GENERAL FUND: The primary fund of the City used to account for all revenue and expenditures not legally restricted as to use. A broad range of municipal activities are provided through this fund including City Manager, City Attorney, Administrative Services, City Clerk, Community Development, Public Safety, Public Works, and Parks and Recreation.

CAPITAL IMPROVEMENT CAPITAL PROJECTS FUND: This fund is used to account for major capital projects not provided for in one of the other capital projects funds.

HOUSING CAPITAL PROJECTS FUND: This fund is used to account for development fees that must be used to finance affordable housing for city residents and the housing activities assumed by the City when the former Redevelopment Agency was dissolved.

CITY OF SAN CARLOS

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021**

	<u>Capital Projects Funds</u>		
	<u>General</u>	<u>Capital Improvement</u>	<u>Housing</u>
Assets:			
Cash and investments	\$ 48,129,098	\$ 30,119,904	\$ 13,071,765
Cash and investments with fiscal agents	-	-	1,140,627
Receivables:			
Accounts	3,145,399	1,019,159	-
Notes and loans	-	-	5,786,145
Down payment assistance loan program	-	-	534,526
Prepaid items	309,293	-	-
Property held for resale	-	-	1,470,630
Total Assets	<u>\$ 51,583,790</u>	<u>\$ 31,139,063</u>	<u>\$ 22,003,693</u>
Liabilities, Deferred Inflows, of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 10,089,280	\$ 822,535	\$ 165,803
Accrued benefits	14,111	-	-
Deposits payable	3,279,960	-	1,529
Unearned revenues	304,968	-	-
Total Liabilities	<u>13,688,319</u>	<u>822,535</u>	<u>167,332</u>
Deferred Inflows of Resources:			
Unavailable revenues	192,394	370	1,710,779
Total Deferred Inflows of Resources	<u>192,394</u>	<u>370</u>	<u>1,710,779</u>
Fund Balances:			
Nonspendable:			
Prepaid items	309,293	-	-
Restricted for:			
Public safety	-	-	-
Parks and recreation	-	-	-
Public works	-	-	-
Debt service	-	-	-
Housing	-	-	20,125,582
Committed to:			
General government	-	-	-
Community development	-	-	-
Capital projects	-	30,316,158	-
Economic uncertainties reserve	7,317,932	-	-
Strategic property acquisition	7,191,795	-	-
Assigned to:			
Unfunded liabilities	2,000,000	-	-
Facility/infrastructure improvements	17,341,500	-	-
Unassigned	3,542,557	-	-
Total Fund Balances	<u>37,703,077</u>	<u>30,316,158</u>	<u>20,125,582</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 51,583,790</u>	<u>\$ 31,139,063</u>	<u>\$ 22,003,693</u>

See Notes to Financial Statements

CITY OF SAN CARLOS

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021**

	Other Governmental Funds	Total Governmental Funds
Assets:		
Cash and investments	\$ 15,893,710	\$ 107,214,477
Cash and investments with fiscal agents	-	1,140,627
Receivables:		
Accounts	1,492,162	5,656,720
Notes and loans	-	5,786,145
Down payment assistance loan program	-	534,526
Prepaid items	-	309,293
Property held for resale	-	1,470,630
Total Assets	\$ 17,385,872	\$ 122,112,418
Liabilities, Deferred Inflows, of Resources, and Fund Balances:		
Liabilities:		
Accounts payable and accrued liabilities	\$ 740,996	\$ 11,818,614
Accrued benefits	-	14,111
Deposits payable	-	3,281,489
Unearned revenues	-	304,968
Total Liabilities	740,996	15,419,182
Deferred Inflows of Resources:		
Unavailable revenues	145,973	2,049,516
Total Deferred Inflows of Resources	145,973	2,049,516
Fund Balances:		
Nonspendable:		
Prepaid items	-	309,293
Restricted for:		
Public safety	349,737	349,737
Parks and recreation	2,277,643	2,277,643
Public works	6,205,372	6,205,372
Debt service	936,862	936,862
Housing	-	20,125,582
Committed to:		
General government	2,811,931	2,811,931
Community development	402,491	402,491
Capital projects	3,514,867	33,831,025
Economic uncertainties reserve	-	7,317,932
Strategic property acquisition	-	7,191,795
Assigned to:		
Unfunded liabilities	-	2,000,000
Facility/infrastructure improvements	-	17,341,500
Unassigned	-	3,542,557
Total Fund Balances	16,498,903	104,643,720
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 17,385,872	\$ 122,112,418

See Notes to Financial Statements

CITY OF SAN CARLOS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET POSITION
JUNE 30, 2021**

Fund balances of governmental funds	\$ 104,643,720
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.	177,661,482
Long-term debt and compensated absences that have not been included in governmental fund activity.	
Bonds payable	(2,787,135)
Compensated absences	(933,877)
Net Pension Liability and other deferred items	
Proportionate share of net pension liability	(38,146,952)
Deferred outflows related to pensions	11,781,953
Deferred inflows related to pensions	(6,256,210)
Net OPEB Liability and other deferred items	
Net OPEB liability	(1,404,535)
Deferred outflows related to OPEB	520,204
Deferred inflows related to OPEB	(588,848)
Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds.	(24,125)
Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.	2,049,516
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. These Assets and Liabilities of the internal service funds must be added to the statement of net position.	\$1,765,052
Net Position of Governmental Activities	\$ 248,280,245

See Notes to Financial Statements

This Page Left Intentionally Blank

CITY OF SAN CARLOS

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Capital Projects Funds</u>		
	<u>General</u>	<u>Capital Improvement</u>	<u>Housing</u>
Revenues:			
Sales taxes	\$ 11,305,006	\$ -	\$ -
Property taxes	14,782,747	2,184,414	-
Transient occupancy taxes	1,200,905	-	-
Franchise taxes	1,950,922	2,161,694	-
Vehicle in-lieu	2,314,833	-	-
Business registration	1,095,666	-	-
Licenses and permits	4,112,542	852,183	-
From other agencies	310,681	1,114,429	272,000
Charges for services	4,576,075	-	-
Fines and forfeitures	159,652	-	-
Use of money and property	1,831,765	787	243,715
Other revenue	1,485,294	912,693	2,361,490
Total Revenues	45,126,088	7,226,200	2,877,205
Expenditures:			
Current:			
General government	5,800,721	-	-
Community development	5,318,394	-	669,072
Public safety	20,531,262	-	-
Public works	4,516,630	-	-
Parks and recreation	2,024,703	-	-
Capital outlay	-	6,460,476	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total Expenditures	38,191,710	6,460,476	669,072
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,934,378	765,724	2,208,133
Other Financing Sources (Uses):			
Transfers in	633,400	1,515,000	-
Transfers out	(6,310,000)	(125,000)	-
Total Other Financing Sources (Uses)	(5,676,600)	1,390,000	-
Net Change in Fund Balances	1,257,778	2,155,724	2,208,133
Fund Balances, Beginning of Year, as restated (Note 3c)	36,445,299	28,160,434	17,917,449
Fund Balances, End of Year	\$ 37,703,077	\$ 30,316,158	\$ 20,125,582

See Notes to Financial Statements

CITY OF SAN CARLOS

**STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	Other Governmental Funds	Total Governmental Funds
Revenues:		
Sales taxes	\$ 1,228,758	\$ 12,533,764
Property taxes	344,629	17,311,790
Transient occupancy taxes	-	1,200,905
Franchise taxes	-	4,112,616
Vehicle in-lieu	-	2,314,833
Business registration	-	1,095,666
Licenses and permits	150,733	5,115,458
From other agencies	2,544,774	4,241,884
Charges for services	659	4,576,734
Fines and forfeitures	-	159,652
Use of money and property	201,124	2,277,391
Other revenue	1,752,466	6,511,943
Total Revenues	6,223,143	61,452,636
Expenditures:		
Current:		
General government	291,046	6,091,767
Community development	2,273	5,989,739
Public safety	150,000	20,681,262
Public works	1,606,954	6,123,584
Parks and recreation	-	2,024,703
Capital outlay	3,994,350	10,454,826
Debt service:		
Principal	365,000	365,000
Interest and fiscal charges	63,905	63,905
Total Expenditures	6,473,528	51,794,786
Excess (Deficiency) of Revenues Over (Under) Expenditures	(250,385)	9,657,850
Other Financing Sources (Uses):		
Transfers in	6,358,750	8,507,150
Transfers out	(1,438,750)	(7,873,750)
Total Other Financing Sources (Uses)	4,920,000	633,400
Net Change in Fund Balances	4,669,615	10,291,250
Fund Balances, Beginning of Year, as restated (Note 3c)	11,829,288	94,352,470
Fund Balances, End of Year	\$ 16,498,903	\$ 104,643,720

See Notes to Financial Statements

CITY OF SAN CARLOS

**RECONCILIATION OF THE NET CHANGE IN FUND BALANCES –
TOTAL GOVERNMENTAL FUNDS
WITH THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Net change in fund balances total governmental funds \$ 10,291,250

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

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

Capital outlay	11,582,510
Contributions of infrastructure and improvements by developers	16,436,194
Retirements of capital assets	(2,171,798)
Depreciation expense	(2,730,316)

The issuance of long-term debt provides current financial resources to governmental funds, while repayment of principal long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Principal repaid on bonds	365,000
Premium on debt obligations	14,523

Pension/OPEB expense related to net pension/OPEB liability is recorded on the economic resources basis of accounting and, therefore, employer cash contributions are added back to fund balance.

(1,177,694)

Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period.

4,563

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

(117,489)

Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.

280,979

Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The net revenues (expenses) of the internal service funds are reported with governmental activities.

370,447

Change in net position of governmental activities

\$ 33,148,169

See Notes to Financial Statements

This Page Left Intentionally Blank

CITY OF SAN CARLOS

**BUDGETARY COMPARISON STATEMENT BY DEPARTMENT
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Sales taxes	\$ 9,621,700	\$ 9,621,700	\$ 11,305,006	\$ 1,683,306
Property taxes	15,234,400	15,234,400	14,782,747	(451,653)
Transient occupancy taxes	625,000	625,000	1,200,905	575,905
Franchise taxes	1,922,800	1,922,800	1,950,922	28,122
Vehicle in lieu	3,100,000	3,100,000	2,314,833	(785,167)
Business registration	871,200	871,200	1,095,666	224,466
Licenses and permits	1,782,700	1,782,700	4,112,542	2,329,842
From other agencies	5,000	5,000	310,681	305,681
Charges for current services	3,286,000	3,286,000	4,576,075	1,290,075
Fines and forfeitures	292,100	292,100	159,652	(132,448)
Use of money and property	2,955,300	2,955,300	1,831,765	(1,123,535)
Other revenue	1,319,350	1,319,350	1,485,294	165,944
Total Revenues	41,015,550	41,015,550	45,126,088	4,110,538
Expenditures:				
Current				
General Government:				
City Council	291,880	291,880	227,819	64,061
City Manager	1,599,100	1,609,100	1,409,379	199,721
City Clerk	456,815	456,815	333,174	123,641
Administrative Services	3,388,900	3,388,900	2,900,154	488,746
General Government	1,173,600	1,283,600	695,077	588,523
City Treasurer	19,200	19,200	8,663	10,537
City Attorney	367,900	367,900	226,455	141,445
Total General Government	7,297,395	7,417,395	5,800,721	1,616,674
Community Development:				
Administration	776,350	776,350	745,125	31,225
Economic Development	831,100	797,100	466,180	330,920
Building	2,158,600	2,393,600	2,310,487	83,113
Planning	1,491,645	1,541,645	1,536,300	5,345
Advance Planning	555,900	270,900	260,302	10,598
Total Community Development	5,813,595	5,779,595	5,318,394	461,201
Public Safety:				
Police	10,630,000	10,630,000	9,997,918	632,082
Fire	10,711,300	10,711,300	10,533,344	177,956
Total Public Safety	21,341,300	21,341,300	20,531,262	810,038

See Notes to Financial Statements

CITY OF SAN CARLOS

**BUDGETARY COMPARISON STATEMENT BY DEPARTMENT
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Public Works:				
Administration	1,435,050	1,435,050	928,119	506,931
Garage	97,525	97,525	42,644	54,881
Street Maintenance	368,800	402,800	360,814	41,986
Park Maintenance	2,260,300	2,260,300	2,045,358	214,942
Traffic Control	313,500	313,500	233,075	80,425
Building Maintenance	1,098,650	1,098,650	906,620	192,030
Total Public Works	5,573,825	5,607,825	4,516,630	1,091,195
Parks and Recreation:				
Administration	566,650	566,650	497,481	69,169
Recreation	2,108,700	2,137,700	1,527,222	610,478
Total Parks and Recreation	2,675,350	2,704,350	2,024,703	679,647
Total Expenditures	42,701,465	42,850,465	38,191,710	4,658,755
Excess (Deficiency) of Revenues Over Expenditures	(1,685,915)	(1,834,915)	6,934,378	8,769,293
Other Financing Sources (Uses):				
Transfers in	633,400	633,400	633,400	-
Transfers (out)	(6,310,000)	(6,310,000)	(6,310,000)	-
Total Other Financing Sources (Uses)	(5,676,600)	(5,676,600)	(5,676,600)	-
Net Change in Fund Balance	<u>\$ (7,362,515)</u>	<u>\$ (7,511,515)</u>	\$ 1,257,778	<u>\$ 8,769,293</u>
Beginning Fund Balance			36,445,299	
Ending Fund Balance			<u>\$ 37,703,077</u>	

See Notes to Financial Statements

This Page Left Intentionally Blank

MAJOR PROPRIETARY FUND

Proprietary funds account for City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges.

The concept of major funds extends to Proprietary Funds.

Budget versus actual comparisons regarding proprietary funds that are major funds are not presented.

SEWER ENTERPRISE FUND: This fund is used to account for sewage treatment, transmission, major replacements and improvements to the City's sewer system.

CITY OF SAN CARLOS

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2021

	Business-Type Activities – Enterprise Fund Sewer	Governmental Activities – Internal Service Funds
Assets:		
Current Assets:		
Cash and investments	\$ 28,242,459	\$ 2,460,545
Receivables:		
Accounts receivable	923,764	-
Prepaid items	333,377	-
Total Current Assets	29,499,600	2,460,545
Noncurrent:		
Investment in SVCW	8,848,015	-
Capital assets, net:		
Land	153,734	-
Depreciable capital assets, net	33,675,924	-
Total Noncurrent Assets	42,677,673	-
Total Assets	72,177,273	2,460,545
Deferred Outflows of Resources:		
Deferred pension related items	1,081,098	-
Deferred OPEB related items	77,732	-
Total Deferred Outflows of Resources	1,158,830	-
Liabilities:		
Current:		
Accounts payable	712,021	85,493
Compensated absences	50,500	-
Claims payable	-	283,000
Total Current Liabilities	762,521	368,493
Noncurrent:		
Compensated absences	33,667	-
Claims payable	-	327,000
Net Pension Liability	2,419,414	-
Net OPEB Liability	209,873	-
Total Noncurrent Liabilities	2,662,954	327,000
Total Liabilities	3,425,475	695,493
Deferred Inflows of Resources:		
Deferred pension related items	705,975	-
Deferred OPEB related items	87,989	-
Total Deferred Inflows of Resources	793,964	-
Net Position:		
Net investment in capital assets	33,829,658	-
Restricted for:		
Capital projects	15,873,015	-
Debt service	3,491,800	-
Pension and other benefits programs	2,264,421	-
Sewer system maintenance	13,657,770	-
Unrestricted	-	1,765,052
Total Net Position	\$ 69,116,664	\$ 1,765,052

See Notes to Financial Statements

CITY OF SAN CARLOS

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Business-Type Activities – Enterprise Fund	Governmental Activities – Internal Service Funds
	Sewer	
Operating Revenues:		
Charges for services	\$ 21,188,241	\$ 989,475
Cost reimbursements	-	1,546,900
Total Operating Revenues	21,188,241	2,536,375
Operating Expenses:		
Salaries and benefits	1,946,061	-
Sewer operations	8,389,101	-
Insurance premiums	-	1,011,130
Claims expense	-	1,142,891
Depreciation expense	1,320,099	-
Miscellaneous	2,624,400	20,356
Total Operating Expenses	14,279,661	2,174,377
Operating Income (Loss)	6,908,580	361,998
Nonoperating Revenues (Expenses):		
Investment income	5,685	498
Miscellaneous	1,558	7,951
Decrease in Investment in Sewer Authority	1,282,387	-
Total Nonoperating Revenues (Expenses)	1,289,630	8,449
Income (Loss) Before Transfers	8,198,210	370,447
Transfers (out)	(633,400)	-
Change in net position	7,564,810	370,447
Net position, beginning of the year	61,551,854	1,394,605
Net position, end of the year	\$ 69,116,664	\$ 1,765,052

See Notes to Financial Statements

CITY OF SAN CARLOS

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2021

	Business-Type Activities – Enterprise Fund <u>Sewer</u>	Governmental Activities – Internal Service Funds
Cash Flows From Operating Activities:		
Cash received from customers and users	\$ 21,339,996	\$ -
Cash received/(paid to) interfund service provided	-	2,566,143
Cash paid to suppliers for goods and services	(11,356,848)	(946,346)
Cash paid to employees for services	(1,806,200)	-
Claims paid	-	(1,144,591)
Net Cash Provided (Used) by Operating Activities	8,176,948	475,206
Cash Flows From Non-Capital Financing Activities:		
Transfers (out)	(633,400)	-
Net Cash Provided (Used) by Non-Capital Financing Activities	(633,400)	-
Cash Flows from Capital and Related Financing Activities:		
Acquisition of capital assets	(3,079,780)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(3,079,780)	-
Cash Flows from Investing Activities:		
Interest received	5,685	498
Miscellaneous	1,558	7,951
Net Cash Provided (Used) by Investing Activities	7,243	8,449
Net Increase (Decrease) in Cash and Cash Equivalents	4,471,011	483,655
Cash and Cash Equivalents at Beginning of Year	23,771,448	1,976,890
Cash and Cash Equivalents at End of Year	\$ 28,242,459	\$ 2,460,545
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ 6,908,580	\$ 361,998
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	1,320,099	-
Change in assets and liabilities:		
Receivables, net	151,755	29,768
Prepaid items	(333,377)	-
Accounts payable	(9,970)	85,140
Accrued liabilities	-	-
Claims payable	-	(1,700)
Compensated absences	10,839	-
Net pension liability and deferred outflows/inflows of resources	171,366	-
Net OPEB liability and deferred outflows/inflows of resources	(42,344)	-
Net Cash Provided (Used) by Operating Activities	\$ 8,176,948	\$ 475,206
Schedule of non-cash capital and related financing activities:		
Investment in joint venture	\$ 1,282,387	\$ -
See Notes to Financial Statements		

FIDUCIARY FUNDS

Fiduciary Funds are presented separately from the Government-wide and Fund Financial Statements. These include the following:

SUCCESSOR AGENCY OF THE FORMER RDA PRIVATE PURPOSE TRUST FUND: This fund is used to account for the activities related to the dissolution of the former San Carlos Redevelopment Agency.

CUSTODIAL FUNDS: Custodial Funds are used to account for fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds.

CITY OF SAN CARLOS

STATEMENT OF NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2021

	Private– Purpose Trust Fund	Custodial Funds	
	Successor Agency of the Former RDA	City/County Association of Governments of San Mateo County	Peninsula Traffic Congestion Relief Alliance
Assets:			
Cash and Investment	\$ 1,083,378	\$ 26,374,342	\$ 1,131,745
Receivables:			
Accounts receivable	-	2,490,930	-
Loans receivable	-	1,391,727	-
Grants receivable	-	-	537,427
Prepaid items	-	-	37,127
Total Assets	1,083,378	30,256,999	1,706,299
Liabilities:			
Accounts payable and accrued liabilities	97,549	3,170,027	332,762
Unearned revenue	-	-	402,233
Long-term liabilities			
Due in one year	745,255	-	-
Due in more than one year	11,848,497	-	-
Total Liabilities	12,691,301	3,170,027	734,995
Net Position:			
Restricted for:			
Private purpose trust (RDA)	(11,607,923)	-	-
Other governments	-	27,086,972	971,304
Total Net Position	\$ (11,607,923)	\$ 27,086,972	\$ 971,304

See Notes to Financial Statements

CITY OF SAN CARLOS

STATEMENT OF CHANGES IN NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2021

	Private– Purpose Trust Fund	Custodial Funds	
	Successor Agency of the Former RDA	City/County Association of Governments of San Mateo County	Peninsula Traffic Congestion Relief Alliance
Additions:			
Taxes	\$ 1,270,678	\$ -	\$ -
Members contributions	-	2,254,744	-
Intergovernmental	-	9,891,268	3,283,558
Fees and Assessments	-	2,539,819	-
Miscellaneous	-	422,485	4,728
Total Additions	1,270,678	15,108,316	3,288,286
Deductions:			
Administrative expenses	9,652	563,995	152,871
Distribution	-	7,607,399	3,258,698
Professional services	-	7,367,097	-
Interest expense	526,338	-	-
Total Deductions	535,990	15,538,491	3,411,569
Net increase(decrease) in fiduciary net position	734,688	(430,175)	(123,283)
Net Position - Beginning of the Year (Note 9c)	(12,342,611)	27,517,147	1,094,587
Net Position - End of the Year	\$ (11,607,923)	\$ 27,086,972	\$ 971,304

See Notes to Financial Statements

This Page Left Intentionally Blank

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

The **City of San Carlos** (“City”) is a general-law city that operates under the Council-Manager form of government, with five elected Council members served by a full-time City Manager and staff. Services provided by the City include public safety, streets and roads, parks and recreation, planning and community development, and others. The accounting policies of the City conform to Generally Accepted Accounting Principles (“GAAP”) as applicable to governments. These financial statements include the City and its component units – entities for which the City is financially accountable. Blended component units, although legally separate entities, are in substance part of the City’s operations, therefore data from these units are combined with City data. Their financial activities have been aggregated and merged (termed “blending”) with those of the City in the accompanying financial statements.

The **San Carlos Housing Authority** (“Housing Authority”) is a separate government entity whose purpose is to provide housing to low and moderate income families within certain areas of the city. The Housing Authority is both controlled by and financially dependent on the City. The City Council members serve as the Authority’s Commissioners. The bond issuance authorizations are approved by the City’s Council and the City is legally obligated to provide resources in case there are deficiencies in debt service payments and resources are not available from any other remedies. As such, the financial activities of the Housing Authority have been included in these financial statements, and no separate statements for the Housing Authority were prepared.

b. Basis of Presentation

The City’s Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government 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 Statements: 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 City government, except for fiduciary activities. All fiduciary activities are reported only in the fund financial statements. Eliminations have been made to minimize the double counting of internal activities; however, inter-fund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the 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 program or function and, therefore, are clearly identifiable to a particular function. Program revenues include: (a) charges paid by the recipients of goods or services offered by the programs; (b) grants and contributions that are restricted to meeting the operational needs of a particular program; and (c) fees, grants, and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: Fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for each fund category, governmental, proprietary and fiduciary, are presented. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues and expenses, such as charges for services and salaries and benefits, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues and expenses, such as investment earnings and interest expense, result from non-exchange transactions or ancillary activities.

c. Major Funds

The City's major governmental and business-type funds are identified and presented separately in the fund financial statements. All other funds, called non-major funds, are combined and reported in a single column.

Major funds are defined as funds that have either assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

The following major governmental funds are reported in the accompanying financial statements:

General Fund: The primary fund of the City that is used to account for all revenues and expenditures of the City not legally restricted as to use. A broad range of municipal activities are provided through this fund including City Council, City Manager, City Attorney, Administrative Services, City Clerk, Community Development, Public Safety, Public Works, and Parks and Recreation.

Capital Improvement Capital Projects Fund: Used to account for major capital projects not provided for in one of the other capital project funds.

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Housing Capital Projects Fund: Used to account for development fees that must be used to finance affordable housing for city residents and the housing activities assumed by the City when the former Redevelopment Agency was dissolved.

The City reports the following major enterprise fund in the accompanying financial statements:

Wastewater (Sewer) Enterprise Fund: Used to account for sewage treatment, transmission, major replacements and improvements to the City's sewer system.

The City also reports the following fund types:

Internal Service Fund: These funds account for workers' compensation, general liability and other post-employment benefits; all of which are provided to other departments on a cost-reimbursement basis.

Fiduciary Funds: Custodial funds are used to account for assets held by the City as an agent for the City/County Association of Governments of San Mateo County (C/CAG), and Peninsula Traffic Congestion Relief Alliance (Commute.org). Private-purpose trust funds are used to account for the assets and liabilities of the former Redevelopment Agency and the allocated revenue to pay estimated installment payments of enforceable obligations until the obligations of the former Redevelopment Agency are paid in full and assets have been liquidated. All fiduciary funds use the accrual, rather than the modified accrual, basis of accounting.

The financial activities of these funds are excluded from the Government-wide financial statement, but are presented in separate Fiduciary Fund financial statements.

d. Basis of Accounting

The Government-wide, proprietary funds and fiduciary funds financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable* and *available*. The City considers revenues reported in the governmental funds to be available if the revenues are collected generally within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Governmental capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Those revenues susceptible to accrual are property, sales and use, transient occupancy, franchise and gas taxes, intergovernmental revenues, grants, and interest revenue. Fines, licenses and permits, and charges for services are not susceptible to accrual because they are not measurable until collected.

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-exchange transactions are those in which the City gives or receives value without directly receiving or giving equal value in exchange, and includes taxes, grants, entitlements and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The City may fund programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

Certain indirect costs are included in program expenses reported for individual functions and activities.

e. Property Taxes and Sewer Charges

Revenue is recognized in the period for which the tax and assessment is levied. The County of San Mateo ("County") levies, bills, and collects property taxes and sewer charges for the City. The County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 1.

Secured property tax is billed in two equal installments – on November 1 and February 1 – due by December 10 and April 10 (of the following year), respectively. Taxes are considered delinquent if paid after the due dates. Unsecured property tax is due on July 1 and becomes delinquent on August 31.

The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed. Property tax revenues are recognized by the City in the fiscal year they are assessed, provided they become available as defined above; generally within 60 days.

f. Assets, Deferred Inflows/Outflows, Liabilities and Fund Balance Net Position Investments

For financial reporting purposes, investments are adjusted to their fair value. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments. Some investments are valued on an unamortized cost basis. For these investments, there is no material difference from fair value.

The City pools cash and investments of all funds, except for assets held by fiscal agents. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance.

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of change in value because of changes in interest rates. Cash equivalents also represent the proprietary fund's share in the cash and investment pool of the City. Cash equivalents have an original maturity date of three months or less from the date of purchase. For purposes of the statement of cash flows, the entire balance of cash and investments on the combined balance sheet for the proprietary funds is considered cash and cash equivalents.

Prepaid Items

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

Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Capital assets received in a service concession arrangement should be reported at acquisition value rather than fair value. The City's policy is to capitalize all assets with costs exceeding the \$5,000 threshold and a useful life of more than one year. Donated capital assets, donated works of art and similar items, are reported at acquisition value rather than fair value.

All capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation is provided using the straight-line method, which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The City has assigned the useful lives listed below to capital assets:

Building and Improvements	10 - 50 years
Equipment	5 - 10 years
Infrastructure and Sewer System Network	75 - 100 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of the business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position and the governmental fund balance sheet 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 will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category, which is deferred outflows relating to the net pension obligation reported in the statements of net position. These outflows are the result of contributions made after the measurement period, which are expensed in the following year, and of adjustments due to the difference in proportions and the difference between actual contributions made and the proportionate share of the risk pool's total contributions.

In addition to liabilities, the statements of net position and the governmental balance sheet 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 two items that qualify for reporting in this category. 1) Deferred inflows relating to the net pension obligation reported in the Government-wide statement of net position. These inflows are the result of the net difference between projected and actual earnings on pension plan investments and differences in proportions. This amount is deferred and amortized straight-line over a five-year period. 2) Governmental funds report unavailable revenues from the following sources: cost reimbursements; charge for services; and revenues from housing loans. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Compensated Absences

Compensated absences comprise unpaid vacation that is accrued as earned. All employees who hold full-time regular positions are entitled to 12 working days of vacation pay upon successful completion of their first year of continuous service. Management employees may be entitled to a higher accrual rate based on prior work at a reciprocal agency or a CalPERS agency per the Salaries and Benefits resolution. The accrual rate increases after length of service exceeds four years. Maximum accumulation of vacation is two years of vacation accrual. Upon termination or retirement, full-time employees are entitled to receive compensation at their current base salary for all unused vacation leave. The City's liability for compensated absences is recorded in the statements of net position. The compensated absences are reported in governmental funds only if they are matured. The liability for compensated absences is determined annually. For governmental funds, the portion expected to be permanently liquidated is recorded as fund liabilities.

Compensated absences are liquidated by the fund that has recorded the liability – primarily the General Fund.

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

In Government-wide financial statements, retirement plans (pensions) are required to be recognized and disclosed using the accrual basis of accounting (see Note 10) and the required supplementary information (“RSI”) section immediately following the Notes to Financial Statements, regardless of the amount recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting.

In general, the City recognizes a net pension liability, which represents the City’s proportionate share of the excess of the total pension liability over the fiduciary net position of the pension reflected in the actuarial report provided by the California Public Employees’ Retirement System (“CalPERS”). The net pension liability is measured as of the City’s prior fiscal year-end. Changes in the net pension liability are recorded in the period incurred as pension expenses or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respective pension plan and are recorded as a component of pension expense beginning with the period in which they are incurred.

For purposes of measuring the net pension liability and deferred outflows/inflows or resources relating to pensions and pension expense, information about the fiduciary net position of the City’s pension plan with CalPERS and additions to/deductions from the plan’s fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit’s terms. Investments are reported at fair value.

Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed basis five-year period of recognition.

Fund Balance

In the fund financial statements, governmental funds report the following fund balance classifications:

Nonspendable: Amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.

Restricted: Amounts that are constrained on the use of resources by either (a) external creditors, grantors, contributors, or laws or regulations of other governments, or (b) by law through constitutional provisions or enabling legislation.

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Committed: Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest authority – the City Council. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a City Council resolution.

Assigned: Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The City Manager is authorized to assign amounts to a specific purpose, which is established by City Council resolution.

Unassigned: The residual amounts that have not been restricted, committed, or assigned to specific purposes. The general fund is the only fund that reports an unassigned fund balance amount. In other governmental funds it is not appropriate to report an unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

The City Council adopts and amends committed fund balance amounts through resolution. The City Council authorizes assigned amounts for specific purposes pursuant to the policy-making powers granted through resolution.

Fund Balance Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). To calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to use assigned fund balance for the purpose for which it was assigned. The hierarchy followed to deplete the reserves is as follows: first unassigned fund balance will be depleted; second assigned fund balances will be depleted at discretion of the City Manager; and lastly committed fund balances will be depleted in accordance to approved commitments and formal action of the City Council.

Net Position

Net position is the excess of all the City's assets and deferred outflows over all its liabilities and deferred inflows, regardless of fund. Net position is divided into three captions. These captions apply only to net position, which is determined only at the Government-wide level, and are described below:

Net investment in capital assets describes the portion of net position that is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted describes the portion of net position that is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions that the City cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and funds restricted to low and moderate income purposes.

Unrestricted describes the portion of net position that is not restricted to use.

Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. To calculate the amounts to report as restricted net position and unrestricted net position in the Government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

g. Budgets and Budgetary Accounting Policies

The City typically adopts a biennial operating budget on or before June 30 to ensure that two fiscal years for the General Fund, all Special Revenue Funds, and all Debt Service Funds are budgeted. Expenditures for the Capital Projects Funds are budgeted and managed on a project length basis. The City follows a budgeting process in which the City's plans and objectives are outlined and budgeted. This work program is reviewed with the City Council to determine the priority and timing of plans and objectives. Revisions are made to the work program, which in its final form is adopted by the City Council as an operating budget, effective July 1 for the ensuing fiscal year. From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the various funds.

On February 27, 2017, the City Council adopted Ordinance 1519 to consolidate the City's General Municipal Election with the Statewide Election, thereby moving to even-numbered year elections. In an effort to realign the budget with the new election cycles, the FY 2020-21 Budget covered the period of one year instead of two.

City Council may amend the budget by resolution during the fiscal year. The City Manager may transfer appropriations from one program, activity, or object to another within the same department or between departments. However, transfers of appropriations that change total fund appropriations must be approved by the City Council. Expenditures that exceed appropriations at the fund level must be approved by the City Council. Budgets are adopted on a basis consistent with GAAP. Department heads may make transfers of appropriations within a department. Transfers of appropriations between departments, but within the same fund, can be approved administratively (by the Administrative Services Director or City Manager).

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes its fair value measurements within the fair value hierarchy established by GAAP. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs, other than quoted prices included within Level 1, which are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

i. Estimates and Assumptions

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – CASH AND INVESTMENTS

The City pools cash from all sources and all funds except cash and investments held by trustees so that it can be invested at the maximum yield consistent with safety and liquidity, while individual funds can make expenditures at any time.

a. Policies

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the City's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. This collateral is held in a separate investment pool by another institution in the City's name and places the City ahead of general creditors of the institution.

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 – CASH AND INVESTMENTS (Continued)

The City invests in investment pools. While individual investments are allowed under the City's Investment Policy and are defined as specific identifiable securities instruments, or an electronic entry registering the owner in the records of the institution issuing the security, called the book entry system, the City primarily invests in investment pools. To increase security, the City employs the trust department of a bank as the custodian of certain City managed investments, regardless of their form.

The City's investments are carried at fair value, as required by GAAP. The City adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, including the effects of these adjustments in income for that fiscal year.

b. Classification

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

Statement of Net Position:	
Cash and investments	\$ 137,917,481
Cash and investments with fiscal agent	<u>1,140,627</u>
Subtotal	<u>139,058,108</u>
Fiduciary Funds:	
Cash and investments	<u>28,589,465</u>
Subtotal	<u>28,589,465</u>
Total cash and investments	<u><u>\$ 167,647,573</u></u>

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

Cash on hand	\$ 5,650
Deposits with financial institutions	7,057,873
Investments	<u>160,584,050</u>
Total cash and Investments	<u><u>\$ 167,647,573</u></u>

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 – CASH AND INVESTMENTS (Continued)

c. Investments Authorized by the California Government Code and the City's Investment Policy

The following table identifies the investment types that are authorized for the City by the California Government Code (or the City's Investment Policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's Investment Policy, where more restrictive) that address interest rate risk, credit risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of bond indentures of the City, rather than the general provisions of the California Government Code or the City's Investment Policy.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment in One Issuer
State of California Local Agency Investment Fund	Upon Demand	N/A	As permitted by LAIF (currently \$75 million per account)	N/A
San Mateo County Investment Pool	Upon Demand	N/A	As permitted by County Treasurer (currently no limit)	N/A
U.S. Treasury Bonds, Notes and Bills	5 years	N/A	100%	N/A
U.S. Government Agency and Federal Agency Securities	5 years	N/A	100%	N/A
Mortgage Securities or Mortgage-Backed Securities	5 years	(C)	20%	N/A
Bankers Acceptances	180 days	N/A	40%	(B)
Commercial Paper	270 days	Highest letter and number rating by an NRSRO	25%	(A)
Negotiable Certificates of Deposit	5 years	N/A	30%	N/A
Time Certificates of Deposit - Banks or Savings and Loans	5 years	N/A	50%	N/A
Medium Term Corporate Notes	5 years	A	30%	N/A

(A) 10% of outstanding paper of issuing corporation.

(B) No more than 30% of the agency's money may be in bankers' acceptances of any one commercial bank.

(C) Securities eligible for investment under this subdivision shall be rated in a rating category of "AA" or its equivalent or better by an NRSRO.

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 – CASH AND INVESTMENTS (Continued)

d. Investments Authorized by Debt Agreements

The City must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if the City fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with City resolutions, bond indentures or State statutes. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements.

Authorized Investment Type	Minimum Credit Quality
Securities of the U.S. Government or its agencies	None
Time certificates of deposit	None
Bankers acceptances	None
Commercial paper	A1
California Local Agency Investment Fund	None
Repurchase agreements	None
Small Business Administration loans	None
Money market funds	AAA-m (1)
Negotiable certificates of deposit	None
Investment agreement	None
Tax-exempt obligations	AAA

(1) San Carlos RDA 2018 TAB

e. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City's investment policy is to hold investments to maturity to mitigate the interest rate risk. Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity or earliest call date.

Investment Type	12 Months or less	Total
San Mateo County Investment Pool	\$ 84,509,110	\$ 84,509,110
California Local Agency Investment Fund	74,934,313	74,934,313
California Asset Management Program	1,140,627	1,140,627
Total Investments	<u>\$ 160,584,050</u>	160,584,050
Cash in bank and cash on hand		<u>7,063,523</u>
Total Cash and Investments		<u>\$ 167,647,573</u>

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 – CASH AND INVESTMENTS (Continued)

f. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City’s investment policy, or debt agreements, and the actual rating, by Standard and Poor’s, as of June 30, 2021 for each investment type.

Investment Type	Total
Not rated:	
California Local Agency Investment Fund	\$ 74,934,313
San Mateo County Investment Pool	84,509,110
California Asset Management Program	1,140,627
Total Investments	160,584,050
Cash in bank and cash on hand	7,063,523
Total Cash and Investments	\$ 167,647,573

g. Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure fair value of the assets: 1) Level 1 inputs are quoted prices in an active market for identical assets; 2) Level 2 inputs are significant other observable inputs; and 3) Level 3 inputs are significant unobservable inputs.

The following is a summary of the fair value hierarchy of the fair value of investments of the City as of June 30, 2021.

Investment Type	Exempt	Total
Investments by Fair Value:		
California Local Agency Investment Pool	\$ 74,934,313	\$ 74,934,313
San Mateo County Investment Pool	84,509,110	84,509,110
Total Investments at Fair Value	\$ 159,443,423	159,443,423
Investments Measured at Net Asset Value:		
California Asset Management Program		1,140,627
Total Investments		160,584,050
Cash in banks		7,063,523
Total Cash and Investments		\$ 167,647,573

Both the California Local Agency Investment Fund and the San Mateo County Investment Pool are external investment pools measured at fair value and exempt in the fair value hierarchy under GASB No. 72, Fair Value Measurement and Application.

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 – CASH AND INVESTMENTS (Continued)

h. Local Agency Investment Fund

The City is a participant in the Local Agency Investment Fund (“LAIF”) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain State funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2021, these investments have an average maturity of 291 days.

i. San Mateo County Investment Fund

The City is a voluntary participant in the San Mateo County Investment Fund (“SMCIF”) that is regulated by California Government Code Section 53684 under the oversight of the Treasurer of the County of San Mateo. The City reports its investment in SMCIF at the fair value amount provided by SMCIF. The balance available for withdrawal is based on the accounting records maintained by SMCIF, which are recorded on an amortized cost basis. Included in SMCIF's investment portfolio are U.S. Treasury Notes, obligations issued by agencies of the U.S. Government, LAIF, corporate notes, commercial paper, collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. The City reports its investments in SMCIF at the fair value amounts provided by SMCIF, which is the same as the value of the pool share.

j. California Asset Management Program

The City is a voluntary participant in the California Asset Management Program (“CAMP”). CAMP is an investment pool offered by the California Asset Management Trust (“the Trust”). The Trust is a joint powers authority and public agency created by a Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Sections 6500 et seq., or the Act) for the purpose of exercising the common power of its participants to invest certain proceeds of debt issues and surplus funds. CAMP's investments are limited to investments permitted by subdivisions (a) to (n), inclusive, of Section 53601 of the California Government Code.

The City reports its investments in CAMP at the fair value amounts provided by CAMP, which is the same as the value of the pool share. At June 30, 2021, the fair value approximated was the City's cost.

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 – CASH AND INVESTMENTS (Continued)

k. Custodial Credit Risk

Custodial credit risk for deposits is the risk that the City will not be able to recover its deposits or will not be able to recover collateral securities in the possession of an outside party if a depository institution fails. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit exposure to custodial credit risk for deposits or investments, other than the following provision applicable to deposits.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

The fair value of pledged securities must equal at least 110% of the City's cash deposits. State law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The City, however, has not waived the collateralization requirements.

NOTE 3 – LOANS RECEIVABLE

a. Down Payment Assistance Loan ("DAL" Program)

The City's former Redevelopment Agency previously offered first time home buyers, who qualified as having low and moderate income, loans for use as a down payment on the purchase of a home. The loans bore an interest rate of 3% and were secured by second deeds of trust on the underlying property. No payments were due until five years after the date of purchase, at which time the buyer had the option of converting the loan into shared equity in the property or extending the loan for an additional 10 years with monthly payments and a balloon payment for the unpaid balance at the end of the 10-year term. On February 1, 2012, this receivable was transferred to the City when it took over the housing function of the Redevelopment Agency upon dissolution. At June 30, 2021, the City has recorded a receivable totaling \$195,752 for loans given out to five buyers.

On April 27, 2009, the City Council approved revisions to the terms of the program DAL for the first time home buyer program. Payments are deferred for the term of the loan. Homeowners of units other than a Below Market Rate unit and/or any unit subject to a resale restriction agreement are required to pay shared appreciation in addition to the repayment of principal and accrued interest at the time the DAL Program loan repayment is due. Interest rate and loan term remain unchanged. At June 30, 2021, the City has recorded a receivable totaling \$338,774 for loans given out to five buyers, consisting of \$247,000 in principal and \$91,774 in accrued interest.

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 – LOANS RECEIVABLE (Continued)

b. Disposition, Development and Loan Agreement (817 Walnut Street)

On June 19, 2020, the City of San Carlos and Walnut Street, L.P. entered a Disposition, Development and Loan Agreement (“DDLA”). The purpose of the DDLA is to effectuate the Redevelopment Plan for the San Carlos Redevelopment Project by developing housing affordable to extremely low income households. Although Assembly Bill x1 26 dissolved the San Carlos Redevelopment Agency (“Former Agency”) effective February 1, 2012, the City elected to retain the authority to perform housing functions previously performed by the Former Agency as permitted by Section 34176.

The development of the site has 24 units of multi-family rental housing (the “improvement”), of which 6 units will be restricted to 30% of the Area Median Income (AMI), 6 units will be restricted to 40% of AMI, 6 units will be restricted to 50% of AMI, and 5 units will be restricted to 60% of AMI for a 75-year term. The City shall convey the leasehold interest in the Property under the terms of the Lease to the Tenant for one dollar (\$1) per annum for a 75-year period. In addition, the land will remain with the City at the end of the lease term. The improvements will be financed through a City loan in the approximate amount of \$7.3 million and other public financing and private lender construction and permanent financing. The City loan shall accrue compounding interest at four percent annually, and shall be repaid annually from residual receipts, if any. The loan will be payable in full at the end of loan term. The initial disbursement of \$4 million was made to the developer on June 15, 2020. At June 30, 2021, the total outstanding principal and interest was \$4,166,838.

As a result, the City recorded a loan receivable in the amount of \$4 million in fiscal year 2021, and restated by increasing the beginning fund balances of Housing Capital Project Fund by the same amount.

NOTE 4 – INTERFUND TRANSACTIONS

a. Transfers Between Funds

The purpose of the majority of transfers is to move resources from one fund to another. Less often, a transfer may be made to open or close a fund.

Transfers between funds during the fiscal year ended June 30, 2021 were as follows:

Fund Receiving Transfer	Fund Making Transfer	Amount Transferred
General Fund	Sewer Enterprise Fund	\$ 633,400 (A)
Capital Improvement Fund	General Fund	1,515,000 (B)
Non-Major Governmental Fund	General Fund	4,795,000 (B)
	Capital Improvement Fund	125,000 (B)
	Non-Major Governmental Fund	1,438,750 (B)
Total Interfund Transfers		\$ 8,507,150

(A) Sewer right of way

(B) To fund capital projects, equipment, and technology replacement

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 – CAPITAL ASSETS

Capital assets of Governmental Activities as of June 30, 2021 consisted of the following:

	Balance at June 30,2020	Additions	Retirements	Transfers	Balance at June 30,2021
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 62,344,159	\$ 395	\$ -	\$ -	\$ 62,344,554
Rights of way	2,413,714	-	-	-	2,413,714
Construction in progress	15,668,737	8,454,142	(1,463,305)	(9,377,071)	13,282,503
Total non-depreciable assets	<u>80,426,610</u>	<u>8,454,537</u>	<u>(1,463,305)</u>	<u>(9,377,071)</u>	<u>78,040,771</u>
Capital assets being depreciated:					
Buildings and improvements	42,171,518	16,696,165	(1,118,675)	4,099,219	61,848,227
Equipment	6,408,422	215,646	(15,922)	72,821	6,680,967
Infrastructure	71,099,467	2,652,356	(155,375)	5,205,031	78,801,479
Total capital assets being depreciated	<u>119,679,407</u>	<u>19,564,167</u>	<u>(1,289,972)</u>	<u>9,377,071</u>	<u>147,330,673</u>
Less accumulated depreciation for:					
Buildings	(19,188,263)	(1,443,277)	410,182	-	(20,221,358)
Equipment	(3,920,023)	(341,985)	15,922	-	(4,246,086)
Infrastructure	(22,452,839)	(945,054)	155,375	-	(23,242,518)
Total accumulated depreciation	<u>(45,561,125)</u>	<u>(2,730,316)</u>	<u>581,479</u>	<u>-</u>	<u>(47,709,962)</u>
Net capital assets being depreciated	<u>74,118,282</u>	<u>16,833,851</u>	<u>(708,493)</u>	<u>9,377,071</u>	<u>99,620,711</u>
Capital assets, net	<u>\$ 154,544,892</u>	<u>\$ 25,288,388</u>	<u>\$ (2,171,798)</u>	<u>\$ -</u>	<u>\$ 177,661,482</u>

a. Donated Capital Assets

Wheeler Plaza Parking Garage

On September 6, 2013, the City entered into Disposition and Development Agreement with Silverstone Development – Northern California, LLC (Developer) for the development of the Wheeler Plaza Project. Pursuant to the Agreement, the Developer acquired the property from the City and the Successor Agency to construct the multi-story mixed-use building. The Agreement provides for the conveyance back to the City of a separate condominium space following completion of construction of the parking garage, at no cost to City. The public parking is subject to City regulations and limitations. Two levels of the parking garage contain 254 parking spaces which were conveyed to the City to use as public parking on February 11, 2021. The cost for each parking space was based on the 2018 Downtown Parking Study and the total value of \$8,599,900 is being capitalized as donated capital assets.

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 – CAPITAL ASSETS (Continued)

817 Walnut Street Improvements

On June 11, 2020, the City of San Carlos (“Lessor”) and Walnut Street, L.P. (“Lessee”) entered into a Ground Lease Agreement (“Lease”). The new affordable housing development includes one 4-story residential building and associated parking on City owned property that will be leased to the developer under a long-term ground lease. This residential development contains 23 affordable housing units and 1 manager’s unit. The Lease requires the City to convey the leasehold of the property (the “Improvements”) to the Lessee at a maximum value of \$1 per year for 75 years, and, as additional consideration, requires the Lessee to construct or cause construction of specific improvements to the site. The Improvement is financed through a City loan and proceeds generated from the sale of limited partnership interests in the Lease and private lender construction and permanent financing. At the end of Lease term, the property will remain under the City’s ownership. The estimated reuse value of the property is approximately \$14 million based on a developer pro forma of the total development cost built as required by the Disposition, Development, and Loan Agreement (“DDLA”). At June 30, 2021, the construction costs incurred for the improvement were \$7,879,899. This amount is being capitalized as donated capital assets. The total estimated costs once completed is \$15 million and the project is anticipated to be completed in October 2021.

b. Depreciation

Depreciation expense was charged to governmental functions based on the use of the related assets. The amounts allocated to each function or program are as follows:

Governmental Activities:

General Government	\$ 368,291
Public Safety	170,863
Public Works	1,188,509
Community Development	154,871
Parks and Recreation	<u>847,782</u>
Total Governmental Activities	<u><u>\$ 2,730,316</u></u>

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 – CAPITAL ASSETS (Continued)

b. Business Activities

	Balance at June 30, 2020	Additions	Balance at June 30, 2021
Business-type Activities:			
Capital assets not being depreciated:			
Land	\$ 153,734	\$ -	\$ 153,734
Total non-depreciable assets	153,734	-	153,734
Capital assets being depreciated:			
Equipment	1,938,467	6,479	1,944,946
Sewer network system	40,436,699	3,073,301	43,510,000
Total capital assets being depreciated	42,375,166	3,079,780	45,454,946
Less accumulated depreciation for:			
Equipment	(1,546,256)	(111,734)	(1,657,990)
Sewer network system	(8,912,667)	(1,208,365)	(10,121,032)
Total accumulated depreciation	(10,458,923)	(1,320,099)	(11,779,022)
Net capital assets being depreciated	31,916,243	1,759,681	33,675,924
Capital assets, net	<u>\$ 32,069,977</u>	<u>\$ 1,759,681</u>	<u>\$ 33,829,658</u>

Depreciation expense of \$1,320,099 was charged to the Sewer Enterprise Fund as of June 30, 2021.

NOTE 6 – PROPERTY HELD FOR RESALE

Property held for resale is stated at the lower of historical cost or net realizable value (equal to agreed-upon sales price if a disposition and development agreement has been reached with a developer).

The City has four properties held for resale. The properties are reported in governmental activities in the Statement of Net Position as Property Held for Resale. The carrying value at June 30, 2021 shown on the table below.

Date of Purchase	Property Name	Property Address	Amount
2/12/2012	Low Income Housing Unit	633 Elm St #305, San Carlos	\$ 354,999
2/28/2017	Low & Moderate Income Housing Unit	633 Elm St #405, San Carlos	377,987
10/17/2017	Low & Moderate Income Housing Unit	1001 Laurel St #207, San Carlos	239,843
5/10/2021	Low & Moderate Income Housing Unit	1001 Laurel St #225, San Carlos	497,801
		Total Value	<u>\$ 1,470,630</u>

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 7 – LONG-TERM LIABILITIES

The City's debt issues and transactions are summarized below and discussed in detail thereafter.

	Balance June 30, 2020	Additions	Retirements	Balance June 30, 2021	Due Within One Year
Governmental Activities					
Compensated absences	\$ 816,388	\$ 528,390	\$ (410,901)	\$ 933,877	\$ 560,326
Claims liability	611,700	222,158	(223,858)	610,000	283,000
2015 Refunding General Obligation Bonds	3,065,000	-	(365,000)	2,700,000	390,000
Bond Premiums	101,658	-	(14,523)	87,135	14,523
Total Governmental Activities	\$ 4,594,746	\$ 750,548	\$ (1,014,282)	\$ 4,331,012	\$ 1,247,849

a. 2015 Refunding General Obligation Bonds

The 2015 Refunding Bonds were issued under a resolution adopted by the City Council on February 9, 2015 to refinance the outstanding City of San Carlos 2005 General Obligation Refunding Bonds, which were issued on December 20, 2005 in the aggregate principal amount of \$8,115,000. The 2005 General Obligation Bonds were refunded with the issuance of the 2015 General Obligation (“GO”) Bonds. The original proceeds from the bonds were used for the construction of the City’s public library.

The 2015 Refunding Bonds are general obligations of the City payable solely from ad valorem property taxes levied by the City and collected by the County. The total principal and interest remaining to be paid on the bonds is \$2,700,000 and \$172,550 respectively. Principal and interest paid for the current fiscal year and total ad valorem property tax revenues were \$428,375 and \$344,628 respectively.

The total cash flow savings including the application of the excess tax revenues of \$1,483,637 were \$2,498,038 and the net present value of the savings resulted in an economic gain of \$777,443. The refunding resulted in a \$19 savings for the average residential homeowner, which reduced the GO Bond tax from \$47 to \$28. Estimated savings will change over time with the growth in the City’s assessed value, but is estimated to average \$17 for the 11 years that a 2015 GO Bond tax rate is required. Total estimated savings to the average residential homeowner is \$182.

Interest on Refunding GO Bonds accrues from the date of delivery and is payable semi-annually on February 1 and August 1, commencing August 1, 2015, and ranging from 3% to 2%. Principal payments are due annually on August 1.

The bond covenants contain events of default that require the revenue of the City to be applied by the Trustee as specified in the terms of the agreement if any of the following conditions occur: default on debt service payments; the failure of the City to observe or perform the conditions, covenants, or agreement terms of the debt; bankruptcy filing by the City; or if any court of competent jurisdiction shall assume custody or control of the City. No such events occurred during the fiscal year ending June 30, 2021.

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 7 – LONG-TERM LIABILITIES (continued)

Annual debt service requirements for the 2015 Refunding GO Bonds are shown below.

For the Year Ending June 30	Principal	Interest	Total
2022	\$ 390,000	\$ 52,050	\$ 442,050
2023	415,000	42,050	457,050
2024	435,000	33,550	468,550
2025	460,000	24,600	484,600
2026	485,000	15,150	500,150
2027	515,000	5,150	520,150
Total	<u>\$ 2,700,000</u>	<u>\$ 172,550</u>	<u>\$ 2,872,550</u>

NOTE 8 – COMPENSATED ABSENCES

The changes in compensated absences for the year ending June 30, 2021 are as follows:

	Balance June 30, 2020	Additions	Retirements	Balance June 30, 2021	Due Within One year
Governmental Activities:					
Compensated absences	\$ 816,388	\$ 528,390	\$ (410,901)	\$ 933,877	\$ 560,326
Total Governmental Activities	<u>\$ 816,388</u>	<u>\$ 528,390</u>	<u>\$ (410,901)</u>	<u>\$ 933,877</u>	<u>\$ 560,326</u>
Business-Type Activities:					
Compensated absences	\$ 73,328	\$ 62,242	\$ (51,403)	\$ 84,167	\$ 50,500
Total Business-type Activities	<u>\$ 73,328</u>	<u>\$ 62,242</u>	<u>\$ (51,403)</u>	<u>\$ 84,167</u>	<u>\$ 50,500</u>

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 – FUND BALANCES

a. Fund Balance

Detailed classifications of the City’s Fund Balances as of June 30, 2021 are below.

Fund Balance Classifications	General Fund	Capital Project Funds		Other Governmental Funds	Total
		Capital Improvement	Housing		
Nonspendable:					
Inventory and prepaids	\$ 309,293	\$ -	\$ -	\$ -	\$ 309,293
Total Nonspendable Fund Balances	309,293	-	-	-	309,293
Restricted for:					
Police grants	-	-	-	349,737	349,737
City parks	-	-	-	2,277,643	2,277,643
Traffic management	-	-	-	707,216	707,216
National Pollutant Discharge Elimination System	-	-	-	669,949	669,949
Street maintenance	-	-	-	4,828,207	4,828,207
Debt service	-	-	-	936,862	936,862
Housing	-	-	20,125,582	-	20,125,582
Total Restricted Fund Balances	-	-	20,125,582	9,769,614	29,895,196
Committed to:					
Library tenant activities	-	-	-	2,811,931	2,811,931
Parking lot improvements	-	-	-	402,491	402,491
Equipment replacement	-	-	-	3,514,867	3,514,867
Capital projects	-	30,316,158	-	-	30,316,158
Strategic property acquisitions	7,191,795	-	-	-	7,191,795
Economic uncertainties reserve	7,317,932	-	-	-	7,317,932
Total Committed Fund Balances	14,509,727	30,316,158	-	6,729,289	51,555,174
Assigned to:					
Unfunded liabilities	2,000,000	-	-	-	2,000,000
Facility/infrastructure improvements	17,341,500	-	-	-	17,341,500
Total Assigned Fund Balances	19,341,500	-	-	-	19,341,500
Unassigned:					
General Fund	3,542,557	-	-	-	3,542,557
Total Unassigned Fund Balances	3,542,557	-	-	-	3,542,557
Total Fund Balances	\$ 37,703,077	\$ 30,316,158	\$ 20,125,582	\$ 16,498,903	\$ 104,643,720

As disclosed in Note 3b, on June 15, 2020, the City lent the developer \$4 million for 817 Walnut Street project. As a result, the City recorded a loans receivable of \$4 million in the fiscal year 2021, and restated by increasing the beginning fund balance for the Housing Capital Projects Fund for the amount of \$4 million. The Statement of Net Position for Governmental Activities was also restated and increased in the same amount.

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 – FUND BALANCES (Continued)

b. Fund Balance Commitments

The City has the following committed fund balances shown on the governmental balance sheet:

Economic Uncertainties: General Fund committed fund balance for Economic Uncertainties equal to a minimum of 12.5% of the General Fund expenditures with a target of increasing to 20% of General Fund expenditures.

Once established, appropriations from the Economic Uncertainties fund balance commitment can only be made by formal action of the City Council. Generally, appropriations and access to these funds will be reserved for emergency situations. Examples of such emergencies include, but are not limited to: catastrophic disaster (declared by Governor); budgeted revenue taken by another government entity; or a more than 5% drop in projected revenue to the General Fund. The balance as of June 30, 2021 was \$7,317,932, or 18% of total General Fund operating expenditures.

Strategic Property Acquisitions: General Fund committed fund balance for Strategic Property Acquisitions accumulates funds from the proceeds of sales of City properties, as directed by the City Manager or City Council.

Once established, appropriations from the Strategic Property Acquisitions Reserve fund balance commitment can only be made by formal action of the City Council. Generally, appropriations and access to these funds will be reserved for funding strategic property acquisitions by the City. The balance as of June 30, 2021 was \$7,191,795.

Equipment and Vehicle Replacement Reserves: A Replacement Fund is maintained as a separate fund for budgetary purposes to fund the replacement costs of existing non-sewer-related vehicles, major equipment, and information technology items when they reach the end of their useful lives. Sewer-related items will be maintained in the Wastewater Fund. The Replacement Fund is analyzed by staff at least annually as part of the budget update process for changes in assets, useful lives, estimated replacement costs, and appropriate funding levels. This fund is to be maintained at a level sufficient to fund 100% of the assets, based on estimated replacement costs and useful lives. The balance as of June 30, 2021 was \$3,514,867.

The City also has commitments for community development projects, general government, and capital projects totaling \$33,530,580.

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 – FUND BALANCES (Continued)

c. Closure of the Agency Funds and Restatement of Fiduciary Funds Net Position

The City implemented the provisions of Governmental Accounting Standards Board Statement No. 84 – Fiduciary Activities during the year ended June 30, 2021. As a result, the activities of the former agency funds are now reported as custodial funds in the fiduciary funds statements. Custodial funds beginning net position at July 1, 2020, was restated and increased by \$28,611,734.

As noted in Note 3b, the City recorded a loan receivable in the amount of \$4 million in fiscal year 2021, and restated by increased the beginning fund balance of the Housing Capital Project Fund by the same amount.

NOTE 10 – NET PENSION LIABILITY

a. California Public Employees’ Retirement System (“CalPERS”) Plan

Description of Plan

The City of San Carlos Miscellaneous Plans Tier 1, Tier 2, Tier 3 and Public Employees’ Pension Reform Act of 2013 (“PEPRA”), all Safety Plans (Safety Police and Safety Fire) and Safety PEPRA are all cost-sharing multiple-employer defined benefit pension plans (the “Cost-Sharing Plans”) administered by CalPERS. All qualified permanent and probationary employees are eligible to participate in the City’s Cost-Sharing Plans. Benefit provisions under the Cost-Sharing Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include full descriptions of each of the Cost-Sharing Plans regarding benefit provisions, assumptions and membership information. These reports can be found on the CalPERS website: www.calpers.ca.gov.

For the year ended June 30, 2021, the total pension expense for the Safety, Miscellaneous and PARS Longevity Plans amounted to \$5,701,781.

Below is a summary of the deferred outflows of resources, net pension liabilities and deferred inflows of resources by Plan:

	Deferred Outflows of Resources	Net Pension Liability	Deferred Inflows of Resources
CalPERS Plans:			
Safety	\$ 3,914,455	\$ 20,988,636	\$ 1,079,906
Miscellaneous	8,221,920	12,569,004	5,872,055
PARS Longevity Plan	726,676	7,008,726	10,224
Total	<u>\$ 12,863,051</u>	<u>\$ 40,566,366</u>	<u>\$ 6,962,185</u>

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10 – NET PENSION LIABILITY (Continued)

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at an age as early as 50 in the Cost-Sharing Plans with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit; the 1957 Survivor Benefit; or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

PEPRA requires new benefits and member contributions for new members as defined by PEPRA that are hired after January 1, 2013. These PEPRA members in pooled plans are reflected in the new Miscellaneous and Safety risk pools created by the CalPERS Board in response to the passage of PEPRA, beginning with the June 30, 2013 risk-pool valuations. Therefore, pursuant to PEPRA, the Miscellaneous "Classic" plan is closed to new entrants as of January 1, 2013.

The provisions and benefits of each plan in effect at June 30, 2021 are summarized as follows:

	<i>City Miscellaneous Plans</i>			
	<u><i>Tier 1</i></u>	<u><i>Tier 2</i></u>	<u><i>Tier 3</i></u>	<u><i>PEPRA</i></u>
Hire date	Prior to March 16, 2009	Prior to April 23, 2012	On or after April 23, 2012	On or after January 1, 2013
Benefit formula	2.7% @ 55	2.5% @ 55	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Benefit amount calculated	Single highest year	Single highest year	3 year average	3 year average
Retirement age	50 and up	50 and up	50 and up	52 and up
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	2.0% to 2.5%	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	8%	8%	7%	7.0%
Required employer contribution rates	14.508%	12.672%	10.801%	7.794%
	<u><i>City Safety Plans</i></u>			
	<u><i>Tier 1</i></u>	<u><i>PEPRA</i></u>		
Hire date	On or after October 23, 2011	On or after January 1, 2013		
Benefit formula	2% @ 50	2.7% @ 57		
Benefit vesting schedule	5 years service	5 years service		
Benefit payments	monthly for life	monthly for life		
Benefit amount calculated	3 year average	3 year average		
Retirement age	50 and up	50 and up		
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	2.0% to 2.7%		
Required employee contribution rates	9%	13%		
Required employer contribution rates	18.152%	13.044%		

Beginning in fiscal year 2016, CalPERS collects employer contributions for the plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability ("UAL"). The dollar amounts are billed on a monthly basis. In the current fiscal year, the City's required contributions for the UAL in the Miscellaneous and Safety Plans were \$671,359 and \$1,805,100, respectively.

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10 – NET PENSION LIABILITY (Continued)

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law (“PERL”) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for all Miscellaneous Plans and Safety Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the cost 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.

For the year ended June 30, 2021, the contributions recognized as part of pension expense for each plan were as follows:

	Safety	Miscellaneous	Total
Contributions - employer	\$ 1,830,722	\$ 1,587,675	\$ 3,418,397

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of the June 30, 2020 measurement date, the City reported net pension liabilities for its proportionate share of the net pension liability of each Miscellaneous and Safety Plan as follows:

	Proportionate Share of Net Pension Liability
Safety	\$ 20,988,636
Miscellaneous	12,569,004
Total Net Pension Liability	\$ 33,557,640

The City’s net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans were measured as of June 30, 2020, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. The City’s 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 of all participating employers, actuarially determined. The City’s proportionate share of the net pension liability for each Plan as of June 30, 2019 and 2020 was as follows:

Proportion - June 30, 2020	0.30842%
Proportion - June 30, 2019	0.37587%
Change Increase/(Decrease)	-0.06745%

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10 – NET PENSION LIABILITY (Continued)

For the year ended June 30, 2021, the City recognized a pension expense of \$5,286,765 for the CalPERS Plan. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Safety		Miscellaneous		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$ 1,830,722	\$ -	\$ 1,587,675	\$ -	\$ 3,418,397	\$ -
Differences between actual and expected experience	1,627,562	-	647,718	-	2,275,280	-
Changes in assumptions	-	(69,914)	-	(89,647)	-	(159,561)
Net differences between projected and actual earnings on plan investments	456,171	-	373,382	-	829,553	-
Difference in actual contributions and proportion contributions	-	(358,163)	5,492,402	(306,650)	5,492,402	(664,813)
Change in proportion and differences between actual contributions and proportionate share of contributions	-	(651,829)	120,743	(5,475,758)	120,743	(6,127,587)
Total	\$ 3,914,455	\$ (1,079,906)	\$ 8,221,920	\$ (5,872,055)	\$ 12,136,375	\$ (6,951,961)

In the table above, the \$3,418,397 reported as deferred outflows of resources related to contributions subsequent to the measurement date of June 30, 2020 but before the end of the City's reporting period ended June 30, 2021, will be recognized as a reduction of the net pension liabilities in the subsequent fiscal year 2022 rather than in the current fiscal year 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Safety	Miscellaneous	Total
	Annual Amortization	Annual Amortization	
2022	\$ (86,897)	\$ (4,544)	\$ (91,441)
2023	467,974	290,345	758,319
2024	394,182	297,304	691,486
2025	228,568	179,085	407,653
Total	\$ 1,003,827	\$ 762,190	\$ 1,766,017

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10 – NET PENSION LIABILITY (Continued)

Actuarial Assumptions

The total pension liabilities in the actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method in accordance with the requirement of GASB 68
Discount Rate	7.15%
Inflation Rate	2.50%
Salary Increases	(1)
Investment Rate of Return	7.15% (2)
Mortality Rate Table	Derived using CalPERS' membership data for all Funds (3)
	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance
Post Retirement Benefit Increase	Floor on purchasing power applies, 2.50% thereafter

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

(3) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2019 valuation were based on the results of a December 2017 actuarial experience study for the period 1997 to 2015. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability for the Plan was 7.15%. The projection of cash flows used to determine the discount rate for the Plan assumed that contributions from all plan members in the Public Employees Retirement Fund (PERF) 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.

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

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10 – NET PENSION LIABILITY (Continued)

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

The table below reflects the expected real rates of return by asset class.

Asset Class (a)	Current Target Allocation	Real Return Years 1 - 10(b)	Real Return Years 11+(c)
Global Equity	50%	4.80%	5.98%
Fixed Income	28%	1.00%	2.62%
Inflation Assets	-	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Assets	13%	3.75%	4.93%
Liquidity	1%	-	-0.92%
Total	<u>100%</u>		

(a) In the CalPERS Comprehensive Annual Financial Report, Fixed Income is included in the Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

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

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

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

The following presents the City's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Discount Rate		
	1% Decrease 6.15%	Current 7.15%	1% Increase 8.15%
Safety	\$ 28,988,895	\$ 20,988,636	\$ 14,423,666
Miscellaneous	23,229,323	12,569,004	3,760,717

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10 – NET PENSION LIABILITY (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

b. Public Agency Retirement Services ("PARS") Longevity Recognition Plan

Plan Description and Benefits

The City sponsors an agent multiple-employer Longevity Recognition Defined Benefit Plan ("Plan") for its retirees. All full-time employees hired before January 1, 2009 are eligible for a longevity recognition benefit if they retire from the City with a CalPERS pension and with at least 10 years of City service. All AFSCME (formerly known as Clerical and Mid-Management) and Teamsters employees hired on or after January 1, 2009 and before the following exclusion dates depending on bargaining group are eligible for a longevity recognition benefit if they retire from the City with a CalPERS pension and with at least 15 years of City service.

<u>Bargaining Group</u>	<u>Exclusion Date</u>
AFSCME (formerly known as Mid-Management)	December 13, 2010
AFSCME (formerly known as Clerical)	February 28, 2011
Teamsters	March 28, 2011

Employees hired by the City before January 1, 2009 receive a monthly payment equal to the Internal Revenue Code (IRC) Section 125 Plan benefit for active Miscellaneous employees and the former fire service employees with single coverage (\$943.12 per month for 2021) subject to future annual increases. The cap for retirees from the former Police Department has been \$718.11 since 2011 and is not expected to be increased.

Eligible employees hired by the City after January 1, 2009 and before the exclusion date for their respective bargaining groups will receive a monthly payment of \$350 per month with no future increases upon retirement.

The longevity recognition benefit is payable for the retiree's lifetime. No continuation of longevity benefits are payable to surviving spouses or dependents. No employees hired after the above exclusion dates are eligible for longevity benefits.

Participants Covered

As of the measurement date, June 30, 2020, the number of participants is as follows: 27 active and 46 retirees.

Contributions

During the year ended June 30, 2021, the contributions totaled \$638,000.

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10 – NET PENSION LIABILITY (Continued)

Net Pension Liability

The net pension liability for the Plan is measured as the total pension liability, less the Plan's fiduciary net position. A summary of the actuarial assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions and Discount Rate

Actuarial Methods and Assumptions	
Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age normal cost, level percent of pay
Asset Valuation Method	Market value of assets
Discount Rate	6.0% as of June 30, 2020 and June 30, 2019
Inflation Rate	2.50% per year
Salary Increase	3.0% per year, used only to allocate the cost of benefits between service years
Investment Rate of Return	6.0% as of June 30, 2020 and June 30, 2019 net of plan investment expenses
Demographic Assumptions	Rates of retirement, disability and other terminations are based on the CalPERS 2017 experience study using data from 1997 to 2015, except for a different basis used to project future mortality improvements
Mortality Improvements	The representative mortality rates were those published by MacLeod Watts Scale 2020 applied generationally from 2015

Changes in the Net Pension Liability

The changes in the June 30, 2020 measurement date are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2019	\$ 10,497,090	\$ 3,479,535	\$ 7,017,555
Changes in the year:			
Service cost	123,724	-	123,724
Interest on the total pension liability	623,837	-	623,837
Contribution - employer	-	630,300	(630,300)
Net investment income	-	126,101	(126,101)
Administrative expenses	-	(11)	11
Differences due to plan experience	-	-	-
Change of assumptions	-	-	-
Benefit payments	(447,071)	(447,071)	-
Net changes	<u>300,490</u>	<u>309,319</u>	<u>(8,829)</u>
Balance at June 30, 2020	<u>\$ 10,797,580</u>	<u>\$ 3,788,854</u>	<u>\$ 7,008,726</u>

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10 – NET PENSION LIABILITY (Continued)

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

The following presents the City’s proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Discount Rate		
	1% Decrease	Current	1% Increase
	5.00%	6.00%	7.00%
Net Pension Liability	\$ 8,431,905	\$ 7,008,726	\$ 5,831,727

Pension Plan Fiduciary Net Position

Detailed information about each pension plans’ fiduciary net position is available in the separately issued PARS financial reports.

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension

For the year ended June 30, 2021, the City recognized pension expense of \$415,016 for the PARS Longevity Recognition Plan. At June 30, 2021, the City reported the following related to this Plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$ 638,000	\$ -
Differences between actual and expected experience	-	(563)
Changes in assumptions	-	(9,661)
Net differences between projected and actual earnings on plan investments	88,676	-
Total	\$ 726,676	\$ (10,224)

The \$638,000 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Annual Amortization
2022	\$ 12,998
2023	27,568
2024	20,254
2025	17,632
Total	\$ 78,452

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS

a. Provisions and Benefits

OPEB Healthcare: During fiscal year 2009, the City joined the California Employers' Retiree Benefit Trust ("CERBT"), an agent multiple-employer plan administered by CalPERS, consisting of an aggregation of single-employer plans. City Council authorized a deposit of \$1,575,000 with CERBT on October 10, 2008 to begin funding its Other Post-Employment Benefits ("OPEB") liability.

By Council resolution and through agreements with its labor units, the City provides certain health care benefits for retired employees (spouse and dependents are not included) under Public Employees' Medical Healthcare Act ("PEMHCA"). A summary of eligibility and retiree contribution requirements are described below:

Employees are eligible for retiree health benefits if they retire from the City with a CalPERS pension.

For retirees who retired on or before December 31, 2008, the City will reimburse the retiree only premium, up to the active employee single cap. The cap amount for miscellaneous is \$943.12 per month for 2021. The cap amount for retirees from the former Police Department is \$718.11 and is not expected to be increased.

The City will continue to pay the CalPERS minimum contribution for surviving spouses of retirees as long as they remain enrolled in a health plan sponsored by CalPERS (PEMHCA).

For employees retiring on or after January 1, 2009 from the City of San Carlos who choose to enroll in a CalPERS retiree health plan, the City contributes the minimum monthly premium amount specified by CalPERS towards the cost of CalPERS (PEMHCA) medical premiums. The minimum is \$143 per month for 2021.

As of June 30, 2021, 71 retired employees participated in the retiree healthcare benefits. Additionally, 83 current employees have met the criteria for the retiree healthcare benefits and are eligible to participate in the program if they retire from the City of San Carlos in future years.

b. Employees Covered

Membership in the plan consisted of the following at June 30, 2021:

Active employees	83
Inactive employees, spouses, or beneficiaries currently receiving benefit payments	71
Inactive employees entitled to but not yet receiving benefit payments	<u>37</u>
Total	<u><u>191</u></u>

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

c. Net OPEB Liability

Actuarial Methods and Assumptions: The City’s net OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2019 that was rolled forward to determine the total OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Methods and Assumptions	
Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Funding Method	Entry age normal cost, level percent of pay
Assets Valuation Method	Market value of assets
Long Term Return on Assets	6.75% as of June 30, 2020 and June 30, 2019
Discount Rates	Net of plan investment expenses, trust administrative expenses, and including inflation
Salary Increase	6.75% as of June 30, 2020 and June 30, 2019
Inflation Rate	3.0% per year, used only to allocate the cost of benefits between service years
Healthcare Cost Trend Rates	2.5% per year
Mortality Improvement	5.4% in 2021, fluctuates until ultimate rate of 4% in 2076
	Macleod Watts Scale 2020 applied generationally from 2015

Discount Rate: The discount rate used to measure the Total OPEB Liability was 6.75%.

Changes in Net OPEB Liability: The changes in the Net OPEB Liability are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at Fiscal Year Ending 6/30/2020:	\$ 4,809,812	\$ 3,028,612	\$ 1,781,200
Changes Recognized for the Measurement Period:			
Service Cost	95,744	-	95,744
Interest on the total OPEB liability	316,059	-	316,059
Expected investment income	-	205,385	(205,385)
Employer Contributions	-	476,115	(476,115)
Administrative expenses	-	(1,446)	1,446
Other expenses	-	-	-
Difference between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Investment experience	-	(101,459)	101,459
Benefit payments	(446,408)	(446,408)	-
Net Changes during Fiscal Year 2021	(34,605)	132,187	(166,792)
Balance at Fiscal Year Ending 6/30/2021:	\$ 4,775,207	\$ 3,160,799	\$ 1,614,408

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

d. Sensitivity of the Net OPEB Liability

The following presents the Net OPEB Liability, as well as what the Net OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

Net OPEB Liability/(Asset)		
Discount Rate -1%	Discount Rate	Discount Rate +1%
5.75%	6.75%	7.75%
\$ 2,078,798	\$ 1,164,408	\$ 1,217,470

The following presents the Net OPEB Liability, as well as what the Net OPEB Liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

Net OPEB Liability/(Asset)		
1% Decrease	Healthcare Cost Trend Rates	1% Increase
Current Trend	Current Trend	Current Trend
\$ 1,240,779	\$ 1,614,408	\$ 2,041,523

e. OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the City recognized OPEB expense of \$107,233. As of fiscal year ended June 30, 2021, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date	\$ 432,960	\$ -
Net difference between projected and actual earnings on investments	99,973	-
Differences between actual and expected experience	-	(544,393)
Changes of assumptions	65,003	(132,444)
Total	\$ 597,936	\$ (676,837)

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

\$432,960 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2022. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as future OPEB expense as follows:

Year Ended June 30	Annual Amortization
2022	\$ (100,632)
2023	(93,800)
2024	(122,364)
2025	(133,536)
2026	(61,529)
Total	<u>\$ (511,861)</u>

NOTE 12 – RISK MANAGEMENT

a. Liability Coverage

The City participates in the Pooled Liability Assurance Network Joint Powers Authority (“PLAN JPA”), which consists of 28 member cities in the San Francisco bay area. Members of the PLAN JPA collectively share the risk of self-insured losses and purchase a broad range of risk management services including, but not limited to, program administration, accounting and finance, claims administration, risk control, loss prevention, actuarial services, training and education, and legal services to support the shared risk programs. PLAN JPA provides General Liability, Auto Liability, and Errors and Omissions coverage in excess of the City’s retained limit, or self-insured retention (“SIR”). PLAN JPA self-insures up to \$1,000,000 of general and automobile liability coverage per occurrence (minus the City’s \$100,000 self-insured retention) and \$29,000,000 in excess liability coverage per occurrence through an additional self-insurance joint powers authority (California Affiliated Risk Management Authority, “CARMA”) and through the purchase of commercial excess insurance, for a total of \$30,000,000 per occurrence.

Financial statements may be obtained from PLAN JPA, 1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833.

b. Workers' Compensation Coverage

The City participates in the Cities Group, created by a joint powers agreement to provide workers’ compensation coverage of up to \$10,000,000 per occurrence in excess of \$1,500,000 for safety officers and \$1,000,000 for miscellaneous employees. The Cities Group acts as administrator, claim adjuster, and provider of other risk management services as required by State law. Each member of the Cities Group pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the Cities Group.

Financial statements may be obtained from the Cities Group, P.O. Box 111, Burlingame, CA 94011-0111.

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12 – RISK MANAGEMENT (Continued)

c. Liability for Uninsured Claims

The City's liability for uninsured claims at June 30, 2021 was estimated by management based on the PLAN JPA's claims experience and recorded in the Liability Insurance Internal Service Fund. For the years ended June 30, 2021 and 2020, the amount of settlements did not exceed insurance coverage.

The City's liability for uninsured claims is limited to workers' compensation and general liability claims, as discussed above, and was estimated by management based on prior years' claims experience as follows for the years ended:

	June 30,	
	2021	2020
Beginning balance	\$ 611,700	\$ 532,000
Net change in liability for claims and claims paid but not reported	222,158	188,540
Claims paid	(223,858)	(108,840)
Balance at June 30	610,000	611,700
Current Portion	283,000	283,700
Long-term Portion	\$ 327,000	\$ 328,000

NOTE 13 – JOINT VENTURES

Joint Power Authorities

The City participates in joint ventures through formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, these Joint Power Authorities ("JPAs") exercise full powers and authorities within the scope of the related JPA agreements, including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts, and the right to sue and be sued. Each JPA is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective joint venture, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on that board. Obligations and liabilities of these joint ventures are not the City's responsibility and the City does not have an equity interest in the assets of each joint venture except upon dissolution of the joint venture.

a. Belmont-San Carlos Fire Department

The South County Fire Authority JPA was formed in 1979 between the Cities of San Carlos and Belmont on an equal basis to provide more efficient fire protection services for the two cities. Any assets used by the Fire Authority but owned by the member agencies prior to the creation of the Fire Authority remain the property of the members. Each member contributes its pro rata share of operating costs to the Fire Authority.

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 13 – JOINT VENTURES (Continued)

On April 12, 2010, the City Council adopted a resolution authorizing the City Manager to send notice to the Belmont Fire Protection District of the City's intent to dissolve the JPA establishing the Belmont-San Carlos Fire Department. The service termination of the Belmont-San Carlos Fire Department took effect on October 1, 2011.

As a result of the termination of service with the Belmont-San Carlos Fire Department, the City is required to make an annual contribution for: other post-employment benefits for retirees who have earned lifetime medical coverage; unfunded liabilities of the safety and miscellaneous retirement plans with CalPERS; outstanding workers' compensation claims from past employees; and liability claims or other obligations of the former Fire Department. The City's contribution during the year ended June 30, 2021 was \$1,890,787. It is anticipated that the outstanding pension obligations with CalPERS will be paid off on 6/30/2033.

b. Silicon Valley Clean Water ("SVCW")

The Silicon Valley Clean Water (formerly the South Bayside System Authority) JPA was formed in 1975 between the cities of San Carlos, Belmont, Redwood City, and the West Bay Sanitation District to operate a wastewater treatment facility. The cost of operating and maintaining the facility is divided in proportion to the volume of sewage entering from each member entity. During the year ended June 30, 2021, the City contributed \$4,029,312 toward the cost of operating and maintaining the facility and paid debt principal and interest of \$3,404,038 that included the State revolving fund loan and the financing agreements to finance the construction and rehabilitation of SVCW's wastewater system. For the fiscal year 2022, the City is obligated to pay debt principal and interest payments totaling \$3,260,587.

The condensed audited financial information of the JPA as of June 30, 2020 is as follows:

Total Assets	\$ 704,159,441
Total Deferred Outflows	11,547,297
Total Liability	(591,228,059)
Total Deferred Inflows	(1,366,694)
Total Net Position	<u>\$ 123,111,985</u>
Total Operating Revenues	\$ 63,024,743
Total Operating Expenses	(37,762,530)
Total Operating Income (Loss)	25,262,213
Other Income (Loss)	(6,911,677)
Net Income	<u>\$ 18,350,536</u>
Cumulative Agency Balances:	
Belmont	\$ 40,712,659
San Carlos	8,848,015
Redwood City	44,511,275
West Bay Sanitation District	29,040,036
Total Net Position	<u>\$ 123,111,985</u>

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 13 – JOINT VENTURES (Continued)

As of June 30, 2021, the City's direct obligation is \$85,801,146, which is related to the 2018, and 2021 Series A&B revenue bonds and 2019 WIFIA loan and revenue bonds.

The City entered into financing agreements with SVCW for repayment of the City's allocated share of the 2018, 2021A&B bonds and 2019 WIFIA in the amount of \$85,801,146. The financing agreements are secured by a pledge of the City's Sewer Enterprises Fund Net Revenue as defined under the financing agreements. For fiscal year 2021, gross Sewer Fund revenues, including operating revenues and non-operating interest earnings, amounted to \$21,195,484. The operating and maintenance costs, including operating expenses, transfers out for overhead and administrative costs (but excluding interest and depreciation or amortization) amounted to \$10,598,927. Net revenues available for debt services amounted to \$10,596,557, which represented coverage of 3.54 times over the total of debt services of \$2,994,034.

On February 1, 2018, SVCW issued the 2018 Wastewater Revenue Bonds in the amount of \$140,955,000 to finance the acquisition and construction of capital improvements to SVCW's wastewater system. Under the JPA, the City is obligated to pay its allocated share of debt service on the 2018 Bonds.

On February 1, 2018, the City entered into a Financing Agreement with SVCW for repayment of its allocated share of the 2018 Bonds in the amount of \$25,635,000 and to provide adequate security for the 2018 Bonds. The financing agreement is secured by a pledge of the City's Sewer Enterprise Fund Net Revenue as defined under the Financing Agreement. The pledge of future Net Revenue ends upon repayment of all the remaining debt service, which is scheduled to occur on August 1, 2048.

Water Infrastructure Finance and Innovation Act ("WIFIA") Loan and Revenue Notes

On May 28, 2019, the City entered into a Financing Agreement with SVCW for repayment of its allocated share of the WIFIA to finance the WIFIA program in the amount of \$33,725,000. The WIFIA loan provides funding for the construction of improvements to the wastewater treatment plant and facilities, including the Regional Environment Sewer Conveyance Upgrade Program.

On October 12, 2020, the City Council adopted Resolution 2020-074 approving the first amendment to financing agreement with SVCW, implementing a reduced interest rate on an existing WIFIA Loan from the Environment Protection Agency ("EPA"). SVCW and the EPA terminated the original WIFIA Loan Agreement and executed a new WIFIA Loan Agreement to reset the interest rate from 2.4% to 1.41% on the WIFIA Loan to reduce the interest rate payable. The reset of interest rate resulted a \$6 million net present value to the City.

2020 Financing Agreement

The 2020 Financing Agreement with SVCW is for the repayment of its allocated share of the 2021 Bonds Series A in the amount of \$23,700,000 and the 2021 Bonds Series B in the amount of \$1,140,000.

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 13 – JOINT VENTURES (Continued)

The 2021A Bonds were being issued to refund the outstanding SVCW 2014 and 2015 Bonds, and paid costs of issuing the 2021A Bonds. The 2021B Bonds were being issued to prepay the 2011 Authority SRF Loan and costs of issuing the 2021B Bond. Under the JPA, the City is obligated to pay its allocated share of debt service on the 2021 Bonds.

The City's investment in SVCW was adjusted to reflect a net increase in the investment of \$1.3 million. Every year, the City adjusts the investment based on the City's proportion of financial activity at SVCW.

Financial statements may be obtained by mailing a request to Silicon Valley Clean Water, 1400 Radio Road, Redwood City, CA 94065.

c. City/County Association of Governments of San Mateo County ("C/CAG")

The City/County Association of Governments of San Mateo County JPA was formed in 1990 between the various cities in San Mateo County to prepare, adopt, monitor, and enforce State mandated plans for the management of traffic congestion, integrated solid waste, airport land use, and hazardous waste. The City's contribution to C/CAG was \$100,877 for the year ended June 30, 2021. The City provided financial services to C/CAG and received \$95,300 for the services during the fiscal year.

Financial statements may be obtained by mailing a request to the City of San Carlos, 600 Elm Street, San Carlos, CA 94070.

d. South Bayside Waste Management Authority ("SBWMA")

The South Bayside Waste Management Authority ('the Authority') JPA was formed on October 13, 1999. Members of the Authority currently include the cities of Atherton, Belmont, Burlingame, East Palo Alto, Foster City, Hillsborough, Menlo Park, Redwood City, San Carlos, San Mateo, as well as the West Bay Sanitary District and the County of San Mateo. The members are required by Assembly Bill (AB) 939 to reduce, recycle, and reuse solid waste generated within their respective jurisdictions and to provide source reduction, recycling, and composting activities. The Authority's purpose is to assist its members in meeting these requirements.

Financial statements may be obtained by mailing a request to SBWMA, 610 Elm St. #202, San Carlos, CA 94070

e. Peninsula Traffic Congestion Relief Alliance ("Commute.org")

The Peninsula Traffic Congestion Relief Alliance is a joint exercise of powers between the cities of Belmont, Brisbane, Burlingame, Colma, Daly City, East Palo Alto, Foster City, Half Moon Bay, Millbrae, Pacifica, Redwood City, San Bruno, San Carlos, San Mateo, South San Francisco, the County of San Mateo, Town of Atherton, and Town of Hillsborough. It was formed to perform transit systems management efforts to mitigate traffic congestion in the member communities. Commute.org began operations on July 1, 2000. Starting on January 1, 2018, the City began providing financial services to Commute.org and received \$80,000 for the services during the fiscal year.

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 13 – JOINT VENTURES (Continued)

Financial statements may be obtained by mailing a request to the City of San Carlos, 600 Elm Street, San Carlos, CA 94070.

f. California Municipal Finance Authority (“CMFA”)

The CMFA was created on January 1, 2004 pursuant to a joint exercise of powers agreement to promote economic, cultural, and community development through the financing of economic development and charitable activities throughout California. The CMFA also assists local governments, non-profit organizations, and businesses with the issuance of taxable and tax-exempt bonds aimed at improving the standard of living in California. Over 300 municipalities have become members of the CMFA.

On September 9, 2019, the City Council adopted Resolution 2019-071 authorizing the execution of a Joint Exercise of Powers Agreement and approving the issuance of tax-exempt bonds by the CMFA for the benefit of Charities Housing Development Corporation of Santa Clara County (the “Sponsor”), on behalf of Walnut Street, L. P., or a subsidiary or affiliate thereof (the “Borrower”), to provide for the financing of new construction of a 24-unit affordable rental housing facility for the benefit of the 817 Walnut Street project.

g. San Mateo County Libraries

The San Mateo County Library JPA was established in 1999 to provide library services to community members. The Library JPA is comprised of the cities of Atherton, Belmont, Brisbane, East Palo Alto, Foster City, Half Moon Bay, Millbrae, North Fair Oaks, Pacifica, Portola Valley, San Carlos, Woodside, and the unincorporated areas of the county. The Library JPA is a separate independent entity with its own Governing Board, consisting of elected officials from each member entity. Its Operations Committee is composed of City and County representative from each member entity.

In accordance with the Library JPA Agreement, and as approved by the JPA Governing Board, at end of each fiscal year, funds in excess of the amount required to operate a community library are distributed and held by the Library JPA in separate trust funds. The excess dedicated library tax revenue to the City at June 30, 2021 was \$1,114,626. These funds can be used by the City to cover the repairs and maintenance costs for the library.

h. San Mateo Operational Area Emergency Services Organization (“OES”)

San Mateo County Operational Area (“OA”) JPA was formed in 35 years ago. The OA is comprised of all local governments within the geographic area of San Mateo County. The Emergency Services Council (“EMC”), which consists of representatives of the jurisdictions in the San Mateo County OA, is the governing and oversight body for the Emergency Services Organization Authority (“Organization”). The purpose of the organization is to operate pursuant to California’s Standard Emergency Management System (“SEMS”) and local adopted Emergency Operations Plans. The goal is to provide coordinated plans for the protection of persons and properly based on the phases of emergency management.

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 13 – JOINT VENTURES (Continued)

i. Peninsula Clean Energy Authority of San Mateo County

Under the Community Choice Aggregation (“CCA”) program, San Mateo County of all 21 of its cities and towns formed Peninsula Clean Energy (“PCE”), a community-controlled, not-for-profit, joint powers agency in 2016. As a CCA, PCE offers many environmental and economic benefits to its residential and business customers. The purposes of the JPA is to reduce greenhouse gas emissions, provide electric power and other forms of energy to customers at a competitive cost, and reduce energy consumption. The Board of Directors consists of elected officials from each of the 21 cities within the County of San Mateo and the unincorporated areas of the county.

Service Agreements

a. Fire and Emergency Services Agreement with the City of Redwood City

In July 2011, the City of San Carlos and the City of Redwood City entered into an agreement for fire and emergency services. This original agreement allowed the City of San Carlos to maintain a fire department, including personnel and infrastructure, at its sole cost sufficient to provide certain emergency and non-emergency services. The City of Redwood City provided certain fire and emergency services, including fire administration and support; fire prevention; investigation; and training. The City of San Carlos pays the City of Redwood City a fee for the services provided that is reviewed in January of each year and amended to reflect actual increases or decreases in cost.

On June 24, 2013, the City Council adopted a resolution for the execution of the amended and restated agreement between the Cities of Redwood City and San Carlos for a full service model for fire and emergency services. The restated agreement also included the transfer of fire services personnel from the City of San Carlos to the City of Redwood City on July 1, 2013. The term of the agreement was five years, which began on July 1, 2013 and expired on June 30, 2018.

In April 2018, the Cities of Redwood City and San Carlos negotiated a restated agreement for another five years, commencing on July 1, 2018 and expiring on June 30, 2023. Cost of services will be reviewed annually and brought forward for Council approval each year. The total charges for fiscal year 2021 were \$8,160,754.

b. Law Enforcement Services Agreement with the County of San Mateo

In September 2010, the City Council approved a five-year Police Services Agreement contract with the County of San Mateo Sheriff’s Office to provide law enforcement to the City. The contract with the Sheriff’s Office includes police management, patrol, investigation, traffic enforcement, community and school services, and support service components. The contract maintains minimum staffing levels for patrol, provides for the same quick response times, and restores many of the key community programs that the San Carlos Police Department had provided during better economic times. The consolidation of police services with the Sheriff’s Office results in estimated annual savings of approximately \$2 million. Annual cost increases are limited to those increases required under California Government Code Section 51350.

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 13 – JOINT VENTURES (Continued)

In June 2020, the Council approved a new 5-year agreement with the San Mateo County Sheriff's Office for July 2020 through June 2025. The total charges for fiscal year 2021 were \$7,056,951.

c. Public Safety Communications Services Agreement with County of San Mateo

On November 13, 2012, the City Council approved an agreement with the County of San Mateo for police dispatch services. The City Council approved a five-year agreement through June 30, 2025 on June 22, 2020 for police services with the San Mateo County Sheriff's Office. The Sheriff's Office is a County department and uses only one dispatch provider. The dispatch service provider for the Sheriff's Office is a separate County department named "Public Safety Communications".

San Mateo County's Public Safety Communications Center is responsible for answering both emergency and non-emergency calls for service. The Communications Center is the primary answering point for 9-1-1 calls within the unincorporated areas of San Mateo County and the Cities of Half Moon Bay, Millbrae, East Palo Alto, Portola Valley, San Carlos, Woodside, and Broadmoor.

NOTE 14 – COMMITMENTS AND CONTINGENT LIABILITIES

The City is subject to litigation arising during the normal course of business. In the opinion of the City Attorney, there is no pending litigation that is likely to have a material adverse effect on the financial position of the City.

The City participates in Federal, State, and local grant programs. These programs have been audited by the City's independent accountants in accordance with the provisions of the Federal Single Audit Act of 1984, as amended, and applicable State requirements. No cost disallowances were proposed as a result of these audits; however, these programs are still subject to further examination by the grantors, and the amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

a. Palo Alto Medical Foundation Development Agreement

On October 8, 2007, after an extensive 3 1/2-year process, the City Council approved a proposal by the Palo Alto Medical Foundation ("PAMF") to develop a regional Medical Clinic, Medical Office Building, and Hospital on an 18-acre site at 301 Industrial Road in San Carlos that formerly housed the Varian – CPI Eimac plant. In 2011, Sutter Health, PAMF's parent organization, approved funding for the first phase of construction of the medical facility. This included construction of the Medical Office Building and Clinic, the parking garage to serve full facility build-out, and site improvements, including utilities, loop access road, and landscaping. In May 2012, PAMF received construction permits from the City and began work. The Medical Office Building and Clinic opened to patients in November 2014. A second phase of the project, to construct the Hospital on this site, remains unfunded.

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 14 – COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

The purchase and transfer of the 18-acre site at 301 Industrial Road took a major parcel in San Carlos off of the property tax rolls of the City. This occurred when the title to the site passed from 301 Industrial LLC (the entity performing the site clearance and remediation activities) to PAMF, which is a tax-exempt entity. In addition, the PAMF San Carlos Center generates very little in sales tax revenue for the City. To offset this fiscal impact, a development agreement with PAMF was entered into to ensure that the City would be in substantially the same position financially as the City would likely have been with use of the project site for an economically productive purpose.

The key components of the development agreement are described in the table below. The development agreement guarantees the City nearly \$91,000,000 in revenue over a 50-year period. When factoring in costs for City services, the development agreement would net the City \$43,939,000 over 50 years, resulting in a positive net present value of \$11,642,000. The net amount does not include one-time payments of \$1 million to the City for athletic fields and \$1.5 million to the San Carlos Education Foundation for educational purposes. This amount also does not include the City's share of any excess returns of the \$9 million principal amount to be funded by PAMF under the agreement, which could be substantial depending on the investment returns received on the fund.

The financial impacts of these developments are beneficial to the City. The Guaranteed Minimum Payments (item "C" in the table below) began in 2010-11 with a payment of \$630,000 in April 2011 after receipt of \$250,000 per year payments in the two years prior as described in the development agreement. Guaranteed Minimum Payments continued and a payment of \$806,453 was received in April 2021. The next guaranteed payment will be \$826,615 in April 2022.

In addition to receiving the Year 3 Guaranteed Minimum Payments of \$630,000 in April 2011 as specified in the development agreement, the start of construction triggered two more events.

First, the City received the "construction period revenue" for Phase 1 of the PAMF development (see item "D" in the table below). Since the second phase of the project is unfunded, the City and PAMF agreed to allocate \$252,700 of the total construction period revenue to Phase 1, which the City has received.

Second, the start of construction triggered payment to the City of the "guaranteed minimum annual operational use tax revenue" one year after construction is completed (see item "E" in the table below).

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 14 – COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

b. Ordinance 1538 - Amending Development Agreement to the Palo Alto Medical Foundation

On November 13, 2018 Council approved amending the Development Agreement between the City and the Palo Alto Medical Foundation for health care, research, and education related to the development of property at 301 Industrial Road to extend the vesting period for 10 years. Ordinance 1538 was adopted by the City Council on November 26, 2018. PAMF agreed to pay the City a portion of the Commercial Linkage Fee in the amount of \$2 million within 14 days after the amendment is final with the remaining fee due at the time building permits are issued. PAMF is also required to make a contribution of \$500,000 towards the US 101/Holly Pedestrian Bridge Project.

The initial contribution from PAMF to the City for the execution of the First Amendment to the Development Agreement is \$2.5 million.

The revenue sources contained in the Development Agreement are summarized in the following table:

	Funding Source	Summary Description	Current Status
A	\$9 million endowment fund (called the Designated Fund)	At the end of 50 years, the Designated Fund becomes the City's to administer	No change
B	50% of excess returns on the Designated Fund at the end of the payment term	In addition to receiving the \$9 million Designated Fund at the end of the term of the agreement, the City will then receive 50% of the amount of the Designated Fund that exceeds \$9 million	No change
C	Guaranteed minimum payments from the revenue on the Designated Fund	\$250,000 in each of Years 1 and 2 \$630,000 in Year 3 \$630,000 inflated by 2.5% per year for the next 49 years	The City has received a total of \$8,364,584 from years 1 through 13. City will receive the year 14 payment of \$826,615 in April 2022 as scheduled
D	Guaranteed minimum construction-related use tax revenue	\$722,000 for the principal construction period	With the start of construction in May 2012, construction period revenue (use tax assigned to the project by the contractors) began to flow to the City's sales tax account. At completion of Phase I construction, the City had received total of \$252,700 construction user tax.
E	Guaranteed minimum annual operational use tax revenue	\$152,000/year inflated by 3% per year for 50 years	Deferred — \$152,000 per year is guaranteed for 50 years starting one year after construction of both the Medical Clinic and Hospital facilities are completed.
F	\$1.5 million	One-time payment to the San Carlos Education Foundation for health-related school programs	Received — by San Carlos Education Foundation on Feb 5, 2008.
G	\$1 million	One-time payment to the City to improve athletic facilities and fields	Received — by City of San Carlos on Feb 5, 2008. The funds were used to install a synthetic turf field at Lower Highlands Park Field.
H	\$2.5 million	One-time payment to the City for amending development agreement	Received — by City of San Carlos on March 6, 2019. \$2 million paid for the commercial linkage fee and \$0.5 million was used for US101/Holly Pedestrian Bridge Project.

Total: \$93,304,000 (minimum) over 50 years

**CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 14 – COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

c. Construction Commitments

Construction commitments as of June 30, 2021 consisted of the following projects:

Project Name	Contract Amount	Expenditures to date as of June 30, 2021	Remaining Commitments
San Carlos Ave Pedestrian Safety Improvement	\$ 4,218,878	\$ 3,548,446	\$ 670,432
Sewer Rehabilitation	3,456,049	2,338,932	1,117,117
Pavement Rehabilitation	2,174,866	2,119,935	54,931
Total	<u>\$ 9,849,793</u>	<u>\$ 8,007,313</u>	<u>\$ 1,842,480</u>

NOTE 15 – SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (“the Bill”) that provided for the dissolution of all Redevelopment Agencies in the State of California. This action impacted the reporting entity of the City of San Carlos that previously had reported a Redevelopment Agency within the reporting entity of the City as a blended component unit.

The Bill provided that upon dissolution of a Redevelopment Agency, either the City or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of State and local government. On January 9, 2012, the City Council elected to become the Successor Agency for the former Redevelopment Agency in accordance with the Bill.

After enactment of the Bill, which occurred on June 28, 2011, Redevelopment Agencies in California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, Successor Agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former Redevelopment Agency until all enforceable obligations of the prior Redevelopment Agency have been paid in full and all assets have been liquidated.

The last and final Recognized Obligations Payment Schedule (“ROP”) and administrative costs budget for the period July 1, 2020 to June 30, 2035 was approved by the Department of Finance on November 18, 2019. The Successor Agency will no longer have to prepare and submit the ROPS on an annual basis. The last and final ROPS provides a permanent guarantee that all of the Successor Agency’s existing obligations will be repaid by 2035 without the annual review of the same debt items by the DOF under the current process.

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 15 – SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY (Continued)

Additional Information for the Successor Agency of the Former Redevelopment Agency

a. Cash and Investments

Cash and investments reported by the Successor Agency in the accompanying financial statements consisted of the following:

Cash and investments	\$ 1,083,378
Total Cash and Investments	\$ 1,083,378

b. Long-term Debt

The Successor Agency long-term debt issues and transactions are summarized below and discussed in detail thereafter.

	Balance June 30, 2020	Retirements	Balance June 30, 2021	Due Within One Year
Notes Payable:				
Installment Purchase Agreement (a)	\$ 2,400,217	\$ (74,657)	\$ 2,325,560	\$ 82,270
2018 Tax Allocation Refunding Bonds (b)	10,912,052	(643,860)	10,268,192	662,985
Total	\$ 13,312,269	\$ (718,517)	\$ 12,593,752	\$ 745,255

(a) The Installment Purchase Agreement is a direct borrowing debt issue.

(b) The 2018 Tax Allocation Refunding Bonds are a direct placement debt issue.

c. Installment Purchase Agreement

On October 1, 1994, the Redevelopment Agency purchased real property and provided the bulk of the financing required to construct and equip an 85-unit residential care facility for elderly low income persons. As part of the transaction, the San Carlos Development Corporation (“SCDC”) agreed to purchase and operate the facility as the San Carlos Elms. The Redevelopment Agency signed a direct borrowing Installment Purchase Agreement in the amount of \$2,800,000 to finance its purchase of the land. Payments are made out of receipts from SCDC. Interest payments on the Installment Purchase Agreement are due monthly and principal payments began on May 1, 2012 and will continue through June 1, 2035, bearing interest of 10.9%. As of June 30, 2021, the total principal and interest remaining on the debt is \$4,266,283.

d. Tax Allocation Refunding Bonds

In April 2018, the Successor Agency issued \$11,840,684 of 2018 Tax Allocation Refunding Direct Placement Bonds to refinance the 2007 Series A Tax Allocation Revenue Bonds. The refunding resulted in an overall debt service decrease of \$1,833,697. The net present value of the savings resulted in an economic gain of \$1,466,261. This equates to \$1.5 million in cumulative cash flow savings through 2033, or about \$100,000 annually, which would be divided amongst the taxing entities. The 2007 Series A Tax Allocation Revenue Bonds were subsequently retired in May 2018.

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 15 – SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY (Continued)

The 2018 Bonds are special obligations of the Successor Agency payable solely from and secured by a pledge of Redevelopment Property Tax Trust Fund Revenues. Principal payments are payable annually on September 1 and the last principal payment is scheduled to occur in 2033. Interest payments are due semi-annually on September 1 and March 1 and bear interest of 2.85%. The pledge of future tax revenue ends upon repayment of the total 2018 bonds in the amount of \$14.8 million.

The Redevelopment Agency pledged, as security for bonds issued, either directly or through the Financing Authority, a portion of tax increment revenue that it receives. The bonds were issued to provide financing for various capital projects. Assembly Bill 1X 26 provided that upon dissolution of the Redevelopment Agency, property taxes allocated to redevelopment agencies no longer are deemed tax increment but rather property tax revenues and will be allocated first to successor agencies to make payments on the indebtedness incurred by the dissolved redevelopment agency. Total principal and interest remaining on the debt is \$12,284,651 with annual debt service requirements as included below. For the current year, the total property tax revenue recognized by the Successor Agency for the payment of indebtedness incurred by the dissolved Redevelopment Agency was \$1,270,678 and the debt service obligation on the bonds was \$945,678.

e. Debt Service Requirements

The following schedule illustrates the debt service requirements to maturity for the debt outstanding as of June 30, 2021:

For the Year Ending June 30	Direct Placement Tax Allocation Refunding Bonds			Direct Borrowing Installment Purchase Agreement		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 662,985	\$ 283,196	\$ 946,181	\$ 82,270	\$ 223,130	\$ 305,400
2023	681,593	264,036	945,629	90,660	214,740	305,400
2024	703,118	244,304	947,422	99,905	205,495	305,400
2025	723,907	223,969	947,876	110,093	195,307	305,400
2026	743,938	203,051	946,989	121,320	184,080	305,400
2027-2031	4,042,041	680,591	4,722,632	819,418	707,582	1,527,000
2032-2035	2,710,610	117,312	2,827,922	1,001,894	210,389	1,212,283
Total	\$ 10,268,192	\$ 2,016,459	\$ 12,284,651	\$ 2,325,560	\$ 1,940,723	\$ 4,266,283

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 16 – SUBSEQUENT EVENTS

The State and Local Coronavirus Fiscal Recovery Funds legislation, part of the American Rescue Plan Act (“ARPA”), was signed into law by President Biden on March 11, 2021. The bill includes \$350 billion in funds allocated to recovering from the pandemic and restoring the economy. This includes \$195.3B to states and the District of Columbia, \$65.1B to counties, \$45.6B to metropolitan cities, etc., and \$19.5B to non-entitlement units of government. The U.S. Department of the Treasury will oversee and administer these payments to the State of California for non-entitlement cities (population less than 50,000), which includes the City of San Carlos. The City received \$3,610,447 from the State of California on July 13, 2021, which represents 50% of the City’s total ARPA allocation. The second installment is expected to be received at the end of July 2022. All funds must be obligated by December 2024. ARPA funds can be used to support public health responses, replace public sector revenue loss, improve water and sewer infrastructure, address negative economic impacts, support premium pay for essential workers, and improve broadband infrastructure.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

**CALPERS COST SHARING PLAN
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS**

Measurement Dates:	Miscellaneous						
	6/30/14	6/30/15	6/30/16	6/30/17	6/30/2018	6/30/2019	6/30/2020
Plan's proportion of the Net Pension Liability (Asset)	0.22%	0.25%	0.23%	0.23%	0.18%	0.18%	0.12%
Plan's proportion share of the Net Pension Liability (Asset)	\$ 13,765,793	\$ 16,833,679	\$ 20,234,806	\$ 22,834,231	\$ 17,011,933	\$ 18,386,126	\$ 12,569,004
Plan's Covered Payroll	4,034,029	6,254,350	6,577,443	7,079,214	7,389,579	7,885,229	8,586,940
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	341%	269%	308%	323%	230%	233%	146%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	77.29%	72.85%	68.77%	68.08%	76.94%	76.26%	84.31%

Measurement Dates:	Safety						
	6/30/14	6/30/15	6/30/16	6/30/2017	6/30/2018	6/30/2019	6/30/2020
Plan's proportion of the Net Pension Liability (Asset)	0.22%	0.23%	0.21%	0.20%	0.20%	0.20%	0.19%
Plan's proportion share of the Net Pension Liability (Asset)	\$ 13,974,817	\$ 15,579,631	\$ 17,790,912	\$ 19,520,586	\$ 19,398,821	\$ 20,128,984	\$ 20,988,636
Plan's Covered Payroll	104,376	109,603	114,534	119,583	53,322	103,575	125,858
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	13389%	14215%	15533%	16324%	36381%	19434%	16676%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	73.42%	69.92%	66.12%	64.49%	65.22%	65.05%	64.37%

Notes to Schedule:

Benefit Changes: There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees by granting Two Years Additional Service Credit to members retiring during a specified time period (a.k.a. Golden Handshakes).

Changes in assumptions: In 2021, there were no changes in the discount rate

* Fiscal year 2015 was the 1st year of implementation, therefore only seven years are shown.

REQUIRED SUPPLEMENTARY INFORMATION

**CALPERS COST SHARING PLAN
SCHEDULE OF PLAN CONTRIBUTIONS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS**

Fiscal year ended	Miscellaneous						
	2015	2016	2017	2018	2019	2020	2021
Actuarially determined contribution	\$ 1,261,404	\$ 1,102,597	\$ 670,838	\$ 6,926,132	\$ 1,799,956	\$ 9,110,376	\$ 3,418,397
Contributions in relation to the actuarially determined contributions	(1,261,404)	(1,102,597)	(670,838)	(6,926,132)	(1,799,956)	(9,110,376)	(3,418,397)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 6,254,350	\$ 6,577,443	\$ 7,079,214	\$ 7,389,579	\$ 7,885,229	\$ 8,586,940	\$ 8,595,270
Contributions as a percentage of covered payroll	20.17%	16.76%	9.48%	93.73%	22.83%	106.10%	39.77%

Fiscal year ended	Safety						
	2015	2016	2017	2018	2019	2020	2021
Actuarially determined contribution	\$ 1,034,659	\$ 1,169,706	\$ 1,112,696	\$ 1,255,290	\$ 1,456,904	\$ 1,676,149	\$ 1,830,722
Contributions in relation to the actuarially determined contributions	(1,034,659)	(1,169,706)	(1,112,696)	(1,255,290)	(1,456,904)	(1,676,149)	(1,830,722)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 109,603	\$ 114,534	\$ 119,583	\$ 53,322	\$ 103,575	\$ 125,858	\$ 141,154
Contributions as a percentage of covered payroll	944%	1021%	930%	2354%	1407%	1332%	1297%

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	9 Years as of the Valuation Date
Asset valuation method	Market Value of Assets
Discount Rate	7.15%
Inflation	2.50%
Salary increases	Annual increase vary by category, entry age and duration of service
Retirement age	50 and up

* Fiscal year 2015 was the 1st year of implementation, therefore only seven years are shown.

REQUIRED SUPPLEMENTARY INFORMATION

**PARS AGENT MULTIPLE-EMPLOYER LONGEVITY RECOGNITION PLAN
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS**

Measurement Date:	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020
Total Pension Liability							
Service Cost	Not available	\$ 239,822	\$ 225,433	\$ 229,629	\$ 168,032	\$ 173,493	\$ 123,724
Interest	Not available	455,847	470,045	478,414	585,709	608,083	623,837
Changes of assumptions	Not available	-	802,583	(2,369,059)	-	(36,873)	-
Differences due to plan experience	Not available	-	-	1,055,691	-	(2,151)	-
Benefit payments	Not available	(261,805)	(299,652)	(333,528)	(359,186)	(413,387)	(447,071)
Net change in total pension liability	Not available	433,864	1,198,409	(938,853)	394,555	329,165	300,490
Total pension liability - beginning	Not available	9,079,950	9,513,814	10,712,223	9,773,370	10,167,925	10,497,090
Total pension liability - ending (a)	9,079,950	9,513,814	10,712,223	9,773,370	10,167,925	10,497,090	10,797,580
Plan fiduciary net position							
Contributions - employer	311,000	328,200	350,000	452,000	1,520,000	459,000	630,300
Net investment income	141,262	29,190	15,848	128,999	116,751	183,313	126,101
Administrative expenses	-	(373)	(394)	(455)	(2,367)	(549)	(11)
Benefit payments	(208,839)	(261,805)	(299,652)	(333,528)	(359,186)	(413,387)	(447,071)
Net change in plan fiduciary net position	243,423	95,212	65,802	247,016	1,275,198	228,377	309,319
Plan fiduciary net position - beginning	1,324,507	1,567,930	1,663,142	1,728,944	1,975,960	3,251,158	3,479,535
Plan fiduciary net position - ending (b)	1,567,930	1,663,142	1,728,944	1,975,960	3,251,158	3,479,535	3,788,854
Net pension liability - ending (a)-(b)	<u>\$ 7,512,020</u>	<u>\$ 7,850,672</u>	<u>\$ 8,983,279</u>	<u>\$ 7,797,410</u>	<u>\$ 6,916,767</u>	<u>\$ 7,017,555</u>	<u>\$ 7,008,726</u>
Plan fiduciary net position as a percentage of the total pension liability	17.27%	17.48%	16.14%	20.22%	31.97%	33.15%	35.09%
Covered employee payroll ¹	\$ 4,751,000	\$ 3,794,000	\$ 3,848,632	\$ 3,726,133	\$ 3,451,329	\$ 3,492,842	\$ 3,274,152
Net pension liability as percentage of covered employee payroll	158.11%	206.92%	233.41%	209.26%	200.41%	200.91%	214.06%

Notes to Schedule:

¹ Covered employee payroll as of June 30, 2015 only reflects 36 of 43 active employees.

* Fiscal year 2015 was the 1st year of implementation, therefore only seven years are shown.

REQUIRED SUPPLEMENTARY INFORMATION

**PARS AGENT MULTIPLE-EMPLOYER LONGEVITY RECOGNITION PLAN
SCHEDULE OF PLAN CONTRIBUTIONS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS**

<u>Fiscal year ended</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Actuarially determined contribution	Not available	\$ 765,384	\$ 834,000	\$ 857,928	\$ 795,117	\$ 640,965	\$ 624,585
Contributions in relation to the actuarially determined contributions	Not available	(350,000)	(452,000)	(1,520,000)	(459,000)	(630,300)	(638,000)
Contribution deficiency (excess)	Not available	<u>\$ 415,384</u>	<u>\$ 382,000</u>	<u>\$ (662,072)</u>	<u>\$ 336,117</u>	<u>\$ 10,665</u>	<u>\$ (13,415)</u>
Covered employee payroll	Not available	\$ 3,794,000	\$ 3,848,632	\$ 3,726,133	\$ 3,492,842	\$ 3,274,152	\$ 3,118,362
Contributions as a percentage of covered employee payroll	Not available	9.23%	11.74%	40.79%	13.14%	19.25%	20.46%

Notes to Schedule

Valuation Date:	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method
Amortization Method	Level dollar
Amortization Period	Closed 30 years
Asset Valuation Method	Market value
Discount Rate	6.00%
Inflation	2.50%
Annual Salary Increases	3.00%
Investment Rate of Return	6.0% net of investment expenses.
Mortality	CalPERS 2017 Experience Study
Mortality Improvement	MacLeoad Watts Scale 2020 (generational)

* Fiscal year 2015 was the 1st year of implementation, therefore only seven years are shown.

REQUIRED SUPPLEMENTARY INFORMATION

**OTHER POST-EMPLOYMENT BENEFITS PLAN
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS**

Measurement Date	<u>6/30/2017</u>	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>
Total OPEB Liability				
Service Cost	\$ 99,800	\$ 103,043	\$ 112,103	\$ 95,744
Interest	372,359	378,808	377,356	316,059
Differences between expected and actual experience	-	-	(791,845)	-
Benefit payments	(350,018)	(416,540)	(430,477)	(446,408)
Changes of assumptions	-	153,245	(192,646)	-
Net change in total OPEB liability	<u>122,141</u>	<u>218,556</u>	<u>(925,509)</u>	<u>(34,605)</u>
Total OPEB liability - beginning	<u>5,394,624</u>	<u>5,516,765</u>	<u>5,735,321</u>	<u>4,809,812</u>
Total OPEB liability - ending (a)	<u>\$ 5,516,765</u>	<u>\$ 5,735,321</u>	<u>\$ 4,809,812</u>	<u>\$ 4,775,207</u>
OPEB fiduciary net position				
Contributions - employer	\$ 470,037	\$ 1,502,744	\$ 575,870	\$ 476,115
Net investment income	127,483	117,747	162,210	103,926
Administrative expense	(656)	(904)	(578)	(1,446)
Other expenses	-	(2,011)	-	-
Benefit payments	(350,018)	(416,540)	(430,477)	(446,408)
Net change in plan fiduciary net position	<u>246,846</u>	<u>1,201,036</u>	<u>307,025</u>	<u>132,187</u>
Plan fiduciary net position - beginning	<u>1,273,705</u>	<u>1,520,551</u>	<u>2,721,587</u>	<u>3,028,612</u>
Plan fiduciary net position - ending (b)	<u>\$ 1,520,551</u>	<u>\$ 2,721,587</u>	<u>\$ 3,028,612</u>	<u>\$ 3,160,799</u>
 Net OPEB liability - ending (a)-(b)	 <u>\$ 3,996,214</u>	 <u>\$ 3,013,734</u>	 <u>\$ 1,781,200</u>	 <u>\$ 1,614,408</u>
 Covered employee payroll	 \$ 7,198,797	 \$ 7,720,689	 \$ 8,235,888	 \$ 8,951,213
 Total OPEB liability as a percentage of covered payroll	 55.51%	 39.03%	 21.63%	 18.04%

* Fiscal year 2018 was the first year of implementation of GASB 75

REQUIRED SUPPLEMENTARY INFORMATION

**OTHER POST-EMPLOYMENT BENEFITS PLAN
SCHEDULE OF CONTRIBUTIONS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30,	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Actuarially Determined Contribution (ADC)	\$ 471,538	\$ 373,834	\$ 289,800	\$ 274,899
Less: Contributions in Relation to the ADC	<u>1,502,744</u>	<u>575,870</u>	<u>476,115</u>	<u>432,960</u>
Contribution deficiency (excess)	<u>\$ (1,031,206)</u>	<u>\$ (202,036)</u>	<u>\$ (186,315)</u>	<u>\$ (158,061)</u>
Covered employee payroll	<u>\$ 7,198,797</u>	<u>\$ 8,235,888</u>	<u>\$ 8,951,213</u>	<u>\$ 8,822,720</u>
Contributions as a percentage of Covered employee payroll	20.87%	6.99%	5.32%	4.91%

Notes to Schedule:

* Fiscal year 2018 was the first year of implementation.

Actuarial Cost Method	Entry age normal
Amortization Method	Level dollar
Amortization Period	Closed 19 years
Asset Valuation Method	Market value
Inflation	2.50%
Healthcare Trend Rates	5.4% in 2021, fluctuates until ultimate rate of 4% in 2076
Salary Increases	3.00%
Investment Rate of Return	6.25%
Retirement Age	Ages 50 to 75
Mortality	CalPERS 2017 Experience Study
Mortality Improvement	MacLeod Watts Scale 2020

This Page Left Intentionally Blank

SUPPLEMENTARY INFORMATION

CITY OF SAN CARLOS

**BUDGETARY COMPARISON SCHEDULE
CAPITAL IMPROVEMENT
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 800,000	\$ 800,000	\$ 2,184,414	\$ 1,384,414
Franchise taxes	2,250,000	2,250,000	2,161,694	(88,306)
Licenses and permits	413,300	413,300	852,183	438,883
From other agencies	22,099,429	22,099,429	1,114,429	(20,985,000)
Use of money and property	57,200	57,200	787	(56,413)
Other revenue	265,000	265,000	912,693	647,693
Total Revenues	25,884,929	25,884,929	7,226,200	(18,658,729)
Expenditures:				
Capital outlay	43,651,576	43,782,776	6,460,476	37,322,300
Total Expenditures	43,651,576	43,782,776	6,460,476	37,322,300
Excess (Deficiency) of Revenues Over Expenditures	(17,766,647)	(17,897,847)	765,724	18,663,571
Other Financing Sources (Uses):				
Transfers in	1,515,000	1,515,000	1,515,000	-
Transfers (out)	(125,000)	(125,000)	(125,000)	-
Total Other Financing Sources (Uses)	1,390,000	1,390,000	1,390,000	-
Net Change in Fund Balance	<u>\$ (16,376,647)</u>	<u>\$ (16,507,847)</u>	2,155,724	<u>\$ 18,663,571</u>
Beginning Fund Balance			28,160,434	
Ending Fund Balance			<u>\$ 30,316,158</u>	

CITY OF SAN CARLOS

**BUDGETARY COMPARISON SCHEDULE
HOUSING CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	Budget Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ 206,900	\$ 206,900	\$ 243,715	\$ 36,815
From other agencies	-	-	272,000	272,000
Other revenue	408,600	408,600	2,361,490	1,952,890
Total Revenues	615,500	615,500	2,877,205	2,261,705
Expenditures:				
Community development	2,628,409	2,628,409	669,072	1,959,337
Capital outlay	3,173,176	3,673,176	-	3,673,176
Total Expenditures	5,801,585	6,301,585	669,072	5,632,513
Excess (Deficiency) of Revenues Over Expenditures	(5,186,085)	(5,686,085)	2,208,133	7,894,218
Net Change in Fund Balance	<u>\$ (5,186,085)</u>	<u>\$ (5,686,085)</u>	2,208,133	<u>\$ 7,894,218</u>
Beginning Fund Balance, as restated			<u>17,917,449</u>	
Ending Fund Balance			<u>\$ 20,125,582</u>	

This Page Left Intentionally Blank

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

NPDES FUND: Used to account for revenues received from assessments levied by the County on property and disburses funds in compliance with the provisions of the National Pollutant Discharge Elimination System.

POLICE GRANTS FUND: Used to account for grant activities and services paid for and reimbursed by grant funding. This fund includes grants from the following funding sources:

- **Supplemental Law Enforcement Services Funds (SLESF):** Under the SLESF program, cities and counties receive State funds to augment public safety expenditures.

SAN CARLOS LIBRARY TENANT FUND: Used to account for the San Carlos Library tenant activities.

CAPITAL PROJECTS FUNDS

EQUIPMENT REPLACEMENT FUND: Used to account for the anticipated replacement of general equipment needs.

MEASURE A AND MEASURE W FUND: Used to account for the City's share of a one-half cent sales tax restricted for transportation purposes. Additional resources for road improvements, local street repairs raised from a half-cent sales tax for 30 years. The Measure W went into effect in July of 2019.

GAS TAX FUNDS: Used to account for revenue received from highway users tax and expended under the State of California, Streets and Highways Code Section 2103, 2015, 2107 and 2107.5. Senate Bill (SB) 1, the Road Repair and Accountability Act of 2017 provides funding for local streets and roads over the next 10 years. Measure M approved in 2010 provides funding for local streets and roads for 25 years. These revenues must be expended for maintenance or construction of streets.

PARK FEE FUND: Used to account for development fees collected and used to finance the acquisition and construction of City parks.

PARKING IN-LIEU FUND: Used to account for fees charged to business in lieu of required parking. These revenues are used to pay for parking lot improvements and repairs.

DEBT SERVICE FUND

SAN CARLOS LIBRARY BONDS DEBT SERVICE FUND: Used to accumulate the annual tax levies earmarked for payment of principal and interest on the General Obligation Bonds.

CITY OF SAN CARLOS

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021

	Special Revenue Funds			Capital Projects Fund
	NPDES	Police Grants	San Carlos Library Tenant	Equipment Replacement
Assets:				
Cash and investments	\$ 670,920	\$ 399,737	\$ 1,747,277	\$ 3,626,648
Receivables:				
Accounts receivable	-	-	1,122,488	-
Total Assets	\$ 670,920	\$ 399,737	\$ 2,869,765	\$ 3,626,648
Liabilities:				
Accounts payable and accrued liabilities	\$ 971	\$ 50,000	\$ 49,972	\$ 111,781
Total Liabilities	971	50,000	49,972	111,781
Deferred Inflows of Resources:				
Unavailable revenue	-	-	7,862	-
Total Deferred Inflows of Resources	-	-	7,862	-
Fund balances:				
Restricted for:				
Public safety	-	349,737	-	-
Parks and recreation	-	-	-	-
Public works	669,949	-	-	-
Debt service	-	-	-	-
Committed to:				
General government	-	-	2,811,931	-
Community development	-	-	-	-
Capital projects	-	-	-	3,514,867
Total Fund Balances	669,949	349,737	2,811,931	3,514,867
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 670,920	\$ 399,737	\$ 2,869,765	\$ 3,626,648

CITY OF SAN CARLOS

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021

	Capital Projects Funds			
	Measure A and Measure W	Gas Tax	Park Fee	Parking In-Lieu
Assets:				
Cash and investments	\$ 666,765	\$ 4,907,623	\$ 2,535,387	\$ 402,491
Receivables:				
Accounts receivable	40,451	329,223	-	-
Total Assets	<u>\$ 707,216</u>	<u>\$ 5,236,846</u>	<u>\$ 2,535,387</u>	<u>\$ 402,491</u>
Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ 270,528	\$ 257,744	\$ -
Total Liabilities	<u>-</u>	<u>270,528</u>	<u>257,744</u>	<u>-</u>
Deferred Inflows of Resources:				
Unavailable revenue	-	138,111	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>138,111</u>	<u>-</u>	<u>-</u>
Fund balances:				
Restricted for:				
Public safety	-	-	-	-
Parks and recreation	-	-	2,277,643	-
Public works	707,216	4,828,207	-	-
Debt service	-	-	-	-
Committed to:				
General government	-	-	-	-
Community development	-	-	-	402,491
Capital projects	-	-	-	-
Total Fund Balances	<u>707,216</u>	<u>4,828,207</u>	<u>2,277,643</u>	<u>402,491</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 707,216</u>	<u>\$ 5,236,846</u>	<u>\$ 2,535,387</u>	<u>\$ 402,491</u>

CITY OF SAN CARLOS

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021

	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>San Carlos Library Bonds</u>	
Assets:		
Cash and investments	\$ 936,862	\$15,893,710
Receivables:		
Accounts receivable	-	1,492,162
Total Assets	<u>\$ 936,862</u>	<u>\$ 17,385,872</u>
Liabilities:		
Accounts payable and accrued liabilities	\$ -	\$ 740,996
Total Liabilities	<u>-</u>	<u>740,996</u>
Deferred Inflows of Resources:		
Unavailable revenue	-	145,973
Total Deferred Inflows of Resources	<u>-</u>	<u>145,973</u>
Fund balances:		
Restricted for:		
Public safety	-	349,737
Parks and recreation	-	2,277,643
Public works	-	6,205,372
Debt service	936,862	936,862
Committed to:		
General government	-	2,811,931
Community development	-	402,491
Capital projects	-	3,514,867
Total Fund Balances	<u>936,862</u>	<u>16,498,903</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 936,862</u>	<u>\$ 17,385,872</u>

This Page Left Intentionally Blank

CITY OF SAN CARLOS

**COMBINING STATEMENT OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	Special Revenue Funds			Capital Projects Funds
	NPDES	Police Grants	San Carlos Library Tenant	Equipment Replacement
Revenues:				
Sales taxes	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
From other agencies	509,486	156,727	-	-
Charges for current services	-	-	-	-
Use of money and property	135	81	198,621	-
Other revenue	167,216	-	1,142,480	-
Total Revenues	676,837	156,808	1,341,101	-
Expenditures:				
Current:				
General government	-	-	291,046	-
Community development	-	-	-	-
Public safety	-	150,000	-	-
Public works	551,906	-	-	-
Capital outlay	-	-	-	277,438
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	551,906	150,000	291,046	277,438
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	124,931	6,808	1,050,055	(277,438)
Other Financing Sources (Uses):				
Transfers in	-	-	-	295,000
Transfers (out)	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	295,000
Net Change in Fund Balances	124,931	6,808	1,050,055	17,562
Fund Balances, Beginning of Year	545,018	342,929	1,761,876	3,497,305
Fund Balances, End of Year	\$ 669,949	\$ 349,737	\$ 2,811,931	\$ 3,514,867

CITY OF SAN CARLOS

COMBINING STATEMENT OF REVENUES
 EXPENDITURES AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2021

	Capital Projects Funds			
	Measure A and Measure W	Gas Tax	Park Fee	Parking In-Lieu
Revenues:				
Sales taxes	\$ 1,228,758	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	148,027	-	2,706
From other agencies	-	1,878,561	-	-
Charges for current services	-	659	-	-
Use of money and property	134	1,015	510	441
Other revenue	-	-	366,601	76,169
Total Revenues	1,228,892	2,028,262	367,111	79,316
Expenditures:				
Current:				
General government	-	-	-	-
Community development	-	-	-	2,273
Public safety	-	-	-	-
Public works	90,248	964,800	-	-
Capital outlay	-	3,421,320	295,592	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	90,248	4,386,120	295,592	2,273
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,138,644	(2,357,858)	71,519	77,043
Other Financing Sources (Uses):				
Transfers in	-	6,063,750	-	-
Transfers (out)	(1,438,750)	-	-	-
Total Other Financing Sources (Uses)	(1,438,750)	6,063,750	-	-
Net Change in Fund Balances	(300,106)	3,705,892	71,519	77,043
Fund Balances, Beginning of Year	1,007,322	1,122,315	2,206,124	325,448
Fund Balances, End of Year	\$ 707,216	\$ 4,828,207	\$ 2,277,643	\$ 402,491

CITY OF SAN CARLOS

**COMBINING STATEMENT OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>San Carlos Library Bonds</u>	
Revenues:		
Sales taxes	\$ -	\$ 1,228,758
Property taxes	344,629	344,629
Licenses and permits	-	150,733
From other agencies	-	2,544,774
Charges for current services	-	659
Use of money and property	187	201,124
Other revenue	-	1,752,466
	<u>344,816</u>	<u>6,223,143</u>
Total Revenues	344,816	6,223,143
Expenditures:		
Current:		
General government	-	291,046
Community development	-	2,273
Public safety	-	150,000
Public works	-	1,606,954
Capital outlay	-	3,994,350
Debt service:		
Principal	365,000	365,000
Interest and fiscal charges	63,905	63,905
	<u>428,905</u>	<u>6,473,528</u>
Total Expenditures	428,905	6,473,528
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(84,089)</u>	<u>(250,385)</u>
Other Financing Sources (Uses):		
Transfers in	-	6,358,750
Transfers (out)	-	(1,438,750)
	<u>-</u>	<u>4,920,000</u>
Total Other Financing Sources (Uses)	-	4,920,000
Net Change in Fund Balances	(84,089)	4,669,615
Fund Balances, Beginning of Year	1,020,951	11,829,288
Fund Balances, End of Year	<u>\$ 936,862</u>	<u>\$ 16,498,903</u>

CITY OF SAN CARLOS

**BUDGETARY COMPARISON SCHEDULE
NPDES
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Budget Amount</u>		<u>Variance With Final Budget Positive (Negative)</u>
	<u>Final</u>	<u>Actual</u>	
Revenues:			
From other agencies	\$ 528,000	\$ 509,486	\$ (18,514)
Use of money and property	6,600	135	(6,465)
Other revenue	165,000	167,216	2,216
Total Revenues	699,600	676,837	(22,763)
Expenditures:			
Public works	570,800	551,906	18,894
Total Expenditures	570,800	551,906	18,894
Net Change in Fund Balance	<u>\$ 128,800</u>	124,931	<u>\$ (3,869)</u>
Beginning Fund Balance		<u>545,018</u>	
Ending Fund Balance		<u>\$ 669,949</u>	

CITY OF SAN CARLOS

**BUDGETARY COMPARISON SCHEDULE
POLICE GRANTS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Budget Amount</u>		<u>Variance With Final Budget Positive (Negative)</u>
	<u>Final</u>	<u>Actual</u>	
Revenues:			
From other agencies	\$ 140,000	\$ 156,727	\$ 16,727
Use of money and property	4,300	81	(4,219)
Total Revenues	144,300	156,808	12,508
Expenditures:			
Public safety	150,000	150,000	-
Total Expenditures	150,000	150,000	-
Net Change in Fund Balance	<u>\$ (5,700)</u>	6,808	<u>\$ 12,508</u>
Beginning Fund Balance		<u>342,929</u>	
Ending Fund Balance		<u>\$ 349,737</u>	

CITY OF SAN CARLOS

**BUDGETARY COMPARISON SCHEDULE
SAN CARLOS LIBRARY TENANT
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Budget Amount</u>		<u>Variance With Final Budget Positive (Negative)</u>
	<u>Final</u>	<u>Actual</u>	
Revenues:			
Use of money and property	\$ 213,900	\$ 198,621	\$ (15,279)
Other revenues	38,800	1,142,480	1,103,680
Total Revenues	252,700	1,341,101	1,088,401
Expenditures:			
General government	455,270	291,046	164,224
Total Expenditures	455,270	291,046	164,224
Net Change in Fund Balance	<u>\$ (202,570)</u>	1,050,055	<u>\$ 1,252,625</u>
Beginning Fund Balance		<u>1,761,876</u>	
Ending Fund Balance		<u>\$ 2,811,931</u>	

CITY OF SAN CARLOS

**BUDGETARY COMPARISON SCHEDULE
EQUIPMENT REPLACEMENT
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Budget Amount</u>		<u>Variance With Final Budget Positive (Negative)</u>
	<u>Final</u>	<u>Actual</u>	
Expenditures:			
Capital outlay	\$ 313,000	\$ 277,438	\$ 35,562
Total Expenditures	313,000	277,438	35,562
Excess (Deficiency) of Revenues Over Expenditures	(313,000)	(277,438)	35,562
Other Financing Sources (Uses):			
Transfers in	295,000	295,000	-
Net Change in Fund Balance	<u>\$ (18,000)</u>	17,562	<u>\$ 35,562</u>
Beginning Fund Balance		<u>3,497,305</u>	
Ending Fund Balance		<u>\$ 3,514,867</u>	

CITY OF SAN CARLOS

**BUDGETARY COMPARISON SCHEDULE
MEASURE A AND MEASURE W
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Budget Amount</u>		<u>Variance With Final Budget Positive (Negative)</u>
	<u>Final</u>	<u>Actual</u>	
Revenues:			
Sales taxes	\$ 1,102,250	\$ 1,228,758	\$ 126,508
Use of money and property	9,400	134	(9,266)
Total Revenues	<u>1,111,650</u>	<u>1,228,892</u>	<u>117,242</u>
Expenditures:			
Public works	90,300	90,248	52
Total Expenditures	<u>90,300</u>	<u>90,248</u>	<u>52</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,021,350</u>	<u>1,138,644</u>	<u>117,294</u>
Other Financing Sources (Uses):			
Transfers (out)	<u>(1,438,750)</u>	<u>(1,438,750)</u>	<u>-</u>
Net Change in Fund Balance	<u><u>\$ (417,400)</u></u>	<u>(300,106)</u>	<u><u>\$ 117,294</u></u>
Beginning Fund Balance		<u>1,007,322</u>	
Ending Fund Balance		<u><u>\$ 707,216</u></u>	

CITY OF SAN CARLOS

**BUDGETARY COMPARISON SCHEDULE
GAS TAX
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Budget Amount</u>		<u>Variance With Final Budget Positive (Negative)</u>
	<u>Final</u>	<u>Actual</u>	
Revenues:			
Licenses and permits	\$ 21,300	\$ 148,027	\$ 126,727
Charges for current services	6,200	659	(5,541)
From other agencies	1,688,500	1,878,561	190,061
Use of money and property	21,700	1,015	(20,685)
Total Revenues	<u>1,737,700</u>	<u>2,028,262</u>	<u>290,562</u>
Expenditures:			
Public works	964,800	964,800	-
Capital outlay	5,014,760	3,421,320	1,593,440
Total Expenditures	<u>5,979,560</u>	<u>4,386,120</u>	<u>1,593,440</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(4,241,860)</u>	<u>(2,357,858)</u>	<u>1,884,002</u>
Other Financing Sources (Uses):			
Transfers in	6,063,750	6,063,750	-
Net Change in Fund Balance	<u>\$ 1,821,890</u>	3,705,892	<u>\$ 1,884,002</u>
Beginning Fund Balance		<u>1,122,315</u>	
Ending Fund Balance		<u>\$ 4,828,207</u>	

CITY OF SAN CARLOS

**BUDGETARY COMPARISON SCHEDULE
PARK FEE
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Budget Amount</u>		<u>Variance With Final Budget Positive (Negative)</u>
	<u>Final</u>	<u>Actual</u>	
Revenues:			
From other agencies	\$ 178,000	\$ -	\$ (178,000)
Use of money and property	38,100	510	(37,590)
Other revenue	236,300	366,601	130,301
Total Revenues	452,400	367,111	(85,289)
Expenditures:			
Capital outlay	1,081,716	295,592	786,124
Total Expenditures	1,081,716	295,592	786,124
Excess (Deficiency) of Revenues Over Expenditures	(629,316)	71,519	700,835
Net Change in Fund Balance	<u>\$ (629,316)</u>	71,519	<u>\$ 700,835</u>
Beginning Fund Balance		2,206,124	
Ending Fund Balance		<u>\$ 2,277,643</u>	

CITY OF SAN CARLOS

**BUDGETARY COMPARISON SCHEDULE
PARKING IN-LIEU
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Budget Amount</u>		<u>Variance With Final Budget Positive (Negative)</u>
	<u>Final</u>	<u>Actual</u>	
Revenues:			
Licenses and permits	\$ 3,000	\$ 2,706	\$ (294)
Use of money and property	3,300	441	(2,859)
Other revenue	-	76,169	76,169
Total Revenues	<u>6,300</u>	<u>79,316</u>	<u>73,016</u>
Expenditures:			
Community development	<u>67,010</u>	<u>2,273</u>	<u>64,737</u>
Total Expenditures	<u>67,010</u>	<u>2,273</u>	<u>64,737</u>
Net Change in Fund Balance	<u>\$ (60,710)</u>	77,043	<u>\$ 137,753</u>
Beginning Fund Balance		<u>325,448</u>	
Ending Fund Balance		<u>\$ 402,491</u>	

CITY OF SAN CARLOS

**BUDGETARY COMPARISON SCHEDULE
SAN CARLOS LIBRARY BONDS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Budget Amount</u>		<u>Variance With Final Budget Positive (Negative)</u>
	<u>Final</u>	<u>Actual</u>	
Revenues:			
Property taxes	\$ 323,400	\$ 344,629	\$ 21,229
Use of money and property	10,000	187	(9,813)
Total Revenues	333,400	344,816	11,416
Expenditures:			
Principal	365,000	365,000	-
Interest and fiscal charges	64,100	63,905	195
Total Expenditures	429,100	428,905	195
Net Change in Fund Balance	<u>\$ (95,700)</u>	(84,089)	<u>\$ 11,611</u>
Beginning Fund Balance		1,020,951	
Ending Fund Balance		<u>\$ 936,862</u>	

This Page Left Intentionally Blank

INTERNAL SERVICE FUNDS

Internal Service Funds are used to finance and account for special activities and services performed by a designated department for other departments in the City on a cost reimbursement basis. The concept of major funds does not extend to internal service funds because they do not do business with outside parties. The Statement of Activities, the net revenues or expenses of each internal service fund, is eliminated by netting them against the operations of the other City departments, which generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net Position. However, internal service funds are still presented separately in the Fund Financial Statements, including the funds below:

WORKERS' COMPENSATION FUND: Used to account for activities relating to Workers' Compensation claims and the premiums for coverage.

LIABILITY INSURANCE FUND: Used to account for activities relating to general liability claims against the City and premiums for coverage above the City's risk retention level.

LONGEVITY BENEFITS FUND: Used to account for activities relating to health care benefits for retired employees.

CITY OF SAN CARLOS

COMBINING STATEMENTS OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2021

	Governmental Activities - Internal Service Funds			
	Workers' Compensation	Liability Insurance	Longevity Benefits	Total
Assets:				
Current:				
Cash and investments	\$ 403,622	\$ 1,561,704	\$ 495,219	\$ 2,460,545
Accounts receivable	-	-	-	-
Total Assets	\$ 403,622	\$ 1,561,704	\$ 495,219	\$ 2,460,545
Liabilities:				
Accounts payable	\$ 900	\$ 84,593	\$ -	\$ 85,493
Claims payable:				
Due within one year	83,000	200,000	-	283,000
Due in more than one year	-	327,000	-	327,000
Total Liabilities	83,900	611,593	-	695,493
Net Position:				
Unrestricted	319,722	950,111	495,219	1,765,052
Total Net Position	\$ 319,722	\$ 950,111	\$ 495,219	\$ 1,765,052

CITY OF SAN CARLOS

COMBINING STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Governmental Activities - Internal Service Funds			
	Workers' Compensation	Liability Insurance	Longevity Benefits	Total
Operating Revenues:				
Charges for services	\$ 7,775	\$ -	\$ 981,700	\$ 989,475
Cost reimbursements	176,900	1,370,000	-	1,546,900
Total Operating Revenues	184,675	1,370,000	981,700	2,536,375
Operating Expenses:				
Insurance premiums	134,198	876,932	-	1,011,130
Claims expense	-	229,891	913,000	1,142,891
Miscellaneous	19,556	800	-	20,356
Total Operating Expenses	153,754	1,107,623	913,000	2,174,377
Operating Income	30,921	262,377	68,700	361,998
Nonoperating Revenues:				
Investment income	82	316	100	498
Miscellaneous	-	7,951	-	7,951
Total Nonoperating Revenues	82	8,267	100	8,449
Changes in Net Position	31,003	270,644	68,800	370,447
Net Position:				
Beginning of Year	288,719	679,467	426,419	1,394,605
End of Fiscal Year	\$ 319,722	\$ 950,111	\$ 495,219	\$ 1,765,052

CITY OF SAN CARLOS

INTERNAL SERVICE FUNDS
 COMBINING STATEMENTS OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2021

	Governmental Activities - Internal Service Funds			
	Workers' Compensation	Liability Insurance	Longevity Benefits	Total
Cash Flows from Operating Activities:				
Receipts from other funds	\$ 184,675	\$ 1,399,768	\$ 981,700	\$ 2,566,143
Payments to suppliers	(152,854)	(793,492)	-	(946,346)
Claims paid	(700)	(230,891)	(913,000)	(1,144,591)
Net Cash Provided (Used) by Operating Activities	31,121	375,385	68,700	475,206
Cash Flows from Investing Activities:				
Interest	82	316	100	498
Miscellaneous	-	7,951	-	7,951
Net Cash Provided (Used) by Investing Activities	82	8,267	100	8,449
Net Increase (Decrease) in Cash and Cash Equivalents	31,203	383,652	68,800	483,655
Cash and Cash Equivalents at Beginning of Year	372,419	1,178,052	426,419	1,976,890
Cash and Cash Equivalents at End of Year	\$ 403,622	\$ 1,561,704	\$ 495,219	\$ 2,460,545
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 30,921	\$ 262,377	\$ 68,700	\$ 361,998
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Change in assets and liabilities:				
Accounts receivable	-	29,768	-	29,768
Accounts payable	900	84,240	-	85,140
Claims payable	(700)	(1,000)	-	(1,700)
Net Cash Provided (Used) by Operating Activities	\$ 31,121	\$ 375,385	\$ 68,700	\$ 475,206

STATISTICAL SECTION

This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time:

1. Net Position by Component
2. Changes in Net Position
3. Fund Balances of Governmental Funds
4. Changes in Fund Balance of Governmental Funds

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source - the property tax:

1. Assessed and Estimated Actual Value of Taxable Property
2. Direct and Overlapping Property Tax Rates
3. Top Ten Property Tax Payers
4. Property Tax Levies and Collections

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future:

1. Ratio of Outstanding Debt by Type
2. Ratio of General Bonded Debt Outstanding
3. Pledged-Revenue Coverage
4. Computation of Direct and Overlapping Debt
5. Computation of Legal Bonded Debt Margin

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place:

1. Demographic and Economic Statistics
2. Principal Employers
3. Full Time Equivalent City Employees by Function

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

1. Operating Indicators by Function/Program
2. Capital Asset Statistics by Function/Program

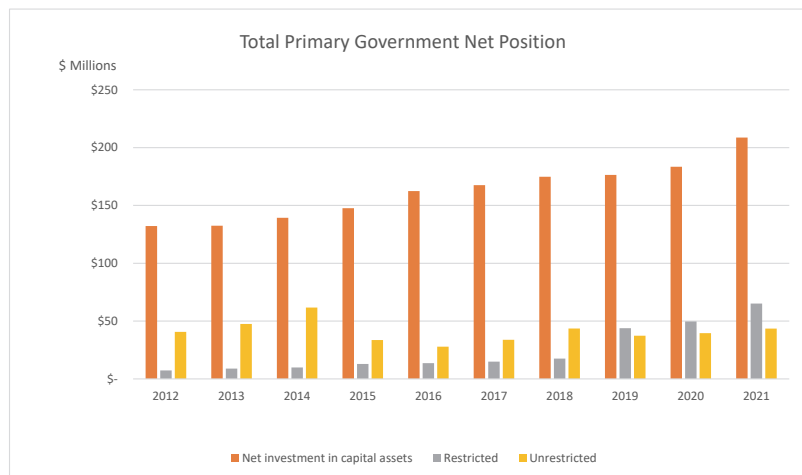
Sources

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

This Page Left Intentionally Blank

Net Position by Component Last Ten Fiscal Years

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental activities										
Net investment in capital assets	\$ 119,426,713	\$ 119,171,599	\$ 124,467,083	\$ 132,736,463	\$ 140,578,718	\$ 139,749,356	\$ 143,590,862	\$ 144,862,733	\$ 151,378,234	\$ 174,874,347
Restricted	7,322,914	8,871,235	9,859,896	12,904,615	13,634,148	14,913,451	17,552,239	21,956,488	20,162,108	29,895,196
Unrestricted	34,473,081	39,942,056	42,689,655	14,374,721	14,261,604	19,429,741	26,566,944	37,335,673	39,591,734	43,510,702
Total governmental activities net position	\$ 161,222,708	\$ 167,984,890	\$ 177,016,634	\$ 160,015,799	\$ 168,474,470	\$ 174,092,548	\$ 187,710,045	\$ 204,154,894	\$ 211,132,076	\$ 248,280,245
Business-type activities										
Net investment in capital assets	\$ 12,798,962	\$ 13,337,359	\$ 14,840,080	\$ 14,855,225	\$ 21,838,351	\$ 27,740,303	\$ 31,170,136	\$ 31,475,466	\$ 32,069,977	\$ 33,829,658
Restricted								\$ 21,920,835	\$ 29,481,877	\$ 35,287,006
Unrestricted	6,210,876	7,556,596	19,028,996	19,212,357	13,613,839	14,360,124	17,040,516	-	-	-
Total business-type activities net position	\$ 19,009,838	\$ 20,893,955	\$ 33,869,076	\$ 34,067,582	\$ 35,452,190	\$ 42,100,427	\$ 48,210,652	\$ 53,396,301	\$ 61,551,854	\$ 69,116,664
Primary government										
Net investment in capital assets	\$ 132,225,675	\$ 132,508,958	\$ 139,307,163	\$ 147,591,688	\$ 162,417,069	\$ 167,489,659	\$ 174,760,998	\$ 176,338,199	\$ 183,448,211	\$ 208,704,005
Restricted	7,322,914	8,871,235	9,859,896	12,904,615	13,634,148	14,913,451	17,552,239	43,877,323	49,643,985	65,182,202
Unrestricted	40,683,957	47,498,652	61,718,651	33,587,078	27,875,443	33,789,865	43,607,460	37,335,673	39,591,734	43,510,702
Total primary government net position	\$ 180,232,546	\$ 188,878,845	\$ 210,885,710	\$ 194,083,381	\$ 203,926,660	\$ 216,192,975	\$ 235,920,697	\$ 257,551,195	\$ 272,683,930	\$ 317,396,909



Changes in Net Position

Last Ten Fiscal Years

	2012	2013	2014	2015
Expenses				
Governmental Activities:				
General Government	\$ 5,663,863	\$ 6,475,824	\$ 5,321,121	\$ 5,189,609
Public Safety	13,449,771	14,574,275	15,592,529	16,069,651
Public Works	2,493,488	2,687,707	8,255,888	9,167,760
Community Development	4,081,250	2,766,720	2,991,374	3,272,803
Parks and Recreation	4,018,025	4,117,692	3,043,648	3,203,949
Interest on Long Term Debt	608,784	264,260	276,859	334,808
Total Governmental Activities Expenses	30,315,181	30,886,478	35,481,419	37,238,580
Business-Type Activities:				
Sewer	7,887,064	7,874,008	8,320,370	11,882,000
Total Business-Type Activities Expenses	7,887,064	7,874,008	8,320,370	11,882,000
Total Primary Government Expenses	\$ 38,202,245	\$ 38,760,486	\$ 43,801,789	\$ 49,120,580
Program Revenues				
Governmental Activities:				
Charges for Services:				
General Government	\$ 1,027,189	\$ 1,074,928	\$ 1,071,289	\$ 1,749,186
Public Safety	515,745	505,948	527,366	560,303
Public Works	2,230,306	597,220	1,201,650	769,083
Community Development	2,125,361	2,017,110	2,625,860	3,227,818
Parks and Recreation	1,951,859	2,122,207	2,206,374	1,710,865
Operating Grants and Contributions	1,257,912	1,591,002	1,942,020	1,718,123
Capital Grants and Contributions	1,054,103	1,070,551	4,907,492	4,882,958
Total Government Activities Program Revenues	10,162,475	8,978,966	14,482,051	14,618,336
Business-Type Activities:				
Charges for Services:				
Sewer	10,195,074	10,222,616	12,685,252	15,335,342
Total Business-Type Activities Program Revenue	10,195,074	10,222,616	12,685,252	15,335,342
Total Primary Government Program Revenues	\$ 20,357,549	\$ 19,201,582	\$ 27,167,303	\$ 29,953,678
Net (Expense)/Revenue				
Governmental Activities	\$(20,152,706)	\$(21,907,512)	\$(20,999,368)	\$(22,620,244)
Business-Type Activities	2,308,010	2,348,608	4,364,882	3,453,342
Total Primary Government Net Expense	\$(17,844,696)	\$(19,558,904)	\$(16,634,486)	\$(19,166,902)

	2016	2017	2018	2019	2020	2021
\$	6,017,538	\$ 6,329,346	\$ 10,536,582	\$ 6,380,239	\$ 14,340,628	\$ 6,858,609
	17,430,558	18,375,585	19,030,927	20,312,716	21,394,936	21,027,010
	8,266,278	7,978,435	9,153,462	9,228,138	12,497,686	10,685,934
	4,096,699	4,700,675	3,916,838	4,573,922	6,972,347	4,246,931
	2,367,444	3,858,835	3,127,329	3,887,509	3,028,761	2,792,235
	268,810	81,837	73,925	65,287	55,762	44,819
	38,447,327	41,324,713	45,839,063	44,447,811	58,290,120	45,655,538
	14,067,910	9,663,209	10,604,504	12,864,967	11,835,352	12,997,274
	14,067,910	9,663,209	10,604,504	12,864,967	11,835,352	12,997,274
\$	52,515,237	\$ 50,987,922	\$ 56,443,567	\$ 57,312,778	\$ 70,125,472	\$ 58,652,812
\$	1,258,805	\$ 1,297,282	\$ 1,323,703	\$ 1,373,465	\$ 1,325,656	\$ 1,421,092
	518,876	618,102	522,690	671,586	600,031	541,764
	2,222,932	1,502,215	3,419,090	1,944,495	1,769,924	2,486,563
	4,359,416	3,618,051	4,075,435	3,479,906	3,747,032	6,862,012
	1,499,342	1,630,102	1,576,562	1,555,971	1,248,126	626,332
	1,717,004	2,093,580	4,864,283	4,625,477	6,190,174	4,761,192
	4,295,854	2,416,816	973,726	1,495,483	3,793,984	20,833,501
	15,872,229	13,176,148	16,755,489	15,146,383	18,674,927	37,532,456
	16,798,299	16,793,613	17,487,381	18,294,560	19,955,871	21,188,241
	16,798,299	16,793,613	17,487,381	18,294,560	19,955,871	21,188,241
\$	32,670,528	\$ 29,969,761	\$ 34,242,870	\$ 33,440,943	\$ 38,630,798	\$ 58,720,697
\$	(22,575,098)	\$ (28,148,565)	\$ (29,083,574)	\$ (29,301,428)	\$ (39,615,193)	\$ (8,123,082)
	2,730,389	7,130,404	6,882,877	5,429,593	8,120,519	8,190,967
\$	(19,844,709)	\$ (21,018,161)	\$ (22,200,697)	\$ (23,871,835)	\$ (31,494,674)	\$ 67,885

Changes in Net Position

Last Ten Fiscal Years

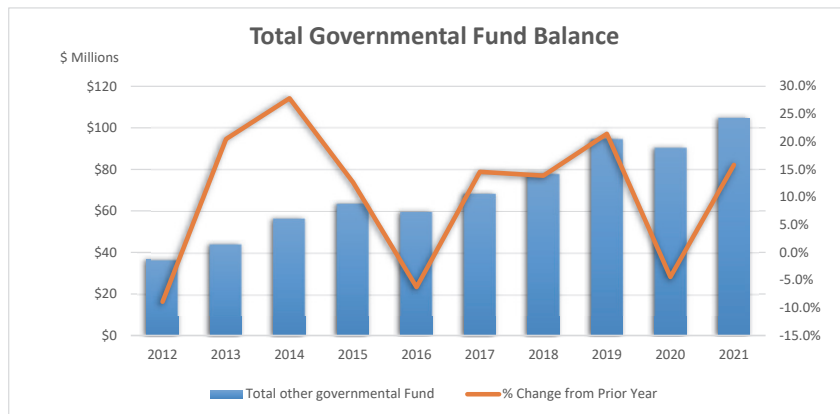
	2012	2013	2014	2015
General Revenues and Other Changes in Net Position				
Governmental Activities:				
Taxes:				
Property Taxes	\$ 12,615,467	\$ 11,231,717	\$ 12,907,307	\$ 11,295,391
Sales Taxes	5,870,214	6,427,400	7,287,136	9,882,460
Motor Vehicle In-Lieu	2,205,159	2,155,983	2,438,078	2,515,600
Transient Occupancy Tax	943,513	1,120,864	1,270,072	1,396,732
Nonregulatory Franchise and Business	3,000,857	3,240,864	3,351,838	3,437,742
Use of money and property	1,443,720	1,552,992	1,918,054	2,330,545
Loss on sale of capital assets	-	-	-	-
Other	818,682	2,429,847	686,427	708,552
Transfers	595,000	510,000	172,200	591,000
Special item	-	-	-	-
Extraordinary gain/(loss) on dissolution of RDA	2,184,427	-	-	2,172,017
Total Government Activities	29,677,039	28,669,667	30,031,112	34,330,039
Business-Type Activities:				
Use of money and property	45,186	45,509	91,110	77,276
Miscellaneous Revenues	-	-	32,358	26,973
Transfers	(595,000)	(510,000)	(172,200)	(591,000)
Total Business-Type Activities	(549,814)	(464,491)	(48,732)	(486,751)
Total Primary Government	\$ 29,127,225	\$ 28,205,176	\$ 29,982,380	\$ 33,843,288
Change in Net Position				
Governmental Activities	\$ 9,524,333	\$ 6,762,155	\$ 9,031,744	\$ 11,709,795
Business-Type Activities	1,758,196	1,884,117	4,316,150	2,966,591
Total Primary Government	\$ 11,282,529	\$ 8,646,272	\$ 13,347,894	\$ 14,676,386

	2016	2017	2018	2019	2020	2021
\$	12,117,407	\$ 12,867,544	\$ 13,777,611	\$ 16,025,098	\$ 16,865,800	\$ 17,311,790
	10,708,021	11,574,662	12,716,614	12,931,123	12,638,700	12,533,764
	2,744,676	2,933,877	3,202,810	3,563,988	3,602,983	2,314,833
	1,578,740	1,570,815	1,655,658	3,123,042	2,461,423	1,200,905
	3,552,639	3,792,976	3,962,800	4,121,311	4,180,156	4,112,616
	3,147,860	2,271,719	2,782,096	4,507,003	5,331,720	2,348,979
	-	(2,686,318)	-	-	-	-
	1,284,689	867,468	1,307,380	877,612	902,593	814,964
	562,600	573,900	457,400	597,100	609,000	633,400
	-	-	6,000,000	-	-	-
	-	-	-	-	-	-
	35,696,632	33,766,643	45,862,369	45,746,277	46,592,375	41,271,251
	109,244	91,733	199,087	353,156	644,034	5,685
	-	-	-	-	-	1,558
	(562,600)	(573,900)	(457,400)	(597,100)	(609,000)	(633,400)
	(453,356)	(482,167)	(258,313)	(243,944)	35,034	(626,157)
\$	35,243,276	\$ 33,284,476	\$ 45,604,056	\$ 45,502,333	\$ 46,627,409	\$ 40,645,094
\$	13,121,534	\$ 5,618,078	\$ 16,778,795	\$ 16,444,849	\$ 6,977,182	\$ 33,148,169
	2,277,033	6,648,237	6,624,564	5,185,649	8,155,553	7,564,810
\$	15,398,567	\$ 12,266,315	\$ 23,403,359	\$ 21,630,498	\$ 15,132,735	\$ 40,712,979

Fund Balances - Governmental Funds

Last Ten Fiscal Years

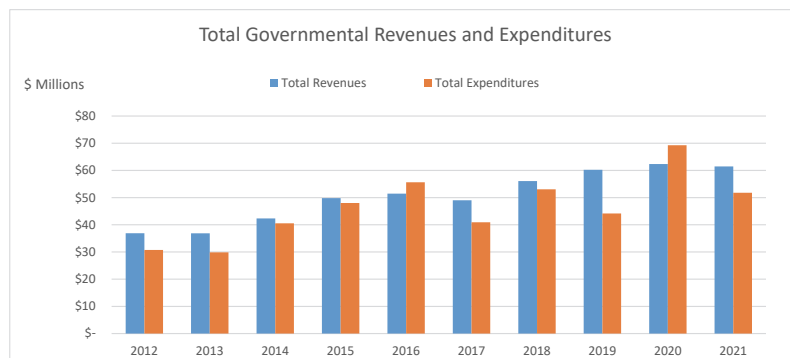
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Fund										
Nonspendable	\$ 713,300	\$ 1,062,700	\$15,130,823	\$14,422,062	\$ 348,263	\$ 380,712	\$ 607,633	\$ 398,241	\$ 203,543	\$ 309,293
Restricted	-	42,000	-	-	-	-	-	-	-	-
Committed	6,853,165	7,151,565	3,200,000	3,300,000	11,291,795	12,131,795	15,924,352	15,810,239	16,509,727	14,509,727
Assigned	9,175,000	9,700,000	12,901,565	13,683,365	14,000,000	16,841,500	9,841,500	19,341,500	16,841,500	19,341,500
Unassigned	3,002,379	3,052,124	3,040,483	3,386,603	3,971,159	2,698,673	3,177,129	2,888,220	2,890,529	3,542,557
Total General Fund	\$ 19,743,844	\$ 21,008,389	\$34,272,871	\$34,792,030	\$ 29,611,217	\$ 32,052,680	\$ 29,550,614	\$38,438,200	\$ 36,445,299	\$ 37,703,077
Other Governmental Funds										
Nonspendable	1,585,662	2,538,601	-	-	-	-	-	-	-	-
Restricted	5,737,252	6,290,634	9,859,896	12,904,615	13,634,148	14,913,451	17,552,239	21,956,488	20,162,108	29,895,196
Committed	9,652,778	14,369,247	12,377,737	15,968,926	16,433,787	21,406,130	30,751,795	34,128,375	33,745,063	37,045,447
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	(22,610)	-	-	-	-	-	-	-	-	-
Total other governmental Fund	\$ 16,953,082	\$ 23,198,482	\$22,237,633	\$28,873,541	\$ 30,067,935	\$ 36,319,581	\$ 48,304,034	\$56,084,863	\$ 53,907,171	\$ 66,940,643
Total Governmental Fund Balance	\$ 36,696,926	\$ 44,206,871	\$56,510,504	\$63,665,571	\$ 59,679,152	\$ 68,372,261	\$ 77,854,648	\$94,523,063	\$ 90,352,470	\$ 104,643,720
% Change from Prior Year	-8.9%	20.5%	27.8%	12.7%	-6.3%	14.6%	13.9%	21.4%	-4.4%	15.8%



Changes in Fund Balances - Governmental Funds

Last Ten Fiscal Years

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues										
Taxes	\$ 25,282,782	\$ 24,176,828	\$ 27,254,431	\$ 28,527,925	\$ 30,701,483	\$ 32,739,874	\$ 35,315,493	\$ 39,764,562	\$ 39,749,062	\$ 37,473,908
Licenses, permits and fees	3,198,769	2,024,279	2,271,457	2,465,157	4,534,737	3,511,276	5,671,196	3,759,871	3,574,107	6,211,124
Fines and forfeitures	265,091	234,218	219,944	265,288	234,697	255,632	202,126	283,864	266,630	159,652
Use of money and property	1,864,401	1,805,466	2,176,508	6,124,308	3,143,760	2,195,096	2,680,870	4,393,214	5,206,157	2,277,391
From other agencies	2,048,990	1,824,567	4,119,086	4,218,621	4,360,957	2,753,794	1,602,792	1,974,384	3,090,322	4,241,884
Charges for services	2,557,464	2,912,353	3,389,107	3,785,239	4,253,198	3,952,620	4,231,562	4,130,312	3,855,545	4,576,734
Other	1,674,507	3,878,322	2,886,134	4,439,450	4,236,064	3,613,927	6,373,700	5,920,652	6,592,001	6,511,943
Total Revenues	36,892,004	36,856,033	42,316,667	49,825,988	51,464,896	49,022,219	56,077,739	60,226,859	62,333,824	61,452,636
Expenditures										
Current:										
General government	4,555,802	4,165,249	4,715,318	4,824,314	4,988,340	4,840,215	12,350,097	5,695,234	16,144,942	6,091,767
Public safety	13,119,914	14,410,769	15,360,993	15,993,240	17,340,123	17,827,665	18,568,952	19,567,510	20,351,411	20,681,262
Public works	1,673,870	1,641,955	6,779,012	4,121,793	4,612,132	8,930,843	11,417,750	9,223,438	6,166,679	6,123,584
Community development	3,932,661	2,666,132	2,870,822	3,104,920	4,134,764	4,250,662	4,668,424	4,400,138	8,099,919	5,989,739
Parks and recreation	3,438,598	3,597,600	2,574,917	2,590,068	2,775,229	2,816,465	2,919,349	2,997,533	2,945,962	2,024,703
Capital outlay	2,465,296	2,841,083	7,691,263	10,596,619	12,271,896	1,887,675	2,771,420	1,898,256	15,148,607	10,454,826
Debt service:										
Principal repayment	700,264	265,000	285,000	6,405,000	9,210,000	250,000	265,000	290,000	320,000	365,000
Interest and fiscal charges	843,435	268,300	258,604	400,240	300,908	99,485	91,760	83,435	74,285	63,905
Total Expenditures	30,729,840	29,856,088	40,535,929	48,036,194	55,633,392	40,903,010	53,052,752	44,155,544	69,251,805	51,794,786
Excess (deficiency) of revenues over (under) expenditures	6,162,164	6,999,945	1,780,738	1,789,794	(4,168,496)	8,119,209	3,024,987	16,071,315	(6,917,981)	9,657,850
Other Financing Sources (Uses)										
Transfers in	2,938,040	4,303,415	1,645,165	6,441,141	4,815,399	5,846,109	9,469,241	3,832,100	4,759,300	8,507,150
Transfers (out)	(2,293,040)	(3,793,415)	(1,472,965)	(5,850,141)	(4,252,799)	(5,272,209)	(9,011,841)	(3,235,000)	(4,150,300)	(7,873,750)
Loss on sale of property	-	-	-	-	(380,523)	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-	-	-	-	-	-
Proceeds of Debt	-	-	8,800,000	4,774,273	-	-	-	-	-	-
Payments to refunded bond escrow	-	-	-	-	-	-	-	-	-	-
Capital contribution	-	-	1,550,695	-	-	-	-	-	-	-
Total other financing sources (uses)	645,000	510,000	10,522,895	5,365,273	182,077	573,900	457,400	597,100	609,000	633,400
Special item	-	-	-	-	-	-	6,000,000	-	2,138,388	-
Extraordinary gain/(loss) on dissolution of RDA	(10,412,431)	-	-	-	-	-	-	-	-	-
Net Change in fund balances	\$ (3,605,267)	\$ 7,509,945	\$ 12,303,633	\$ 7,155,067	\$ (3,986,419)	\$ 8,693,109	\$ 9,482,387	\$ 16,668,415	\$ (4,170,593)	\$ 10,291,250
Debt service as a percentage of noncapital expenditures	5.3%	1.9%	1.7%	16.3%	20.7%	1.0%	0.8%	1.0%	0.9%	1.1%

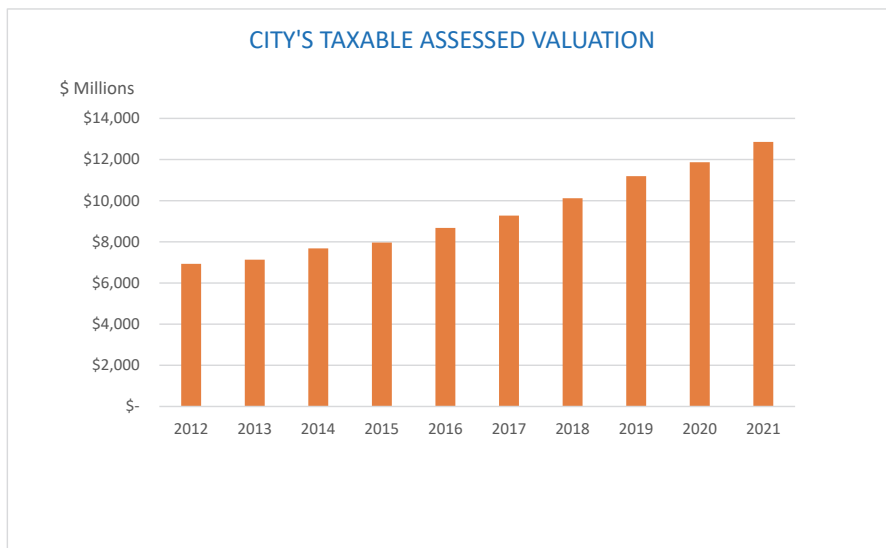


Assessed Valuation, Tax Rates and Tax Levies

LAST TEN FISCAL YEARS

Real Property

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Others	Total Real Property	Unsecured Property	Total Assessed	% Change from Prior Year	Total Direct Tax Rate
2012	\$ 5,532,457,020	\$ 530,784,713	\$ 530,206,176	\$ 57,106,808	\$ 6,650,554,717	\$ 280,928,376	\$ 6,931,483,093	1.41%	0.19481
2013	5,717,858,710	516,269,311	559,907,761	69,214,632	6,863,250,414	269,345,842	7,132,596,256	2.90%	0.19504
2014	6,120,011,894	541,914,403	556,804,162	59,050,682	7,277,781,141	401,155,969	7,678,937,110	7.66%	0.11685
2015	6,489,784,870	561,595,333	563,659,154	50,870,561	7,665,909,918	299,060,205	7,964,970,123	3.72%	0.11840
2016	6,979,211,977	665,733,132	598,644,941	63,226,293	8,306,816,343	370,528,439	8,677,344,782	8.94%	0.11424
2017	7,420,946,280	770,190,805	636,526,534	67,885,633	8,895,549,252	381,768,262	9,277,317,514	6.91%	0.11379
2018	7,974,893,577	932,202,492	719,752,790	93,148,004	9,719,996,863	399,049,241	10,119,046,104	9.07%	0.11346
2019	8,556,401,938	1,038,848,823	920,844,274	89,053,163	10,605,148,198	590,331,671	11,195,479,869	10.64%	0.11460
2020	9,274,656,525	1,134,157,010	908,575,428	84,410,613	11,401,799,576	465,645,550	11,867,445,126	6.00%	0.11317
2021	10,058,881,929	1,207,502,590	1,101,271,014	97,747,547	12,465,403,080	388,462,296	12,853,865,376	8.31%	0.11219



Source:

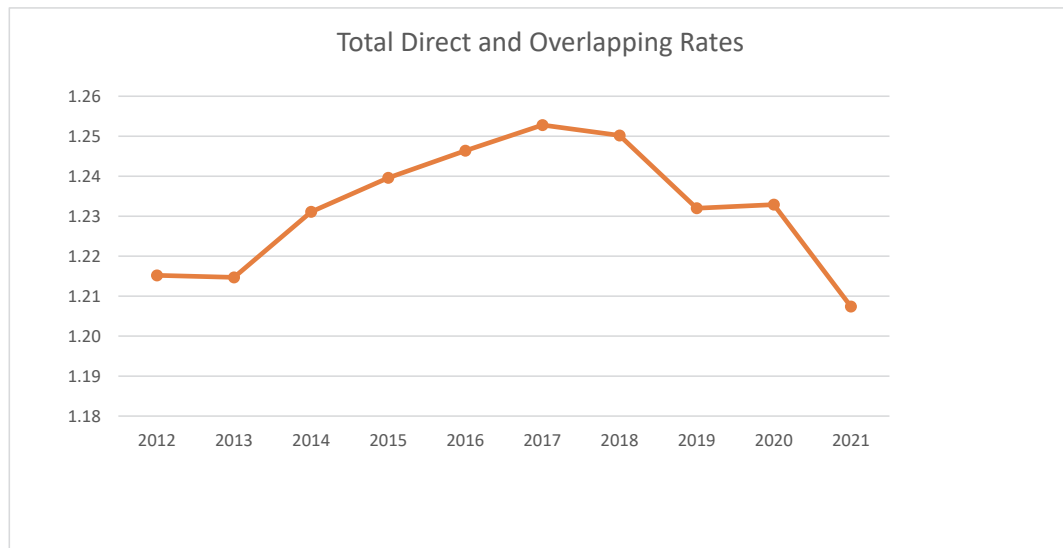
San Mateo County Assessor 2011/12 - 2021/21 Combined Tax Rolls

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

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years
(Rate per \$100 of Taxable Value)

Fiscal Year	Basic Levy	'City's Share of 1% Levy Per Prop 13	City Debt Rate	San Mateo			Belmont Redwood City		Mid-Peninsula Regional Open Space	San Mateo Community College	Total Direct Overlapping Tax Rate	Total Direct Rate*
				Junior College	San Carlos Elementary	Sequoia Union High	Redwood Shore Elementary	Redwood City				
2012	1.0000	0.10802	0.0089	0.0199	0.0535	0.0358	0.0971	-	-	1.2152	0.19481	
2013	1.0000	0.10803	0.0088	0.0194	0.0528	0.0356	0.0981	-	-	1.2147	0.19504	
2014	1.0000	0.10755	0.0084	0.0194	0.0775	0.0313	0.0945	-	-	1.2311	0.11685	
2015	1.0000	0.10803	0.0082	0.0190	0.0768	0.0433	0.0923	-	-	1.2396	0.11840	
2016	1.0000	0.10803	0.0042	0.0250	0.0725	0.0434	0.1005	0.0008	-	1.2464	0.11424	
2017	1.0000	0.10802	0.0040	0.0247	0.0646	0.0391	0.1198	0.0006	-	1.2528	0.11379	
2018	1.0000	0.10800	0.0038	0.0235	0.0643	0.0383	0.1194	0.0009	-	1.2502	0.11346	
2019	1.0000	0.10800	0.0037	0.0175	0.0600	0.0365	0.1125	0.0018	-	1.2320	0.11460	
2020	1.0000	0.10798	0.0032	0.0231	0.0604	0.0340	0.1071	0.0016	0.0035	1.2329	0.11317	
2021	1.0000	0.10800	0.0023	0.0176	0.0559	0.0315	0.0949	0.0015	0.0037	1.2074	0.11219	



Source:
San Mateo County Assessor 2011/12- 2020/21 Tax Rate Table

City's share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the city.

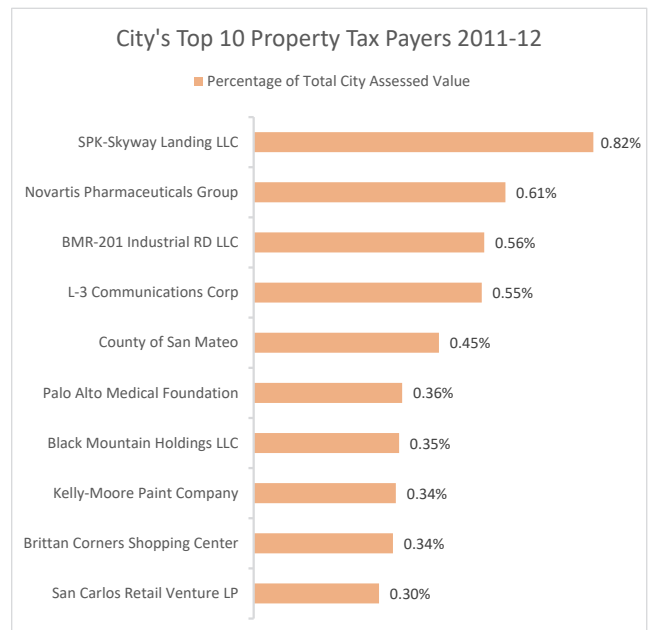
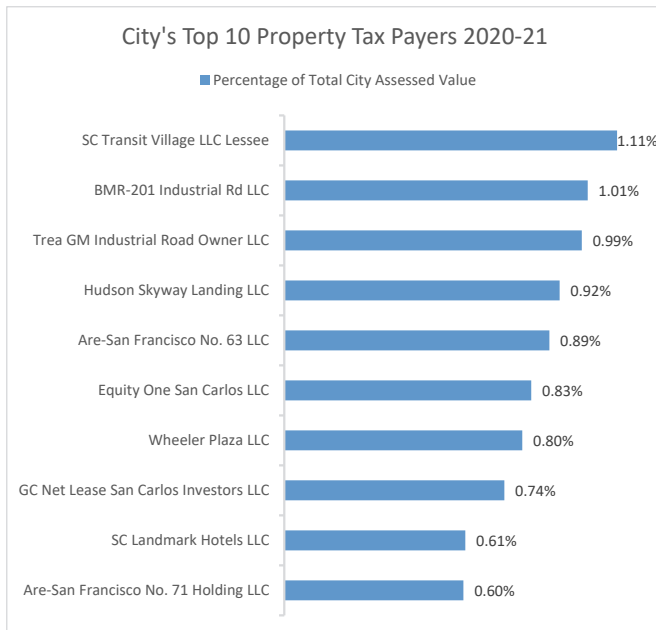
The ERAF portion of the City's Levy has been subtracted where known.

*Total Direct Rate is the weighted average of all individual direct rates applied by the government preparing the statistical section information

Principal Property Tax Payers

Current Fiscal Year and Ten Years Prior

Taxpayer	2020-2021			Taxpayer	2011-2012		
	Assessed Value	Rank	Percentage of Total City Assessed Value		Assessed Value	Rank	Percentage of Total City Assessed Value
SC Transit Village LLC Lessee	\$ 138,701,683	1	1.11%	SPK-Skyway Landing LLC	\$ 56,800,000	1	0.82%
BMR-201 Industrial Rd LLC	126,458,488	2	1.01%	Novartis Pharmaceuticals Group	42,095,787	2	0.61%
Trea GM Industrial Road Owner LLC	124,000,000	3	0.99%	BMR-201 Industrial RD LLC	38,547,190	3	0.56%
Hudson Skyway Landing LLC	114,756,721	4	0.92%	L-3 Communications Corp	38,128,636	4	0.55%
Are-San Francisco No. 63 LLC	110,477,043	5	0.89%	County of San Mateo	30,979,348	5	0.45%
Equity One San Carlos LLC	102,937,174	6	0.83%	Palo Alto Medical Foundation	24,837,081	6	0.36%
Wheeler Plaza LLC	99,194,555	7	0.80%	Black Mountain Holdings LLC	24,321,248	7	0.35%
GC Net Lease San Carlos Investors LLC	91,721,797	8	0.74%	Kelly-Moore Paint Company	23,783,418	8	0.34%
SC Landmark Hotels LLC	75,473,815	9	0.61%	Brittan Corners Shopping Center	23,297,605	9	0.34%
Are-San Francisco No. 71 Holding LLC	74,664,000	10	0.60%	San Carlos Retail Venture LP	20,970,606	10	0.30%
Total Top 10 Taxpayers' Totals	\$ 1,058,385,276		8.49%		\$ 323,760,919		4.67%
City's Total Assessed Valuation	\$ 12,465,403,080		100%		\$ 6,931,483,093		100%



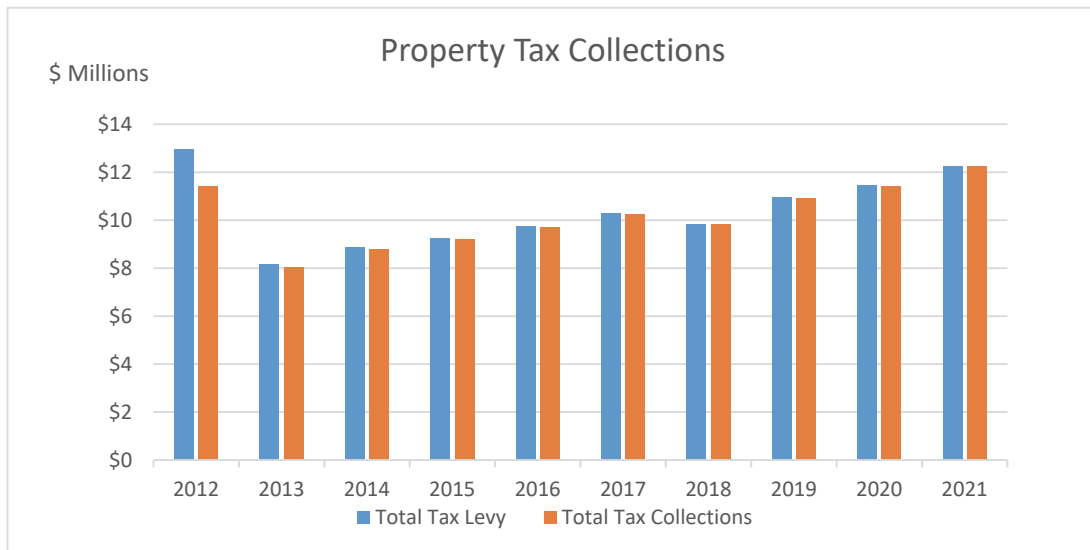
Source:

San Mateo County Assessor 2020/21 Combined Tax Rolls and the SBE Non Unitary Tax Roll
Top Property Tax Payers Based on Net Values

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collection	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
2012	\$ 12,955,911	\$ 11,398,356	87.98%	-	\$ 11,398,356	87.98%
2013	8,138,448	8,027,011	98.63%	-	8,027,011	98.63%
2014	8,879,658	8,757,878	98.63%	-	8,757,878	98.63%
2015	9,229,066	9,208,905	99.78%	-	9,208,905	99.78%
2016	9,744,532	9,693,047	99.47%	-	9,693,047	99.47%
2017	10,273,217	10,231,703	99.60%	-	10,231,703	99.60%
2018	9,804,156	9,807,155	100.00%	-	9,807,155	100.00%
2019	10,934,085	10,913,557	99.81%	-	10,913,557	99.81%
2020	11,428,769	11,413,296	99.86%	-	11,413,296	99.86%
2021	12,254,878	12,245,969	99.93%	-	12,245,969	99.93%



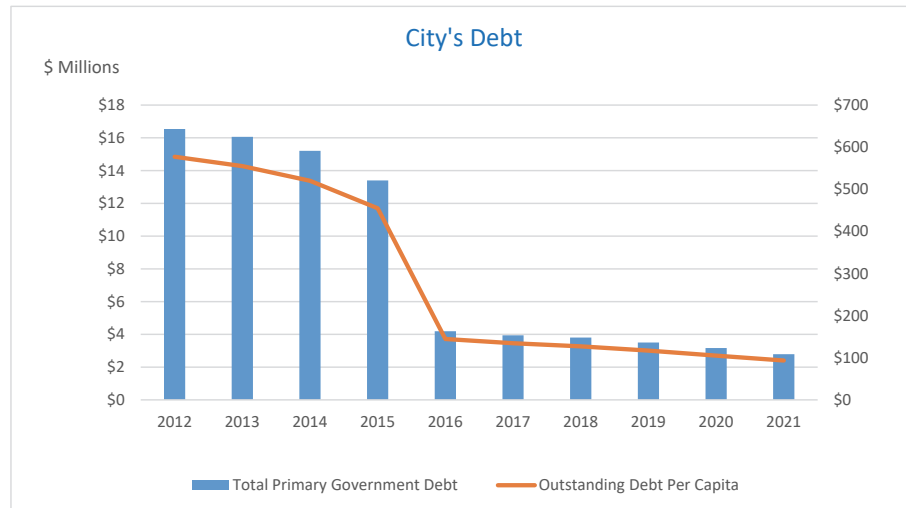
Source

San Mateo County Assessor 2011/12 - 2020/21 Combined Tax Rolls
 2020-21 County of San Mateo Estimated Property Tax Revenue

1. In 1995 the County entered a "Teeter Plan" agreement with the City which allows the City to keep 100% of the secured taxes, and the County to keep all interest and delinquency charges collected.
2. Prior to fiscal year 2012, property tax levies included property tax increment from the former Redevelopment Agency.
3. Beginning fiscal year 2013, the amounts presented include only the City's general secured and unsecured property taxes collections. The tax collection is subjected to adjustment for all increases, decreases and refunds processed throughout the fiscal year.

Ratio of Outstanding Debt by Type Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business Type Activities**			Total Primary Government Debt	% of Personal Income (a)	Outstanding Debt Per Capita
	General Obligation Bonds Public Library	ABAG Lease Agreement	2015 Refunding General Obligation Bonds	2008 Financing Agreement	2009 Financing Agreement				
2012	\$ 6,955,000	\$ -	\$ -	\$ 1,410,000	\$ 8,175,000	\$	16,540,000	0.97%	577
2013	6,690,000	-	-	1,355,000	8,015,000		16,060,000	0.91%	555
2014	6,405,000	8,800,000	-	-	-		15,205,000	0.89%	520
2015	-	8,800,000	4,600,000	-	-		13,400,000	0.73%	455
2016	-	-	4,190,000	-	-		4,190,000	0.21%	144
2017	-	-	3,940,000	-	-		3,940,000	0.19%	134
2018	-	-	3,805,704	-	-		3,805,704	0.16%	127
2019	-	-	3,501,181	-	-		3,501,181	0.14%	117
2020	-	-	3,166,658	-	-		3,166,658	0.12%	105
2021	-	-	2,787,135	-	-		2,787,135	(a)	93



Sources:

City of San Carlos Debt Schedule
 State of California, Department of Finance (population)
 U.S. Department of Commerce, Bureau of the Census (income)

Debt amounts exclude any premiums, discounts, or other amortization amounts.

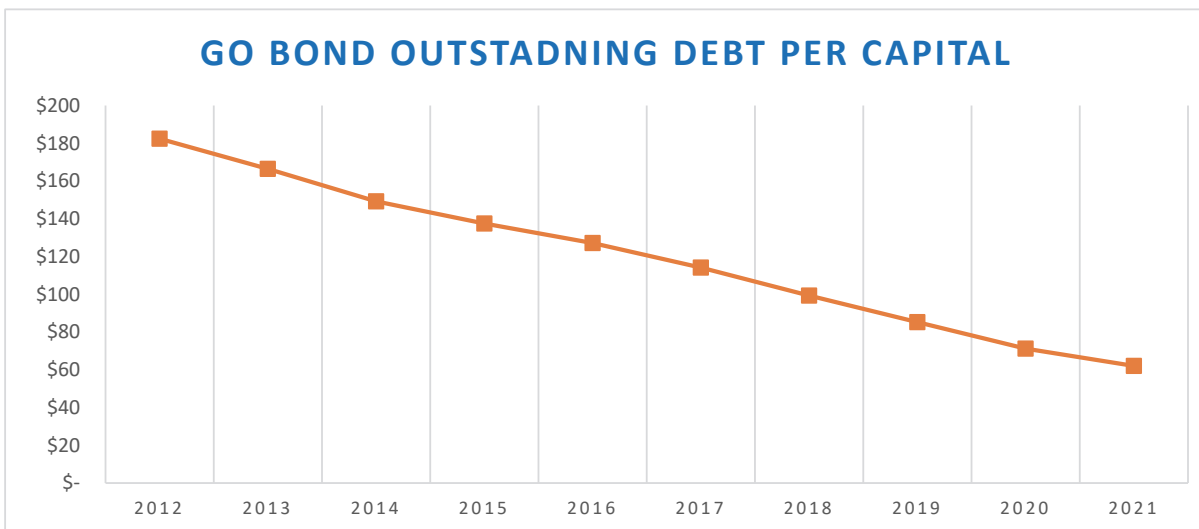
(a) See Schedule (Demographic Statistics) for personal income and population data. Data for 2021 is not available.

* As a result of the dissolution of the Redevelopment Agency on February 1, 2012, the long-term debt of the former Redevelopment Agency was transferred to the Successor Agency when it took over the responsibility of winding down the operations of the former Agency.

** Adjustments made in FY2013 relating to the City's investment in the Silicon Valley Water Joint Venture.

Ratio of General Bonded Debt Outstanding Last Ten Fiscal Years

General Bonded Debt Outstanding							
Fiscal Year	2005 General Obligation Debt (1)	2015 Refunding General Obligation Bond *	Less: Amounts Available in Debt Service Fund (2)	Total	Percentage of Assessed Value (3)	Per Capita (4)	
2012	\$ 6,955,000	\$ -	\$ 1,727,818	\$ 5,227,182	0.08%	\$	182.42
2013	6,690,000	-	1,874,887	4,815,113	0.07%		166.43
2014	6,405,000	-	2,044,334	4,360,666	0.06%		149.24
2015	-	4,774,273	725,393	4,048,880	0.05%		137.49
2016	-	4,349,750	661,476	3,688,274	0.04%		127.15
2017	-	4,085,227	739,933	3,345,294	0.04%		114.13
2018	-	3,805,704	837,295	2,968,409	0.03%		99.29
2019	-	3,501,181	956,071	2,545,110	0.02%		85.22
2020	-	3,166,658	1,020,951	2,145,707	0.02%		71.18
2021	-	2,787,135	936,862	1,850,273	0.01%		62.06



1. This is the general bonded debt of governmental activities, net of original issuance discounts and premiums
 2. This is the amount restricted for debt service principal payments
 3. Assessed value has been used because the actual value of taxable property is not readily available in the State of California
 4. Population data can be found in the Schedule of Demographic and Economic Statistics
- *Updated to include bond premium

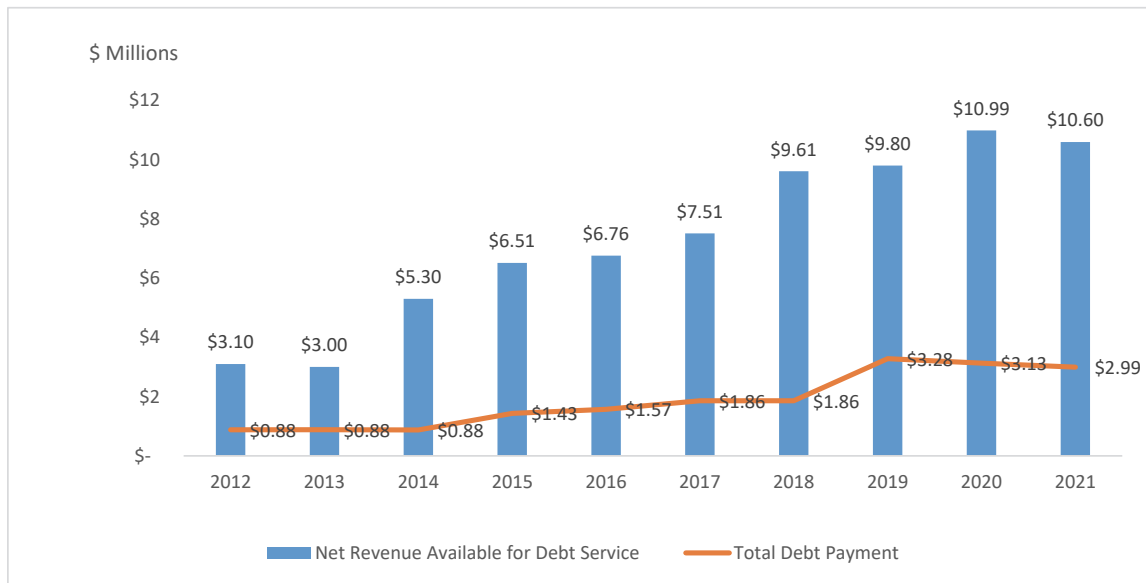
Pledged Revenue Coverage

Last Ten Fiscal Years

San Carlos Sewer Fund - SVCW 2008, 2009, 2014, 2015, 2018 Financing Agreement

Financing Agreement

Fiscal Year	Net Revenue Available for Debt Service	Financing Agreement					Total Debt Payment	Coverage
		2008	2009	2014	2015	2018		
2012	\$ 3,099,735	\$ 115,308	\$ 765,177	\$ -	\$ -	\$ -	\$ 880,485	3.52
2013	3,000,783	118,208	765,278	-	-	-	883,486	3.40
2014	5,300,680	116,008	759,246	-	-	-	875,254	6.06
2015	6,514,209	118,707	757,204	558,039	-	-	1,433,950	4.54
2016	6,758,316	110,850	754,175	646,163	60,448	-	1,571,636	4.30
2017	7,509,125	-	750,113	645,494	463,400	-	1,859,007	4.04
2018	9,611,211	-	749,907	645,410	465,550	-	1,860,867	5.16
2019	9,802,430	-	743,691	645,745	471,000	1,419,459	3,279,895	2.99
2020	10,988,237	-	473,934	645,811	584,198	1,424,138	3,128,081	3.51
2021	10,596,556	-	-	646,146	924,750	1,423,138	2,994,034	3.54



Source

City of San Carlos Annual Financial Statements

Direct And Overlapping Debt

June 30, 2021

2020-21 Assessed Valuation \$12,853,865,376
 Redevelopment Successor Agency Incremental Valuation \$1,573,408,700

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT	Total Debt 6/30/2021	Percentage Applicable (1)	City's Share of Debt 6/30/2021
San Mateo Community College District	\$ 761,305,961	5.020%	\$ 38,217,559
Sequoia Union High School District	494,220,000	11.659%	57,621,110
Belmont-Redwood Shores School District	58,487,840	4.663%	2,727,288
Belmont-Redwood Shores School Facilities Improvement District	37,118,407	7.180%	2,665,102
Redwood Shores School Facilities Improvement District	19,380,000	1.160%	224,808
Redwood City School District	184,904,461	2.739%	5,064,533
San Carlos School District	109,837,118	96.317%	105,791,817
City of San Carlos *	2,787,135	100.000%	2,787,135
Midpeninsula Regional Park District	86,400,000	3.782%	3,267,648
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT	\$ 1,754,440,922		\$ 218,367,000
OVERLAPPING GENERAL FUND OBLIGATION DEBT:			
San Mateo County General Fund Obligations	\$ 640,119,345	5.020%	\$ 32,133,991
San Mateo County Board of Education Certificates of Participation	6,840,000	5.020%	343,368
Midpeninsula Regional Park District General Fund Obligations	106,000,600	3.782%	4,008,943
TOTAL OVERLAPPING GENERAL FUND DEBT	\$ 752,959,945		\$ 36,486,302
OVERLAPPING TAX INCREMENT DEBT (SUCCESSOR AGENCY)	\$ 10,268,192	100.000%	\$ 10,268,192
TOTAL DIRECT DEBT			2,787,135
TOTAL OVERLAPPING DEBT			262,334,359
COMBINED TOTAL DEBT			\$ 265,121,494 (2)

RATIOS TO 2020-21 ASSESSED VALUATION:

Direct Debt (\$2,787,135)	0.02%
Total Direct and Overlapping Tax and Assessment Debt	1.70%
Combined Total Debt	2.06%

RATIOS TO REDEVELOPMENT SUCCESSOR AGENCY INCREMENTAL VALUATION (\$1,573,408,700):

Total Overlapping Tax Increment Debt	0.65%
--------------------------------------	-------

Source

California Municipal Statistics, Inc.

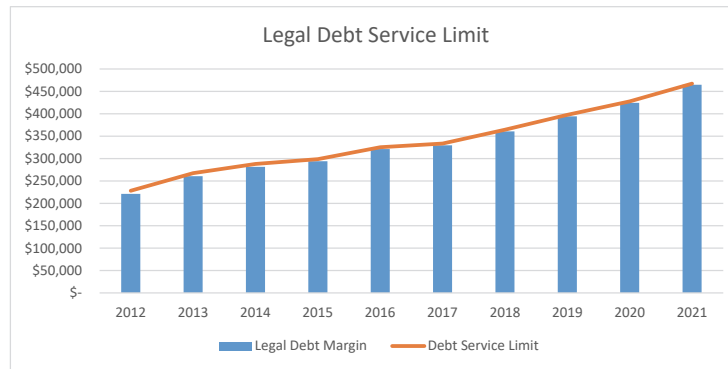
-
1. The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's
 2. Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds, and non-bonded capital lease obligations.

* Total debt includes bond premium

Computation of Legal Bonded Debt Margin

Last Ten Fiscal Years

	Fiscal year (in Thousands)									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Secured property assessed value, net of exempt real property	\$ 6,085,726	\$ 7,132,596	\$ 7,678,937	\$ 7,964,970	\$ 8,677,644	\$ 8,895,382	\$ 9,719,830	\$ 10,604,982	\$ 11,401,615	\$ 12,465,321
Legal Debt Limit Debit service limit (3.75% of property assessed value) (a)	228,215	267,472	287,960	298,686	325,412	333,577	364,494	397,687	427,561	467,450
Less: General Obligation Bond	6,955	6,690	6,405	4,600	4,190	3,940	3,675	3,385	3,065	2,700
Legal debt margin	\$ 221,260	\$ 260,782	\$ 281,555	\$ 294,086	\$ 321,222	\$ 329,637	\$ 360,819	\$ 394,302	\$ 424,496	\$ 464,750
Total net debt applicable to the limit as a percentage of debt limit	3.14%	2.57%	2.27%	1.56%	1.30%	1.20%	1.02%	0.86%	0.72%	0.58%



Source

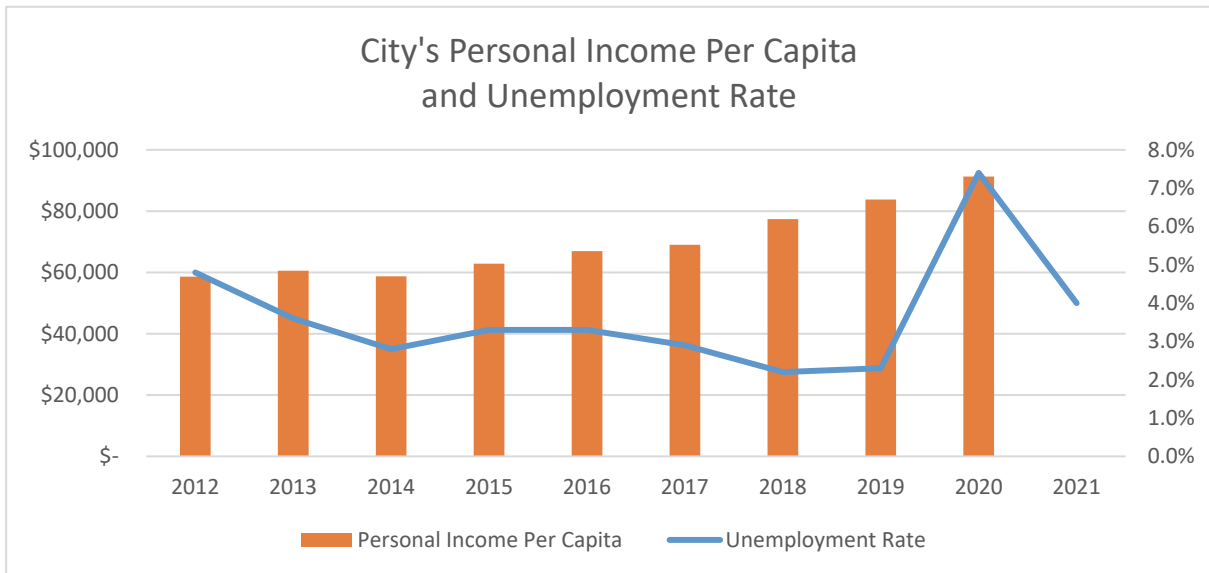
County of San Mateo, Assessed Valuation Reports

1. California Government Code Section 43605 sets the debt limit at 15%. The code section was enacted prior to the change in basing assessed value to full market value when it was previously 25% of market value. Thus, the limit shown as 3.75% is one-fourth the limit to account for the adjustment of showing assessed valuation at full cash value.

Demographic And Economic Statistics

Last Ten Fiscal Years

Fiscal Year	City Population	Total Personal Income (In Thousands)	Personal Income Per Capita	Unemployment Rate	San Mateo Population	City Population % of County
2012	28,654	\$ 1,696,601	\$ 58,643	4.8%	729,443	3.93%
2013	28,931	1,769,882	60,573	3.6%	735,678	3.93%
2014	29,219	1,717,440	58,740	2.8%	745,193	3.92%
2015	29,449	1,824,271	62,888	3.3%	753,123	3.91%
2016	29,008	1,963,141	66,976	3.3%	766,041	3.79%
2017	29,311	2,063,967	69,035	2.9%	770,763	3.80%
2018	29,897	2,311,883	77,413	2.2%	774,155	3.86%
2019	29,864	2,525,541	83,779	2.3%	774,351	3.86%
2020	30,145	2,721,759	91,291	7.4%	773,244	3.90%
2021	29,814	(a)	(b)	4.0%	765,245	3.90%



Source

Population: California State Department of Finance

Unemployment Data: California Employment Development Department

Income Data : ESRI - Demographic estimates are based on the last available census.

Demographic data is totaled from census Block Groups that overlap the City's boundaries

(a) & (b) Information is not available

Principal Employers

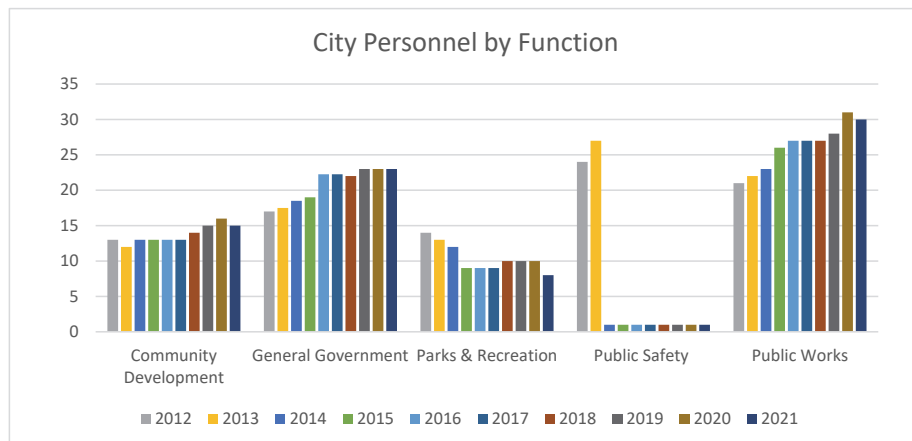
Current Year and Ten Years Ago

Employer	2021				2012		
	Number of Employees	Rank	Percent of Total City Employment		Number of Employees	Rank	Percent of Total City Employment
NATERA INC	486	1	2.93%	L-3 ELECTRON DEVICES	389	1	2.58%
PACIFIC GAS & ELECTRIC CO	269	2	1.62%	PACIFIC GAS & ELECTRIC CO	350	2	2.32%
THE HOME DEPOT #0628	263	3	1.58%	BELMONT SELF STORAGE	323	3	2.14%
RECOLOGY SAN MATEO COUNTY	240	4	1.45%	KELLY MOORE PAINT CO	267	4	1.77%
CHECK POINT SOFTWARE TECH INC	210	5	1.27%	DELTA STAR INC	188	5	1.25%
DELTA STAR INC	208	6	1.25%	WELLS FARGO INSURANCE SERVICES	185	6	1.23%
JOBY AERO INC	170	7	1.02%	NOVARTIS PHARMACEUTICALS	172	7	1.14%
ATRECA INC.	162	8	0.98%	THE HOME DEPOT	165	8	1.09%
THOUGHT STREAM	154	9	0.93%	GEORGE P JOHNSON COMPANY	150	9	0.99%
TRADER JOE'S #174	125	10	0.75%	BEST BUY	110	10	0.73%
Top 10 Employers	2287		13.78%		2299		15.23%
Total Employment of the City's Labor Force	16,600				15,100		

Source
Data from City of San Carlos business license database

Full Time Equivalent City Personnel By Function Last Ten Fiscal Years

	Adopted Budget Authorized Personnel For Fiscal Year Ended June 30									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Community Development	13	12	13	13	13	13	14	15	16	15
General Government	17	18	19	19	22	22	22	23	23	23
Parks & Recreation	14	13	12	9	9	9	10	10	10	8
Public Safety	24	27	1	1	1	1	1	1	1	1
Public Works	21	22	23	26	27	27	27	28	31	30
Total Full Time Equivalent Personnel	89	92	68	68	72	72	74	77	81	77



Source

City budget document

1. Starting on October 31, 2010, County of San Mateo Sheriff's Office began providing police services to the City.
2. The Belmont-San Carlos Fire Department was dissolved on October 12, 2011.
3. The City of Redwood City began providing full fire and emergency services including the transfer of the fire service personnel from the City of San Carlos to the City of Redwood City on July 1, 2013.

Operating Indicators by Function/Program

Last Ten Years

Function/Program	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Public safety:										
Fire										
Fire calls for service	992	1,896	1,961	2,209	2,365	2,232	2,415	2,312	2,405	2,497
Primary fire inspections conducted	240	465	356	638	700	450	659	984	737	734
Police:										
Communication Center calls answered										
Police calls for Service	11,058	13,490	12,831	13,446	17,985	12,474	13,094	13,013	13,575	13,621
Law violations:										
Part I and Part II crimes	2,132	1,780	1,988	1,868	1,544	1,387	1,469	1,572	1,427	1,490
Physical arrests (adult and juvenile)	704	657	683	732	713	803	790	878	611	667
Traffic violations	2,932	3,666	3,224	3,260	2,599	1,843	2,347	5,389	3,765	3,487
Parking violations	4,533	4,558	3,609	6,613	4,794	8,014	4,706	11,020	5,734	3,947
Street										
Pavement Condition Index	64	64	60	60	60	63	63	61	60	57
Sewer										
Sewer service connections	11,335	11,355	11,107	11,000	11,017	11,017	11,033	11,010	11,010	11,061
Average daily flow (millions of gallons)	1.75	1.66	1.66	1.81	1.80	2.69	1.66	2.21	1.67	1.53
Maximum Allocated Treatment Capacity, Average Dry Weather Flow (Millions of Gallons)	4.47	4.47	4.47	4.39	5.18	4.90	4.39	4.39	4.39	4.39
Maximum Allocated Treatment Capacity, Peak Wet Weather Flow (Millions of Gallons)	14.30	14.30	14.30	15.96	25.00	14.30	14.30	14.3	14.3	14.3
Culture and recreation:										
Community Services:										
Adult Registrations	2,585	2,481	2,750	2,825	2,949	4,120	5,789	5,688	1,679	1,910
Tot/Youth Registrations	7,117	7,646	7,042	7,524	6,433	5,595	4,426	4,919	2,982	3,058
Facility Rentals	178	189	133	114	79	129	106	104	144	-
Picnic Rentals	144	166	173	196	235	236	223	284	141	83
Organized Play Participants	8,005	7,184	6,761	7,222	7,900	7,985	7,856	7,922	5,925	4,618
Organized Play Hours Permitted	18,611	17,212	17,046	17,856	18,440	18,560	18,470	18,505	12,400	10,500

Source:
Various city department records

Capital Asset Statistics By Function/Program

Last Ten Years

Function/Program	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Public safety:										
Fire stations	2	2	2	2	2	2	2	2	2	2
Police stations	1	1	1	1	1	1	1	1	1	1
Streets										
Total Length (Miles)	87	87	87	87	87	87	87	87	87	87
Street lights	1,888	1,888	1,888	1,916	1,942	1,942	1,942	1,942	1,942	1,942
Traffic Signals	20	20	21	21	21	21	22	22	22	22
Parking Lots										
Number of City Parking Lots	4	4	4	4	4	4	4	4	4	4
Number of Public Parking Spaces	356	356	356	356	356	356	386	386	605	605
Number of Business Permits issued	91	91	91	91	91	91	13	68	122	120
Wastewater										
Total Sewer Main Length (Miles)	104	104	104	105	105	105	105	105	105	105
Sewer Pump Stations	6	6	6	6	6	6	6	6	6	6
Storm water										
Catch basins/inlets	1,324	1,324	1,324	1,324	1,326	1,326	1,326	1,326	1,326	1,326
Stormwater Pump Stations	3	3	3	3	3	3	3	3	3	3
Manholes	3,205	3,205	3,205	3,205	3,205	3,205	3,205	3,205	3,205	3,205
General government:										
City Hall	1	1	1	1	1	1	1	1	1	1
City Museum	1	1	1	1	1	1	1	1	1	1
Parks and recreation:										
Parks (and associated buildings)	13	13	13	13	13	13	13	13	13	13
Community centers	2	2	2	2	2	2	2	2	2	2

Source

Various city department records

This Page Left Intentionally Blank