

ANNUAL REPORT
CITY OF ENCINITAS
COMMUNITY FACILITIES DISTRICT NO. 1
(ENCINITAS RANCH PUBLIC IMPROVEMENTS)
2021 TAXABLE SPECIAL TAX REFUNDING BONDS
COUNTY OF SAN DIEGO, CALIFORNIA
Final Maturity September 1, 2030 CUSIP 292528 CM6

Report date: December 15, 2021

The following information is provided in accordance with Section 4 of the Disclosure Agreement between the City of Encinitas (on behalf of and for City of Encinitas Community Facilities District No. 1) and Applied Best Practices as Dissemination Agent.

(a) Audited Financial Statements

The Annual Comprehensive Financial Report of the City of Encinitas, including the Independent Auditor's Report (the "ACFR") for the fiscal year ended June 30, 2021 is attached at the end of this report.

(b) The amount of Bonds outstanding

The 2021 Taxable Special Tax Refunding Bonds were issued on August 4, 2021 in the amount of \$19,105,000. Principal payments are due each September beginning September 1, 2022. The Bonds outstanding as of October 31, 2021 in the amount of \$19,105,000 will be used in this Annual Report as the outstanding CFD Lien. Bonds outstanding in the amount of \$20,635,000 as shown in the ACFR for June 30, 2021 refer to the Prior Special Tax Refunding Bonds, Series 2012.

(c) Reserve Requirement and Reserve Fund Balance

The Reserve Requirement is \$1,731,550, which is equal to seventy-five percent of Maximum Annual Debt Service on the Bonds. As of October 31, 2021, the balance in the Reserve Fund was \$1,731,567.

(d) Annual Changes in Assessed Valuation: Update of Table 1 in the Official Statement

| <u>Fiscal Year</u> | Single Family Property Assessed <u>Valuation</u> | <u>% Change</u> | Commercial Property Assessed <u>Valuation</u> | <u>% Change</u> | Taxable Property Assessed <u>Valuation</u> ⁽¹⁾ | <u>% Change</u> |
|--------------------|---|-----------------|--|-----------------|--|-----------------|
| 2017-18 | \$730,180,500 | 3.89% | \$148,955,243 | 2.23% | \$879,135,743 | 3.60% |
| 2018-19 | \$765,819,703 | 4.88% | \$176,505,490 | 18.50% | \$942,325,193 | 7.19% |
| 2019-20 | \$794,265,015 | 3.71% | \$180,152,970 | 2.07% | \$974,417,985 | 3.41% |
| 2020-21 | \$817,853,428 | 2.97% | \$183,714,743 | 1.98% | \$1,001,568,171 | 2.79% |
| 2021-22 | \$837,328,054 | 2.38% | \$185,578,418 | 1.01% | \$1,022,906,472 | 2.13% |

(1) Assessed valuation includes the value of land and improvements based on information from the County of San Diego Assessor. Excludes Agricultural Property.

(e) Value-to-Lien Ratios: Update of Tables 4 and 5 in the Official Statement.

The Value-to-Lien Ratio for the taxable parcels in the CFD is 53.5:1, with the value being the 2021-22 Assessed Value of \$1,022,906,472 and the Lien being the outstanding 2021 Bonds in the amount of \$19,105,000. The following charts show the range of Value-to-Lien Ratios for Single Family Property and Commercial Property currently being levied the special tax.

Value-to-Lien Ratios for SINGLE FAMILY PROPERTY

| <u>Value to Lien Ratio</u> | <u>Number of Parcels</u> | <u>Acres</u> | <u>Residential Units</u> | <u>2021/22 Special Tax</u> | <u>Percent of 2021-22 Special Tax</u> | <u>2021-22 Assessed Value</u> | <u>CFD Lien</u> |
|----------------------------|----------------------------------|---------------|------------------------------|------------------------------------|---|---------------------------------------|-------------------|
| Between 6.4:1 - 9.9:1 | 3 | 0.58 | 3 | \$7,234 | 0.37% | \$563,442 | \$70,046 |
| Between 10:1 – 19.9:1 | 3 | 0.42 | 3 | 5,650 | 0.29% | 676,529 | 54,714 |
| Between 20:1 – 105.9:1 | <u>807</u> | <u>136.02</u> | <u>807</u> | <u>1,610,884</u> | <u>81.64%</u> | <u>836,088,083</u> | <u>15,598,567</u> |
| Total | 813 | 137.02 | 813 | \$1,623,768 | 82.30% | \$837,328,054 | \$15,723,327 |

Value-to-Lien Ratios for APARTMENT AND COMMERCIAL PROPERTY

| <u>Value to Lien Ratio</u> | <u>Number of Parcels</u> | <u>Commercial Acres</u> | <u>Apartment Units</u> | <u>2021-22 Special Tax</u> | <u>Percent of 2021-22 Special Tax</u> | <u>2021-22 Assessed Value</u> | <u>CFD Lien</u> |
|----------------------------|----------------------------------|-----------------------------|----------------------------|------------------------------------|---|---------------------------------------|------------------|
| Between 14:1 – 19.9:1 | 1 | 0.58 | 0 | \$2,227 | 0.11% | \$ 313,925 | \$ 21,565 |
| Between 20:1 – 39.9:1 | 10 | 17.66 | 0 | 67,811 | 3.44% | 23,363,710 | 656,628 |
| Between 40:1 – 122.3:1 | <u>25</u> | <u>53.95</u> | <u>109</u> | <u>279,194</u> | <u>14.15%</u> | <u>161,900,783</u> | <u>2,703,480</u> |
| Total | 36 | 72.19 | 109 | \$349,232 | 17.70% | \$185,578,418 | \$3,381,673 |

(f) **Historical Special Tax Delinquencies: Update of Table 7 in the Official Statement, Delinquent Property Owners and Status of Foreclosures.**

The special tax rates levied for the 2021-22 tax year are approximately 51% of the Maximum Special Tax for all Developed Property. The following table provides a 5-year history of the special tax delinquencies at the end of each tax year, and any amount remaining delinquent at the end of the most recently completed tax year. Since no property owner is delinquent in excess of \$10,000, the City has not taken any foreclosure action.

| Fiscal Year | Aggregate Special Tax Levy | Amount Delinquent 6/30 of the Fiscal Year | Fiscal Year Delinquency Rate | Amount Remaining Delinquent as of 6/30/2021 | Delinquency Rate as of 6/30/2021 |
|------------------------|---|--|---|--|---|
| 2016-17 | \$2,506,400 | \$18,477 | 0.74% | \$0 | 0.00% |
| 2017-18 | \$2,545,000 | \$11,159 | 0.44% | \$0 | 0.00% |
| 2018-19 | \$2,460,000 | \$9,236 | 0.38% | \$0 | 0.00% |
| 2019-20 | \$2,380,000 | \$9,488 | 0.40% | \$3,854 | 0.16% |
| 2020-21 | \$2,465,000 | \$7,397 | 0.30% | \$7,397 | 0.30% |

(g) **Summary of Special Tax Payers: Update of Table 8 in the Official Statement and the percent of the Maximum Special Tax rates levied for the current fiscal year.**

The special tax rates levied for the 2021-22 tax year are approximately 51% of the Maximum Special Tax for all Developed Property. The following table is a summary of the special tax payers listed in order by the percentage of the total special tax liability.

| Tax Payer | Parcel Count | Commercial Acres | Residential Units | 2021-22 Assessed Value | CFD Lien | Value-to-Lien Ratio | 2021-22 Special Tax | Percent of 2021-22 Special Tax |
|----------------------------------|--------------|------------------|-------------------|------------------------|---------------------|---------------------|---------------------|--------------------------------|
| ENCINITAS TOWN CENTER I LLC | 17 | 26.84 | 0 | \$38,826,935 | \$997,930 | 38.9:1 | \$103,058 | 5.22% |
| PACIFICO ENCINITAS APARTMENTS LP | 1 | 0.11 | 109 | 55,586,320 | 701,627 | 79.2:1 | 72,458 | 3.67% |
| DAYTON HUDSON CORP | 1 | 9.82 | 0 | 16,439,305 | 365,114 | 45.0:1 | 37,706 | 1.91% |
| HOME DEPOT / WALMART(*) | 1 | 9.16 | 0 | 18,841,865 | 340,575 | 55.3:1 | 35,172 | 1.78% |
| ALBERTSONS LLC(*) | 1 | 4.74 | 0 | 10,073,837 | 176,236 | 52.4:1 | 18,200 | 0.92% |
| ENCINITAS PLAZA(*) | 3 | 3.77 | 0 | 11,122,684 | 140,172 | 79.4:1 | 14,476 | 0.74% |
| OFFICE DEPOT(*) | 1 | 2.93 | 0 | 4,965,433 | 108,939 | 45.6:1 | 11,250 | 0.57% |
| CARTER/WHITWER ENTERPRISES LLC | 1 | 2.82 | 0 | 4,585,675 | 104,849 | 43.7:1 | 10,828 | 0.55% |
| PETSMART INC(*) | 1 | 2.65 | 0 | 4,608,405 | 98,528 | 46.8:1 | 10,175 | 0.52% |
| SECOND / PEPPER PARTNERS | 2 | 2.10 | 0 | 2,927,995 | 78,113 | 37.5:1 | 8,068 | 0.41% |
| ACACIA GASOLINE & CAR WASH LLC | 1 | 1.55 | 0 | 3,820,000 | 57,630 | 66.3:1 | 5,952 | 0.30% |
| ENCINITAS TOWN CENTER III LLC | 1 | 1.50 | 0 | 2,032,773 | 55,771 | 36.4:1 | 5,760 | 0.29% |
| SAXONY PLACE LLC | 1 | 0.93 | 0 | 3,431,045 | 34,593 | 99.2:1 | 3,572 | 0.19% |
| TAJA LLC | 1 | 0.92 | 0 | 2,036,272 | 34,221 | 59.5:1 | 3,534 | 0.18% |
| MCDONALDS CORP(*) | 1 | 0.87 | 0 | 2,031,302 | 32,347 | 62.8:1 | 3,341 | 0.17% |
| BRINKER RESTAURANT CORP | 1 | 0.79 | 0 | 2,437,560 | 29,373 | 83.0:1 | 3,033 | 0.15% |
| STELLAR ENTERPRISES(*) | <u>1</u> | <u>0.69</u> | <u>0</u> | <u>1,811,012</u> | <u>25,655</u> | <u>70.6:1</u> | <u>2,649</u> | <u>0.13%</u> |
| Commercial Totals | 36 | 72.19 | 109 | \$185,578,418 | \$3,381,673 | 54.9:1 | \$349,232 | 17.70% |
| Single Family Residential Totals | <u>813</u> | <u>0.00</u> | <u>813</u> | <u>\$837,328,054</u> | <u>\$15,723,327</u> | <u>53.3:1</u> | <u>\$1,623,768</u> | <u>82.30%</u> |
| Total CFD: | 849 | 72.19 | 923 | \$1,022,906,472 | \$19,105,000 | 53.5:1 | \$1,973,000 | 100.00% |

* Taxpayer listed is a tenant under a long-term lease and is responsible for payment of property taxes under the lease agreement. The owner of the underlying property is one of the Encinitas Town Center Associates partnerships.

(h) The 2021-22 Special Tax Levy: Contributions of Other Revenues and Credits.

The annual special tax levy is determined by summing the amounts needed to pay debt service on the Bonds and administrative expenses for the year. In addition, amounts may be added to replenish the Reserve Fund for any delinquencies incurred or anticipated, and a credit may be given for Other Revenues or any funds on hand. The 2021-22 aggregate Special Tax Levy is as follows:

Special Tax Levy

| | |
|-----------------------------------|-----------------------|
| Interest Due 3/1/2022 | \$ 133,931.88 |
| Interest Due 9/1/2022 | 116,462.50 |
| Principal Due 9/1/2022 | 2,035,000.00 |
| Administrative Expenses | 28,958.00 |
| Replenish Reserve Fund | 0.00 |
| Anticipated Delinquencies | 0.00 |
| Less: Other Revenues | (339,469.66) |
| Less: Funds on Hand | (1,882.72) |
| Aggregate Special Tax Levy | \$1,973,000.00 |

Other Revenues and Funds on Hand are monies received from the Encinitas Ranch Golf Course representing the full amount of the scheduled contribution plus an additional \$1,883.

(i) Changes to the Rate and Method of Apportionment of Special Taxes.

There have been no changes to the Rate and Method of Apportionment.

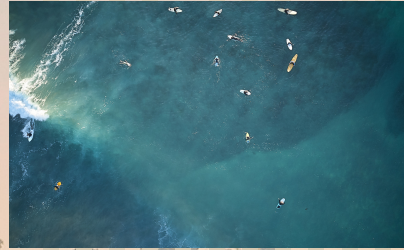
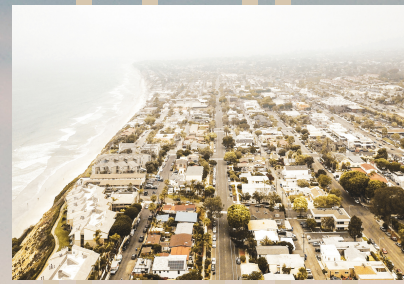
(j) Reference to other documents.

The City of Encinitas ACFR is included at the end of this of this Annual Report. Certain items listed above that refer to the Official Statement have been updated in this Annual Report, however, the Official Statement has been submitted to and is available from EMMA.

CITY OF ENCINITAS, CALIFORNIA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

Fiscal Year Ended June 30, 2021



City of Encinitas

Encinitas, California

Annual Comprehensive Financial Report and Independent Auditor's Reports

For the Year Ended June 30, 2021

Supported by the Finance Department

| | |
|--------------------|------------------------------------|
| Teresa S. McBroome | Director of Finance/City Treasurer |
| Tom Gallup | Assistant Director of Finance |
| Monica Attili | Finance Manager – Accounting |
| Quynh Dinh | Finance Manager – Operating |
| Kelly Sanderson | Finance Manager - Budget |
| Alexis Angelini | Finance Analyst |
| Stella Huang | Finance Analyst |
| Johnny Thai | Finance Analyst |
| Annemarie Clisby | Accountant |
| Julie Pickard | Payroll Specialist |
| Annamae Lagdaan | Finance Technician |
| Jules Ramos | Finance Technician |
| Chase Belanio | Finance Technician |
| Barbara Cervantes | Contractor |
| Emmanuel Romero | Contractor |

INTRODUCTORY SECTION



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City of Encinitas
Comprehensive Annual Financial Report
For the Year Ended June 30, 2021

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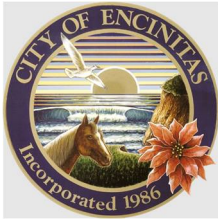
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TRANSMITTAL LETTER • INTRODUCTORY SECTION



December 1, 2021

Honorable Mayor, City Council and Citizens of the City of Encinitas, California:

It is a pleasure to present the Fiscal Year 2020-21 *Annual Comprehensive Financial Report* (ACFR) for the City of Encinitas and its related entities. This report was prepared to assist those interested in understanding the financial condition and results of City operations for the fiscal year ended June 30, 2021 and includes financial information for the City of Encinitas (“City”), the San Dieguito Water District, the Encinitas Housing Authority, and the Encinitas Public Financing Authority. These financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards. Responsibility for the accuracy of the data, the completeness and reliability of the presentation, including all disclosures, rests with City management.

To provide a reasonable basis for making the presentations shown in this report and to compile sufficient reliable information for the preparation of the City’s financial statements, the management of the City has established a comprehensive internal control framework designed to protect the City’s assets from loss, theft, or misuse. Because the cost of internal controls should not exceed their benefits, the City’s internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements.

The City’s financial statements have been audited by Davis Farr LLP, certified public accountants. The independent auditor concluded based on the audit, that there was reasonable basis for rendering an unmodified opinion (or a “clean audit”) on the City’s financial statements for the fiscal year ended June 30, 2021 which means that in the auditor’s opinion, the financial statements accurately present the City’s financial position.

Management’s Discussion & Analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

CITY PROFILE AND BACKGROUND

The City of Encinitas was incorporated in October 1986 as a general law city, bringing together the communities of New and Old Encinitas, Cardiff-by-the-Sea, Leucadia, and Olivenhain. Encinitas is located in northern San Diego County approximately 25 miles north of downtown San Diego on the Southern California coast. The City with an estimated population of 62,000 covers approximately 21 square miles and is predominately residential with two major commercial corridors.

TRANSMITTAL LETTER • INTRODUCTORY SECTION

GOVERNANCE

The City is governed by a City Council consisting of a Mayor and four Council members under the Council-Manager form of government. The Mayor is elected at-large for a two-year term of office. The City of Encinitas has transitioned to a system where City Council members are elected by district instead of serving "at large" with the sequence of elections for district elections in Council Districts 3 and 4 in 2018, and district elections in Council Districts 1 and 2 in 2020. The transition to district-based elections was completed in 2020. In the general municipal election held on November 3, 2020, the Mayor was elected for a full two-year term of office and Council Members were elected by district for a full four-year term of office for Districts 1 and 2.

The City Council appoints the City Manager and City Attorney. All other staff positions are appointed by the City Manager or her designee. The City Council acts as the Board of Directors for the San Dieguito Water District, the Encinitas Housing Authority, and the Encinitas Public Financing Authority.

MUNICIPAL SERVICES

The City provides a full range of municipal services such as:

Fire and paramedic services

Marine safety

Development services

Street maintenance and construction

Wastewater services

Law enforcement (contract)

Parks, beaches and trails

Recreation services

Traffic control

Water services

CITY FACILITIES

City Hall is located on Vulcan Avenue between D and E Streets, adjacent to the Encinitas Train Station and downtown. The City maintains an active Community and Senior Center located at Encinitas Boulevard and Balour Drive; the 44-acre Encinitas Community Park located at 425 Santa Fe Drive along with 20 other park sites. The City's Moonlight Beach located at 400 B Street attracts an estimated three million visitors annually. There are six fire stations located throughout the city as well as one sheriff substation which is owned and operated by the County of San Diego. The corporate yard for both the City of Encinitas and San Dieguito Water District is located on Calle Magdalena near Encinitas Boulevard. The Wastewater Collections division is located at the San Elijo Water Reclamation Facility located in Cardiff.

BUDGETING OVERVIEW

The City develops and adopts both an operating and a capital budget on a two-year budget cycle. Amounts are appropriated for the first year only, with the amounts for the second year subject to revision before appropriation. Any changes to the operating or capital budgets must be approved by the City Council. The City also publishes a six-year capital improvement program and financial plan which is updated as part of the two-year budget cycle. This document provides management and the City Council with long-term financial planning information and tools. Online access to detailed City financial information is available on the City's website.

The City uses a web-based tool that allows the user to sort and filter City financial information to obtain the specific financial information desired. This tool may be found on the City's website at <https://stories.opengov.com/encinitasca/published/YrCg4GPpU>.

FACTORS AFFECTING FINANCIAL CONDITION OF THE CITY

Global Pandemic and Local Economy – Encinitas enjoys a strong and well diversified tax base and over the years, the property values and personal income levels within the City have generated tax revenues sufficient to support the level of municipal services and facilities for the community to enjoy. In the past, the tax base has performed well in good economic times and has also been able to weather the financial impacts during slower economic times. While revenues remained flat during the previous year with the outbreak and spread of the novel virus, coronavirus (COVID-19), and the stay at home orders issued by the California Governor, the City's property tax and sales tax revenue has remained strong and increased as the pandemic continued this year. The net taxable assessed value of property in the City has grown 57.3 percent since Fiscal Year 2010-11 (ten years ago). For Fiscal Years 2019-20 and 2020-21 taxable values increased 4.8 percent and 5.4 percent, respectively.

General Fund Revenue - Property tax, and sales and use tax revenue represent approximately 86 percent of the City's total General Fund revenue. Property tax revenue in FY 2020-21 totaled \$52.5 million which was an increase of \$3.0 million, or 6.1 percent, compared to FY 2019-20. Sales and use tax revenue in FY 2020-21 increased by \$1.7 million, or 12.4 percent, to \$15.5 million compared to FY 2019-20. Transient occupancy taxes (TOT) totaled approximately \$2.3 million an increase of approximately \$0.4 million or 18.5 percent compared to FY 2019-20. The continuation of the pandemic affected other revenues in the General Fund such as charges for services related to the cancellation of recreation program, and a reduction in building and engineering fees, and fines and penalties. Total General Fund revenues for FY 2020-21 of \$83.3 million increased by approximately \$3.5 million or 4.3 percent compared to revenues in FY 2019-20 of \$79.8 million.

Financial Strength and Sustainability – Due to the City's conservative budgeting, strong reserves, and re-evaluation of its CIP program, the City of Encinitas continues to be well positioned to weather economic fluctuations. The City has been evaluated and rated by internationally recognized third party reviewers and on June 29, 2021, Standard & Poor's Rating Services (S&P) affirmed its 'AAA' issuer credit rating (ICR) for the City of Encinitas. According to S&P, the 'AAA' ICR reflects the City's:

- i Very strong economy, with access to a broad and diverse metropolitan statistical area (MSA);
- i Very strong management, with strong financial policies and practices under S&P's Financial Management Assessment (FMA) methodology;
- i Strong budgetary performance;
- i Very strong budgetary flexibility;
- i Very strong liquidity; and
- i Very strong debt and contingent liability profile.

The City had approximately \$42.1 million of general fund bonded debt and capital leases outstanding at June 30, 2021, with scheduled payments of principal and interest of \$3.7 million in FY 2020-21. This debt service as a percentage of the General Fund budget is 5.2 percent, which is well below the City's debt service policy which states that debt service paid each year shall not exceed 15 percent of the General Fund budget.

Development and Maintenance of Financial Reserves - The City has an established financial policy regarding maintenance of adequate financial reserves. The City sets aside 20 percent of General Fund operating expenditures for contingencies (unanticipated events that could negatively impact the City's financial condition). The City has never had occasion to draw on this reserve, since its inception in the early 1990's. The City also maintains a General Fund budget stabilization reserve,

TRANSMITTAL LETTER • INTRODUCTORY SECTION

established in 2007 in anticipation of the ensuing recession. This reserve is funded at a minimum of two percent of operating revenues. The City has not had any need to draw on this reserve, even though operating revenues remained flat in the previous fiscal year from the effects of the global pandemic and shutdown orders. Any amounts remaining after these two reserves are fully funded are considered available for City Council directed use, primarily for future funding of capital improvements. General Fund reserves for contingencies and budget stabilization total \$17.0 million and funding available for capital improvements was \$19.9 million as of June 30, 2021.

ACCOMPLISHMENTS –

Based on direction by the City Council, highlighted below are the City's accomplishments this fiscal year.

Response to COVID-19 – As a result of the global pandemic, the City continued to pivot away from traditional operations and improved the virtual service operations that had begun at the end of FY 2019-20. Budget cuts were made across the board in all departments. Encinitas administered support to small businesses through the Coronavirus Aid, Relief, and Economic Security (CARES) Act providing assistance to 200 small businesses by distributing \$500,000 in direct financial assistance and an additional \$75,000 in the form of a grant to the Cardiff-By-The-Sea Foundation which administered a Grants to Small Businesses program. No cost permits continued to be provided with accelerated processing to allow businesses to operate outside and in the public right-of-way. Window clings were delivered to businesses stating “Facial Coverings Required” to help present a unified message to the patrons of Encinitas businesses the Encinitas CARES program was launched with the purchase and distribution of 2,000 three-ply masks. The City made great effort to provide extensive and up to date communication to the public, providing important information as new information became available on almost a daily basis. The City continued to strengthen its connection with the Chamber of Commerce and the 101 Associations to assist in the delivery of information to the business community, and to receive feedback regarding the best and most effective levels of assistance that the City could provide. The Senior Nutrition Program participation more than doubled with the City providing more than 80 meals a day. Meals were available for pick-up or delivery.

The City of Encinitas received \$209,521 in Community Development Block Grant/CARES Act funding (CDBG-CV) which was allocated to a COVID-19 Emergency Rental & Utility Assistance program. Approximately 43 households were assisted. Additionally, \$118,126 of previous year CDBG annual grant award funding was reallocated to increase public service programs being provided to families in response to the COVID-19 pandemic. The City of Encinitas received an additional CDBG-CV allocation of \$453,824 which is expected to be allocated to eligible assistance programs in FY 2021-22.

The Encinitas Housing Authority utilized the funds to cover the cost of rent for five months for families receiving assistance on the program. The program also received \$25,852 of CARES Act Administrative funding to help cover administrative expenses associated with the program.

In September 2020, the Section 8 Housing Choice Voucher Program received \$115,004 in CARES Act related Housing Assistance Payment funding to help those effected by the COVID-19 pandemic.

Digital Services Focus – Digital communication became paramount as society transitioned to an online environment. The City innovated myEncinitas T.V. and the myEncinitas application to allow people to learn about the City and conduct business from any location using any type of device. The myEncinitas solutions combine with existing Customer Self Service functionality enabling customers to submit permits, pay invoices, schedule inspections, and access information remotely.

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Cyber Security 24/7 Operations – The City implemented a 24/7 cybersecurity monitoring and response Security Operations Center (SOC) to investigate and mitigate attempted cyber breaches before they impact services.

Refundings/Refinancings – During FY 2020-21, the City worked on the refinance of the 2014 Lease Revenue Bonds which were originally issued to purchase the Pacific View property. The City will save approximately \$85,000 per year in debt service costs with an overall savings of \$2.1 million over 24 years.

As the agent for the Community Facilities District #1 (the CFD), the City worked on the refinancing of the CFD #1 2012 Special Tax Refunding Bonds. The CFD was formed to fund the public improvements for the Encinitas Ranch master-planned development. The property owners (residents and businesses) within the CFD will save approximately \$230,000 per year in debt service costs with an overall savings of \$2.1 million over nine years.

Homelessness - In further efforts to address homelessness in Encinitas, in February 2021, the City Council approved Resolution No. 2021-14, adopting the Homeless Action Plan (HAP). The HAP serves as a guiding document to address the needs of individuals and families experiencing homelessness in partnership with non-profit homeless services providers, faith-based organizations, businesses, 101 and chamber organizations, staff, residents, and other stakeholders, to strategically respond to and address homelessness. In May 2021, the City Council authorized the extension of the Jewish Family Services Safe Parking Program agreement, which allowed the city to continue leasing a portion of the Leichtag Commons to provide a Safe Parking Program Lot.

In June 2021, the City Council approved an amendment to continue the Memorandum of Understanding (MOU) with the Community Resource Center utilizing \$250,000 in District 76 Homeless Prevention and Intervention funds with the objective of reducing homelessness through intervention and supportive services.

Housing Element – The 6th Cycle Housing Element was timely adopted by City Council on April 7, 2021 and certified by the State Department of Housing and Community Development (HCD) on July 13, 2021. This is the first Housing Element that was timely adopted by the City and certified by HCD.

Community Choice Energy (CCE) - On September 18, 2019, Council officially formed and joined a new CCE agency, the San Diego Community Power (SDCP), along with the Cities of San Diego, Chula Vista, Imperial Beach and La Mesa. Since its formation, San Diego Community Power (SDCP) started work to purchase electricity for over 28,000 Encinitas customers (residential, commercial, industrial, and municipal). Throughout 2020, SDCP prepared to launch electricity service by procuring \$35 million in start-up loans, hiring staff and electricity procurement consultants, and completing all necessary regulatory requirements. The new agency will offer advantages over the City's incumbent utility, including less carbon intensive energy over time at competitive prices and with local oversight. In 2021, SDCP began serving electricity to customers as part of a phased launch. Municipal customers began receiving power in March and commercial customers were phased in this past June. Residential customers can expect to be served by SDCP in early 2022. Prior to launch, the City of Encinitas unanimously voted to serve its customers with 100 percent renewable electricity as the base offering, called Power100. Customers may opt down to the 50 percent renewable level, called PowerOn, or opt to receive their power from SDG&E at any time.

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Green Building - The City's first building code requirements related to the Climate Action Plan (CAP) went into effect on January 1, 2020. The new regulations require single family, multi-family, and commercial developments to install Electric Vehicle Charging Station infrastructure of varying proportions within their project. Additional local green building requirements related to the City's Climate Action Plan were under development in FY 2020-21. The proposed requirements would implement CAP measures related to residential and commercial building energy efficiency, renewable energy, and building decarbonization. An ordinance enacting these requirements is anticipated to be adopted by City Council in October 2021.

Electric Vehicle Charging Plaza - The City Council approved an agreement with EVgo Services LLC to provide the infrastructure and equipment for an Electric Vehicle Charging Plaza. The new plaza will allow six-electric vehicles to recharge their batteries within proximity to the downtown area and City Hall with Direct Current Fast Charging technology.

Successful Sand Replenishment and Reuse Projects – In December 2020 following large rainstorms in November and an emergency storm drain failure, the City made use of sandy material that had discharged into San Elijo Lagoon. Approximately 500 cubic yards of sand that was deposited during the storms was removed from San Elijo Lagoon under an emergency permit and placed in the back beach areas of Moonlight Beach. In June 2021, the San Elijo Lagoon inlet required routine dredging to maintain the inlet opening to the Lagoon. In partnership with the Nature Collective, the City assisted the removal of the excess sand and reused the material to rebuild eroded areas of the Cardiff State Beach Living Shoreline.

San Diego County Coastal Storm Damage Reduction Project – In February 2020, the City received word that this project would be added to the Army Corps Work Program and that the Army Corps of Engineers would allocate over \$400,000 in federal funding to begin the pre-construction, engineering and design (PED) phase of this project. In August 2021, monitoring contracts began to be awarded; monitoring will establish baseline conditions ahead of the project installation and will occur for one year beginning in early spring 2022. Council previously authorized the acceptance of a total of \$450,000 in grant funding from the Department of Boating and Waterways (DBW) to support the PED phase. Acceptance of the grant funds reduces the Cities' non-federal share for the PED phase. The DBW has been and continues to be a committed partner in the Project. An extension of this grant was awarded in October 2021.

Best Restored Beach of 2020 Award - In March 2021, the City of Encinitas accepted a national award from the American Shore and Beach Preservation Association (ASBPA) for the Best Restored Beach of 2020. The Cardiff State Beach Living Shoreline Project created a coastal dune with repurposed buried rock revetment and cobblestone, 30,000 cubic yards of sand dredged from the San Elijo Lagoon inlet and planted native vegetation. The Cardiff State Beach Living Shoreline Project is considered a pilot project, to be used as an example for other coastal jurisdictions in high wave energy environments and is in its third year of long-term monitoring and reporting.

Installation of Marine Monitoring Radar - In August 2020, the City entered into an agreement with WILD Coast, a nonprofit, community-based organization committed to conserving coastal and marine ecosystems, to install a Marine Monitoring radar (M2) atop of the Marine Safety Center at Moonlight Beach. The M2 radar was successfully installed in November 2020 and has been tracking data since the completion of the install. The intention of installing the M2 was to gather boat activity data for research purposes to determine if illegal fishing is taking place in the Swami's State Marine Conservation Area (SMCA) and to what extent. In December 2020, shortly after install, a sportfishing charter boat from Oceanside Harbor was caught in the Swami's SMCA by the City's M2 Radar and

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California Department of Fish and Wildlife wardens were able to catch the vessel with fishing lines in the water.

Beacon's Coastal Bluff Restoration Project - In February 2021, the Planning Commission approved the installation of the Beacon's Coastal Bluff Restoration Project. The primary objective of the project is to stabilize surface soils using native vegetation to protect the access trail, whilst increasing coastal bluff habitat. The restoration program includes a pilot project using washed up kelp to encourage natural dune formation as well as utilizing citizen scientists to increase engagement and beach and bluff stewardship. The installation of the restoration program is slated to begin in November 2021.

Conference of the Parties Panelist - In November 2020, the City participated as a panelist at the Blue Tech Week Conference, in the Conference of the Parties (COP) 26 technical session. COP organizes the world's most significant summit on climate change, attended by the countries that signed the United Nations Framework Convention on Climate Change (UNFCCC). The City of Encinitas was invited by COP 26 to participate as a panelist in a roundtable discussion about nature-based solutions for coastal protection. Panelist that joined the City included Wade Crowfoot, Secretary, California Natural Resources Agency, Dr. Judith Wolf, Physical Oceanographer, National Oceanography Centre, and Ben Cutler, Director of Special Projects, Microsoft.

ADUs and JDUs - In November 2020, the City adopted Ordinance No. 2020-10, amending the City's ADU and Junior ADU (JADU) development standards based on updates to State Law that became effective on January 1, 2020. In 2020, the Development Services Department issued 137 Accessory Dwelling Unit (ADU) permits, with 13 of those being permit-ready ADUs.

Municipal Code Amendments – During Fiscal Year 2020-2021, the City Council adopted several Ordinances which amended the Encinitas Municipal Code including Ordinance No. 2020-13 which prohibits the sale and distribution of flavored tobacco products and Ordinance No. 2020-15 which implemented a sidewalk vending operations permit policy regulating the time, place, and manner of sidewalk vending operations.

In June 2021, the Rail Corridor Cross-Connect Implementation Plan received an American Planning Association Award in Transportation Planning from the San Diego Chapter. The award is for a planning effort in the San Diego region that increases transportation choices for all and helping ease congestion and reducing climate change impacts.

Transition to a Zero/Low Emissions Vehicle Fleet - The Public Works Department is progressively moving toward a zero/low emissions municipal fleet. The Fleet Division receives regular delivery of renewable diesel instead of conventional diesel. Renewable diesel is a non-petroleum-based diesel that works in unmodified diesel engines and burns 80 percent cleaner than conventional diesel fuel. All three of the City's fuel tanks, which are located at the Public Works Facility, as well as Fire Stations 3 and 4, supply renewable diesel. The renewable diesel is used for all diesel-fueled City vehicles, including Public Works heavy duty trucks and equipment and all fire engines. The Public Works fleet is also steadily transitioning to electric light duty vehicles in compliance with the goals of the CAP. The City owns 42 heavy- and medium-duty diesel vehicles and 46 light duty vehicles. This fleet includes 33 vehicles currently fueled with renewable diesel, 13 hybrid vehicles, one plug-in hybrid vehicle, and seven all-electric vehicles.

Public Safety Improvements and Upgrades – The Fire Department worked with the community to create a Fire Safe Council in the community of Olivenhain. The Fire Department received the 2020

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American Heart Association Mission Lifeline Award which recognizes organizations across the nation for excellent heart-health care. A Cal OES fire engine was placed at one of the Encinitas fire stations, which makes the Department responsible to support statewide emergencies, but also gained the benefit of having the ability to place the OES engine into service if needed. The Department also continued its annual Fire Prevention Week event, making it a drive-through event this year at the Del Mar Fairgrounds to make the event social distance-friendly due to the pandemic.

The following CIP and Work Program projects were completed during FY 2020-21:

Park Improvements – The 2003 playground equipment at Moonlight State Beach was replaced with new playground equipment and a new rubberized pour-in-place surfacing was installed. The project was completed in August 2020.

South Coast Highway 101 Safety and Mobility Improvements Project – In September 2020, the City completed a project to add buffers and protected bikeways in each direction on South Coast Highway 101. Narrowed travel lanes and traffic calming resulted in a reduced speed limit that has encouraged more recreational bike use through the corridor. Sharrows were added to the number two lane for faster cyclists. This project also added a new pedestrian path between the San Elijo Bridge and the traffic signal at the State Park Cardiff Reef parking lot.

B Street Sidewalk Improvements Project – In October 2020, the City completed a project that installed sidewalks, bulb outs, American with Disabilities Act (ADA) compliant curb ramps and landscaping along the north side of B Street from the alley west of Highway 101 down to Moonlight Beach.

Pedestrian and Bicycle Improvements – Rectangular rapid flashing beacons (RRFB), advanced warning signage and crossing striping improvements were completed at Coast Highway 101 and G Street. Pedestrian crossings were added on Vulcan Avenue at Halcyon, Vulcan and La Costa, and North Coast Highway and Europa. A decorative, surfboard themed, crosswalk was added on South Coast Highway 101 at G Street in July 2020. Class II bike lanes were added to both sides of Willowspring Drive in December 2020.

City Hall Improvements (Phase One) - Much-needed interior improvements at City Hall, including security upgrades, fire suppression system rehabilitation, (Americans with Disabilities Act) ADA improvements, and deferred maintenance items including carpet replacement and interior painting, were completed in January 2021.

Morning Sun Drive & Woodside Lane ADA Improvements Project – In February 2021, the City completed a project to install ADA compliant sidewalks and driveways throughout the Morning Sun Ranch neighborhood.

Traffic Signal Painting Project – In March 2021, the City completed a project to repaint the decorative traffic signal poles and mast arms, bases, safety lights, traffic signal heads and visors, pedestrian signal heads and other related appurtenances on Coast Highway 101 and Vulcan Avenue.

In April 2021, the City completed a project to enhance access by providing ADA compliant sidewalks on Gardena Road from Santa Fe Drive north approximately 175 linear feet and on Vulcan Avenue from Hillcrest Drive north approximately 100 linear feet. This project also constructed eight ADA compliant curb ramps on Via Molena at Villa Villena, Via Palacia, Via Sarasan and Via Tavira.

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Olympus Park – In May 2021, the City opened a new park in the Leucadia community with a variety of park amenities, including a dog park, sports court, skate element, pump track, playground equipment, zip line, two-story slide, picnic tables and benches, bike racks, walking paths, open turf areas and a tot lot.

Traffic Calming –Speed tables were added along Fortuna Ranch Road to provide traffic calming and reduce vehicle speeds near the Capri Elementary School.

In July 2021, the FY 2019-20 Annual Pavement Rehabilitation, Overlay and Slurry Project was completed. The project included pavement work on 44 public streets including installation of ADA complaint pedestrian ramps and restriping.

MAJOR INITIATIVES AND PROJECTS

The City Council has four Strategic Priority Focus areas which are –

1. Attain a legally compliant Housing Element
2. Better incorporate the rail corridor into our neighborhoods
3. Improve connectivity and mobility for all users
4. Promote green initiatives and protect natural resources.

Highlighted below are the projects that the City is working on as they relate to the City Council's focus areas:

1. Attain a legally compliant Housing Element

Housing Element – The 6th Cycle Housing Element was adopted by City Council on April 7, 2021 and submitted to HCD for a 90-day review.

2. Better incorporate the rail corridor into our neighborhoods

Rail Corridor Cross-Connect Implementation Plan – This plan builds on the recommendations presented in the Rail Corridor Vision Study and Active Transportation Plan, approved by City Council in February 2018. The Rail Corridor Vision Study is the centerpiece of the *Coastal Mobility and Livability Study (CMLS)*, a broad effort to examine mobility issues and opportunities in the Encinitas coastal rail corridor. Using a Caltrans Sustainable Communities Transportation, the Cross Connect Plan was adopted by City Council on December 16, 2020.

El Portal Pedestrian Rail Crossing - This project will create a grade-separated pedestrian and bicycle rail crossing near El Portal Street. Construction began in October 2019 and is being managed by the San Diego Association of Governments. Construction completion is expected in Spring 2022.

3. Improve connectivity and mobility for all users

Mobility Element of the General Plan - The Coastal Mobility and Livability Study (CMLS) and associated implementation plans will be used in the update of the Mobility (Circulation) Element Update of the General Plan. The update will be a joint effort with the Planning and Engineering Divisions. An RFP was released in November and a contract was awarded to WSP in February 2021. Project will kick-off in Summer 2021.

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Modal Alternatives Project Implementation Plan (MAP Encinitas) – The City received Caltrans grant funding in the amount of \$200,000 and matched \$50,000 from the General Fund in August 2020. The intent of the grant is to address local and regional transportation needs and issues through planning documents that promote a balanced, sustainable, and comprehensive multimodal transportation system. An RFP was released in January 2021 and a contract was awarded to Chen Ryan Associates.

El Camino Real Corridor Specific Plan (LEAP Grant) - The LEAP Grant funding was awarded to the City in November 2020 to help facilitate the development and implementation of the El Camino Real Corridor Specific Plan and the Housing Element. An RFP was released in April 2021 and a contract was awarded to Rick Engineering.

Leucadia 101 Streetscape - This corridor project provides streetscape improvements along North Coast Highway 101 from A Street to La Costa Avenue. The project includes pedestrian and bicycle improvements, roundabouts, road lane narrowing and tree plantings throughout the entire corridor. Construction of Phase 1 (Marcheta Street to Basil Street) began in January 2021 and is scheduled to be completed in Spring 2022.

Santa Fe Drive South Sidewalk and San Dieguito Academy Frontage Improvements - This project involves construction of curb, gutter, and sidewalk on the south side of Santa Fe Drive from Gardena Road to Mackinnon Avenue. In addition, accessible curb ramps will be provided on both sides of the Santa Fe Drive/Mackinnon Avenue intersection, and landscaping improvements will be provided on the north side of the street, fronting San Dieguito Academy School. The project has been split into an east and west phase. Construction of the west phase is scheduled to begin in summer 2022. Construction of the east phase is targeted for fall 2023, pending funding availability.

Rancho Santa Fe (Trail 82) and El Camino Del Norte (Trail 95) Design and Construction - Design is complete for Trail 95 and the project will go out to construction in Winter 2021-22. Design is nearly complete for Trail 82. Once the final design is 100 percent completed, the design will go to the utility providers along the trail to redesign their facilities to accommodate the new trail.

4. Promote green initiatives and protect natural resources.

Climate Action Plan - The updated Climate Action Plan (CAP) was adopted by Council on January 17, 2018. City staff continues to implement projects, programs, and initiatives that support the goals of the CAP and reduce greenhouse gas (GHG) emissions. The CAP was updated on November 18, 2020. Some of the major CAP actions that have been completed or will be advanced in the coming year include:

- i Launch a Community Choice Energy (CCE) Program –The new CCE, named San Diego Community Power (SDCP), has commenced start-up activities including developing a business plan, hiring staff, and acquiring the financing needed to purchase and serve renewable electricity to the community. SDCP began serving power to Encinitas customers in early 2021 and will complete its phased launch in 2022.
- i 100% renewable electricity – The City unanimously voted to serve its SDCP customers with 100 percent renewable electricity as the base offering, called Power100. Customers may opt down to the 50 percent renewable level, called PowerOn, or opt to receive their power from SDG&E at any time.

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- i Green Building – Development of building ordinances to require and encourage reduction of fossil fuel energy use – In November 2019, Council adopted an ordinance that will require additional electrical improvements and electric vehicle charging stations (EVCS) to be installed at a percentage of parking spaces at commercial and multi-family properties, as well as require new single-family homes to come equipped with electrical infrastructure necessary for the home to be “EVCS ready.” The ordinance went into effect on January 1, 2020. Additional local green building requirements related to the City’s Climate Action Plan were under development in FY 2020-21. The proposed requirements would implement CAP measures related to residential and commercial building energy efficiency, renewable energy, and building decarbonization. An ordinance enacting these requirements is anticipated to be adopted by City Council in October 2021.
- i Bikeshare Program - Throughout FY 2020-21, City staff worked closely with the City’s selected bikeshare vendor, BCycle, to prepare for launching a bikeshare program in the City of Encinitas. The program is expected to launch at the end of 2021 with 100 shared electric bikes and 200 docks stationed around the City for residents and visitors to borrow and get around town, car-free, for a nominal fee.
- i Bicycle Racks - In 2021, the City donated 26 bike racks to California State Parks Department to be installed at State-managed beaches in Cardiff. The bike racks will improve safe and emission-free access to local beaches for Encinitas residents.
- i In 2021, the City purchased and installed 63 bike racks at various City-owned or managed locations including, Moonlight Beach, D Street Beach Access, Swami’s Beach Access, and Olympus Park, to improve bike parking and encourage bike ridership.
- i Senate Bill 1383 - The City’s waste hauler, EDCO, completed the construction of its anaerobic digestion facility, which processes organic material (food waste and green waste). Once the organic material is processed, methane is extracted to fuel EDCO’s collection trucks and the remaining product is a digestate that can be turned into fertilizer. The facility became operational in early 2021 and residential collection services in Encinitas began in June of 2021. Per Senate Bill 1383 regulations, all residents and businesses must recycle organics by January 1, 2022. Since Fall of 2021, EDCO has been enrolling commercial businesses and multi-family dwellings in the new program with the plan to have everyone enrolled by 2022. Select businesses that generate food waste will also need to arrange to donate edible food, as required by the law. The City has several contracts for environmental education services to support the new organics program and to provide general zero waste education in the schools and community. There has also been extensive outreach and support offered via various workshops for the business community to prepare them for the imminent changes that organics recycling will bring to their daily operations. Diverting organics from the landfill will significantly reduce greenhouse gas emissions and help the City meet its Climate Action Plan goal of diverting 65 percent of total solid waste generated from the landfill by 2020 and 80 percent by 2030.
- i Plastics initiative – Implementation of the City of Encinitas Plastics Initiative regulating the sale and distribution of single-use plastic products in Encinitas including plastic straws, plastic utensils, and plastic beverage bottles. The Plastics Initiative is a multi-phased approach, starting in December 2019 through the Introduction of an Ordinance to require the distribution of plastic straws upon request only, including takeout and drive-thru, and a prohibition on the distribution of plastic straws. Phase 2 was initiated in February 2020 and included the development of a policy to limit the sale or distribution of Plastic Beverage Containers at City Facilities

TRANSMITTAL LETTER • INTRODUCTORY SECTION

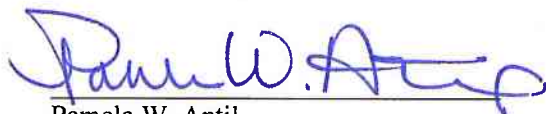
and Events. Phase 3 was initiated in April 2020, leading to the adoption of an ordinance prohibiting the retail sale of expanded polystyrene (EPS) food service ware, ice chests, and packing materials.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded its Certificate of Achievement for Excellence in Financial Reporting to the City of Encinitas for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2020. The City believes that the FY 2020-21 Annual Comprehensive Financial Report continues to meet the GFOA criteria for the award.

Lastly, we deeply appreciate the dedication and leadership of the Mayor and Council Members who have consistently supported our goal of excellence in all aspects of financial management. The completion of this report could not have been accomplished without the dedication and hard work of the entire staff in the Finance Department. Special recognition goes to the Finance Reporting team, Monica Attili, Stella Huang, Alexis Angelini, and Johnny Thai for their work with the auditors and the coordination of the preparation of this report.

Respectfully submitted,



Pamela W. Antil
City Manager



Teresa S. McBroome
Director of Finance/City Treasurer

LIST OF CITY OFFICIALS

As of June 30, 2021

CITY COUNCIL

| | | |
|----------------|-------------------------|------------|
| Mayor | Catherine S. Blakespear | |
| Deputy Mayor | Tony Kranz | District 1 |
| Council Member | Kellie Shay Hinze | District 2 |
| Council Member | Joy Lyndes | District 3 |
| Council Member | Joe Mosca | District 4 |

EXECUTIVE TEAM MEMBERS

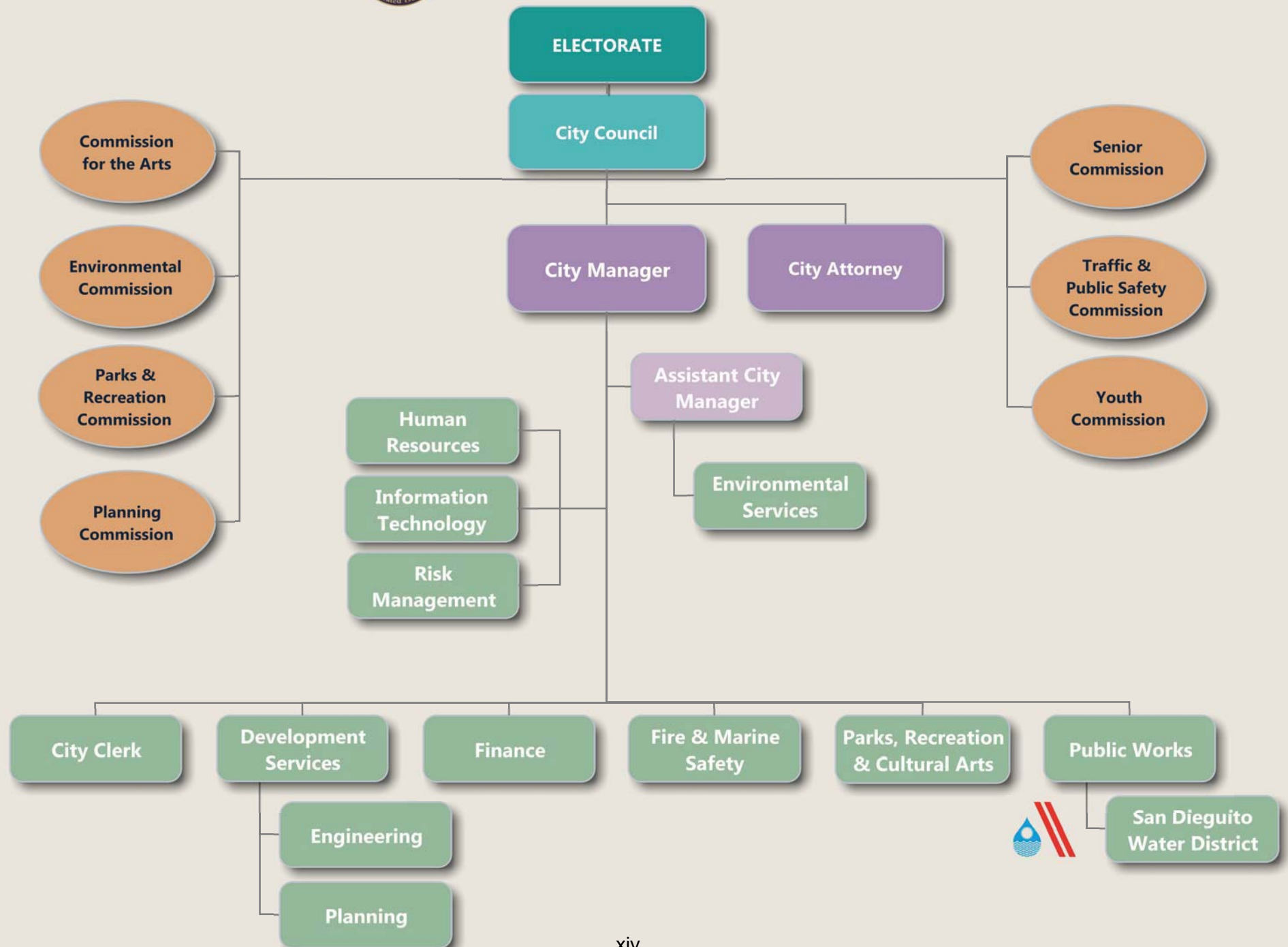
| | |
|---|---------------------|
| City Manager | Pamela Antil |
| Assistant City Manager | Jennifer Campbell |
| Director of City Clerk/Legislative Services | Kathy Hollywood |
| Public Works Director | Jennifer Campbell* |
| Director of Finance/City Treasurer | Teresa S. McBroome |
| Fire Chief | Michael Stein |
| Director of Human Resources/Worker's Compensation | Tom Bokosky |
| IT Manager | Jessica Contreras** |
| Director of Infrastructure and Sustainability | Lillian Doherty |
| Director of Development Services | Roy Sapa'u |
| Director of Administrative Services | Jace Schwarm |
| Director of Parks, Recreation & Cultural Arts | Travis Karlen |

*Acting Public Works Director

**Acting IT Manager



City of Encinitas Organization Chart





Government Finance Officers Association

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Presented to

**City of Encinitas
California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION



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Independent Auditor's Report

City Council
City of Encinitas
Encinitas, 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 Encinitas, California, (City) as of and for the year ended June 30, 2021, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the Investment in Joint Ventures of the R.E. Badger Joint Powers Authority, R.E. Badger Financing Authority, San Elijo Joint Powers Authority, and Encina Wastewater Authority, which collectively represent the following percentages of assets, net position and expenses of the following opinion units:

| <u>Opinion Unit</u> | <u>Assets</u> | <u>Net Position</u> | <u>Expenses</u> |
|-----------------------------|---------------|---------------------|-----------------|
| Business-type Activities | 13.65% | 19.10% | 4.41% |
| Each Major Enterprise Fund: | | | |
| Cardiff Sanitary District | 52.12% | 63.61% | 38.79% |
| San Dieguito Water District | 35.07% | 43.53% | 16.48% |
| Encinitas Sanitary Division | 19.77% | 20.23% | 30.63% |

Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, as they relate to the amounts included for investment in joint ventures, are based solely on the reports of the other auditors. 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, based on our audit and the report of other auditors, 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 of Encinitas, California, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described further in Note 18 to the financial statements, during the year ended June 30, 2021, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 84. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis, Budgetary Comparison Schedule for the General Fund and the Infrastructure Improvements Special Revenue Fund, Schedule of Changes in the Net Pension Liability and Related Ratios, Schedule of the City's Proportionate Share of the Net Pension Liability, Schedules of Contributions – Pensions, Schedule of Changes in the Net OPEB Liability and Related Ratios, and the Schedule of Contributions – OPEB* 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 of Encinitas' basic financial statements. The *introductory section*, *supplementary information* and the *statistical section* 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 were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *supplementary information* is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The *introductory section* and the *statistical section* 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 December 1, 2021 on our consideration of the City of Encinitas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Encinitas' internal control over financial reporting and compliance.

A handwritten signature in blue ink, appearing to read "Davis Fan" followed by a stylized flourish.

Irvine, California
December 1, 2021



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City of Encinitas

Management's Discussion and Analysis

For the Year Ended June 30, 2021

The Management's Discussion and Analysis ("MD&A") provides a narrative overview and analysis of the financial activities of the City of Encinitas ("City") for the fiscal year ended June 30, 2021. The City's financial statements include the accounts of the City, the Encinitas Public Financing Authority (EPFA), the Encinitas Housing Authority (EHA), and the San Dieguito Water District (SDWD). Please read the MD&A in conjunction with the transmittal letter, the basic financial statements and the accompanying notes to those financial statements.

FINANCIAL HIGHLIGHTS

- i The City's total assets increased overall by \$13.6 million. This is due to a \$5.1 million increase in governmental activities and a \$8.5 million increase in business-type activities.
- i The City's total net position increased overall by \$10.8 million compared to the previous year. The governmental activities increased \$3.5 million and business-type activities increased \$7.3 million. Total assets increased \$13.6 million, total liabilities increased \$3.9 million, deferred outflows decreased \$0.5 million, and deferred inflows also decreased \$1.6 million.
- i The City's total revenues increased \$5.7 million from 2020.
 - Governmental activities revenues increased \$4.5 million
 - Business-type activities revenues increased \$1.2 million
- i The City's total expenses increased \$4.3 million from 2020.
 - Governmental activities expenses increased \$4.9 million
 - Business-type activities expenses decreased \$0.6 million
- i The City's total net pension liability increased \$3.6 million from 2020.
 - Governmental liability increased \$4.1 million
 - Business-type liability decreased \$0.5 million
- i The City's total OPEB liability decreased \$0.9 million from 2020.
 - Governmental liability decreased \$0.9 million
 - Business-type liability did not change

OVERVIEW OF THE FINANCIAL STATEMENTS

The MD&A is intended to serve as an introduction to the City's basic financial statements. The basic financial statements are composed of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

The financial statements presented herein include all the activities of the City and the component unit of San Dieguito Water District (SDWD) using the integrated approach as prescribed by GASB Statement



City of Encinitas Management's Discussion and Analysis (Continued) For the Year Ended June 30, 2021

No. 34. The City includes accounts for the Encinitas Public Financing Authority (EPFA) and the Encinitas Housing Authority (EHA).

The government-wide financial statements present the financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. These statements include all assets of the City including infrastructure as well as all liabilities including long-term debt. Certain eliminations have occurred as prescribed by the statement in regard to interfund activity, payables and receivables.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

The government-wide financial statements provide a long-term view of the City's activities as a whole, and are composed of the statement of net position and the statement of activities and changes in net position. These statements are prepared on the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. Revenues and expenses for the current fiscal year are recorded, regardless of when cash is received or paid.

The Statement of Net Position presents information on all the City's assets, deferred outflows-inflows and liabilities, with the difference between the four reported as net position, which is one way to measure the City's financial health. Over time, increases or decreases in the net position is one indicator of whether the financial condition of the City is improving or declining.

The statement of activities and changes in net position presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. Examples include revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

In both the statement of net position and the statement of activities and changes in net position, the City activities are separated as follows:

Governmental Activities – Property, sales and use taxes, user fees, franchise fees, investment earnings, and state and federal grants revenues finance the governmental activities. Most of the City's basic services are reported in this category, including:

- General Government
- Public Safety
- Public Works
- Planning
- Engineering
- Parks, Recreation and Cultural Arts



City of Encinitas Management's Discussion and Analysis (Continued) For the Year Ended June 30, 2021

Business-type Activities – The City charges a fee to customers to cover all or most of the cost of certain services it provides. These activities include the water and wastewater operations and a portion of the City's affordable housing program.

Reporting the City's Most Significant Funds

The fund financial statements include statements for each of the three categories of activities: governmental, business-type (proprietary) and fiduciary. The governmental activities, other than internal service activities, are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The business-type activities are prepared using the economic resources management focus and the accrual basis of accounting. The fiduciary activities include custodial funds that are prepared using the economic resources management focus and the accrual basis of accounting. Implementation of GASB 84 requires that fiduciary funds report both a statement of net position and a statement of changes in fiduciary net position effective for reporting periods beginning after December 15, 2019. Reconciliations of the fund financial statements to the government-wide financial statements are included to explain the differences created by the integrated approach.

Fund Financial Statements – The City's fund financial statements provide a greater level of detail regarding the City's governmental activities and include the General Fund, Capital Improvements Capital Projects Fund, Infrastructure Improvements Special Revenue Fund and other non-major governmental funds. The City reports the General Fund, the Capital Improvements Capital Projects Fund, and the Infrastructure Improvements Special Revenues Fund as major funds, under the guidance provided by GASB No. 34. All other governmental funds are considered non-major funds and are reported as one group.

The General Fund is the largest and most discretionary source of funding for operations, debt service and capital improvements, via both direct expenditures and transfers to other City funds. The Capital Improvements Capital Projects Fund accounts for all governmental fund capital improvements, as well as work projects such as long-term consultant studies. The Infrastructure Improvements Special Revenue Fund accounts for financial resources from local, state and federal grants which are used primarily to fund capital improvements. All these expenditures are categorized as capital outlay.

The City's Major Funds include:

- i General Fund
- i Capital Improvements Capital Projects Fund
- i Infrastructure Improvements Special Revenue Fund
- i City's Water and Wastewater Enterprises
 - San Dieguito Water District
 - Cardiff Sanitary Division
 - Encinitas Sanitary Division

Type of Activity:

Governmental Activities
Governmental Activities
Governmental Activities
Business-type Activities



City of Encinitas Management's Discussion and Analysis (Continued) For the Year Ended June 30, 2021

Governmental Funds – Most of the City's basic services are reported in governmental funds. Unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's capacity to finance its programs in the near future. These funds are reported by using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balance present information separately for the General Fund, the Capital Improvements Capital Projects Fund, and the Infrastructure Improvements Special Revenue Fund, which are all classified as major funds. These statements also report several individual governmental funds classified as non-major funds, such as Special Revenue and Debt Service Funds, which are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the supplementary information section.

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, like government-wide financial statements, are presented on an accrual basis of accounting. There are two types of proprietary funds – enterprise funds and internal service funds. Enterprise funds are used to report activities for which external users are charged a fee for goods or services. Internal service funds are used to report activities that provide supplies and services to other City programs and activities. The internal service funds are reported with governmental activities in the government-wide financial statements.

Fiduciary Funds – The City is the trustee, or *fiduciary*, for certain funds held on behalf of the Community Facilities District No. 1- the Encinitas Ranch Development and the Encinitas Ranch Golf Course pooled cash investment funds. 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.

Financial Analysis of the City Overall

Net Position – The City of Encinitas' combined net position (i.e. inclusive of all City funds) for the fiscal year ended June 30, 2021 is compared to the results for 2020 in **Table 1**.



City of Encinitas

Management's Discussion and Analysis (Continued)

For the Year Ended June 30, 2021

Table 1
Statement of Net Position
(in millions of dollars)

| | Governmental Activities | | Business-type Activities | | Total Primary Government | | Total Changes |
|----------------------------------|-------------------------|-----------------|--------------------------|-----------------|--------------------------|-----------------|---------------|
| | CY 2021 | PY 2020 | CY 2021 | PY 2020 | CY 2021 | PY 2020 | % |
| Current assets | \$ 91.1 | \$ 93.1 | \$ 51.2 | \$ 53.1 | \$ 142.3 | \$ 146.2 | -2.7% |
| Capital assets (net) | 231.9 | 224.8 | 59.8 | 56.9 | 291.7 | 281.7 | 3.5% |
| Other non-current assets | 0.5 | 0.5 | 68.6 | 61.1 | 69.1 | 61.6 | 12.2% |
| Total assets | 323.5 | 318.4 | 179.6 | 171.1 | 503.1 | 489.5 | 2.8% |
| Deferred outflows | 13.8 | 13.6 | 1.9 | 2.6 | 15.7 | 16.2 | -3.1% |
| Current liabilities | 24.0 | 22.4 | 6.5 | 4.0 | 30.5 | 26.4 | 15.5% |
| Long-term liabilities | 102.4 | 100.5 | 23.1 | 25.2 | 125.5 | 125.7 | -0.2% |
| Total liabilities | 126.4 | 122.9 | 29.6 | 29.2 | 156.0 | 152.1 | 2.6% |
| Deferred inflows | 2.6 | 4.3 | 0.8 | 0.7 | 3.4 | 5.0 | -32.0% |
| Net position: | | | | | | | |
| Net investment in capital assets | 190.0 | 181.3 | 42.6 | 38.1 | 232.6 | 219.4 | 6.0% |
| Restricted | 19.4 | 23.0 | 0.4 | 0.4 | 19.8 | 23.4 | -15.4% |
| Unrestricted | (1.1) | 0.5 | 108.1 | 105.3 | 107.0 | 105.8 | 1.1% |
| Total net position | \$ 208.3 | \$ 204.8 | \$ 151.1 | \$ 143.8 | \$ 359.4 | \$ 348.6 | 3.1% |

Net position represents the simplest test of financial health for the City, indicating the excess or deficit of assets, and deferred outflows of resources, over liabilities and deferred inflows of resources. Net position for the City as a whole increased 3.1 percent from \$348.6 million on June 30, 2020, to \$359.4 million at June 30, 2021.

- i The overall increase in total assets is \$13.6 million when compared to the previous year. The governmental activities total assets increased \$5.1 million compared to the previous year with an increase in receivables and capital assets offset by a decrease in cash and investments as well as inventory and prepaid items. The business-type activities total assets increased \$8.5 million compared to the previous year with primary increases in investment in joint ventures and capital assets offset by decreases in cash and investments.
- i The overall increase in total liabilities is \$3.9 million when compared to the previous year. This is primarily attributable to an increase in net pension liabilities and current liabilities offset by a decrease in other postemployment benefits (OPEB) liabilities and long-term liabilities.
- i The increase in total assets of \$13.6 million, increase in total liabilities of \$3.9 million, offset by the decrease in deferred inflows of \$1.6 million and deferred outflows of \$0.5 million results in an increase in the City's total net position of \$10.8 million, or approximately 3.1 percent, compared to 2020. See Table 1.



City of Encinitas

Management's Discussion and Analysis (Continued)

For the Year Ended June 30, 2021

Table 2

Statement of Activities and Changes in Net Position (in millions of dollars)

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|---------------------------------|-------------------------|-----------------|--------------------------|-----------------|--------------------------|-----------------|
| | CY 2021 | PY 2020 | CY 2021 | PY 2020 | CY 2021 | PY 2020 |
| Program revenues: | | | | | | |
| Charges for services | \$ 8.4 | \$ 8.7 | \$ 27.2 | \$ 24.9 | \$ 35.6 | \$ 33.6 |
| Operating grants | 6.1 | 4.4 | 1.4 | 1.2 | 7.5 | 5.6 |
| Capital grants | 6.9 | 6.8 | 0.5 | 0.6 | 7.4 | 7.4 |
| General revenues: | | | | | | |
| Property taxes | 54.8 | 51.2 | 1.2 | 1.2 | 56.0 | 52.4 |
| Sales and use taxes | 15.4 | 13.7 | - | - | 15.4 | 13.7 |
| Other taxes | 5.4 | 5.0 | - | - | 5.4 | 5.0 |
| Intergovernmental | 0.1 | 0.2 | - | - | 0.1 | 0.2 |
| Other general revenue | 1.2 | 3.8 | 0.9 | 2.1 | 2.1 | 5.9 |
| Total revenues | 98.3 | 93.8 | 31.2 | 30.0 | 129.5 | 123.8 |
| Program expenses: | | | | | | |
| General government | 18.7 | 17.3 | - | - | 18.7 | 17.3 |
| Public safety | 37.4 | 35.8 | - | - | 37.4 | 35.8 |
| Public works | 11.4 | 11.9 | - | - | 11.4 | 11.9 |
| Planning and building | 7.4 | 7.0 | - | - | 7.4 | 7.0 |
| Engineering services | 9.2 | 6.3 | - | - | 9.2 | 6.3 |
| Parks and recreation | 9.2 | 10.0 | - | - | 9.2 | 10.0 |
| Interest on long-term debt | 1.5 | 1.6 | - | - | 1.5 | 1.6 |
| Cardiff Sanitary Division | - | - | 3.1 | 3.1 | 3.1 | 3.1 |
| San Dieguito Water District | - | - | 16.2 | 16.5 | 16.2 | 16.5 |
| Encinitas Sanitary Division | - | - | 2.8 | 3.2 | 2.8 | 3.2 |
| Affordable housing | - | - | 1.8 | 1.7 | 1.8 | 1.7 |
| Total expenses | 94.8 | 89.9 | 23.9 | 24.5 | 118.7 | 114.4 |
| Change in net position | 3.5 | 3.9 | 7.3 | 5.5 | 10.8 | 9.4 |
| Net position - beginning | 204.8 | 200.9 | 143.8 | 138.3 | 348.6 | 339.2 |
| Net position - ending | \$ 208.3 | \$ 204.8 | \$ 151.1 | \$ 143.8 | \$ 359.4 | \$ 348.6 |

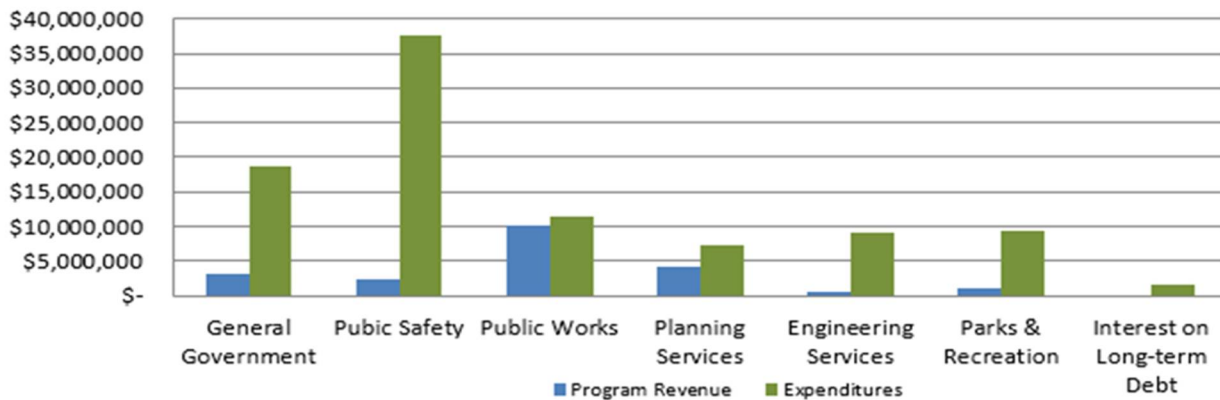
Governmental Activities

Chart 1 reflects the financial impact of the various City programs or the extent to which these programs generate revenue from fees and grants. The City's programs include General Government, Public Safety (Fire and Law Enforcement), Public Works, Development Services (Planning and Engineering) and Parks, Recreation and Cultural Arts. Each program's net cost (total cost less revenues generated by the activities) is presented in the Statement of Activities and Changes in Net Position.



City of Encinitas Management's Discussion and Analysis (Continued) For the Year Ended June 30, 2021

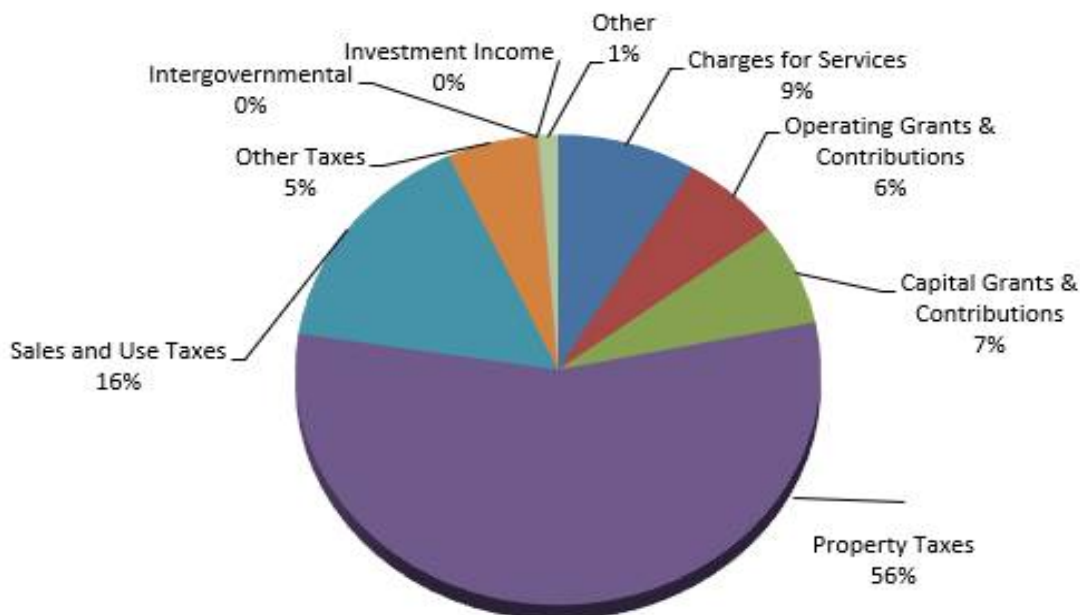
Chart 1
Expenditures vs. Program Revenue
(Governmental Activities)



Note: Program revenues only include charges for services, operating grants and contributions, capital grants and contributions and do not include general revenues.

Chart 2 reflects that property taxes, sales and use taxes, charges for services, capital grants and contributions, and operating grants and contributions are the top five categories of total revenue and comprise 94 percent of funding for governmental activities. The remaining categories include other taxes, investment income and other.

Chart 2
Governmental Revenues





City of Encinitas Management's Discussion and Analysis (Continued) For the Year Ended June 30, 2021

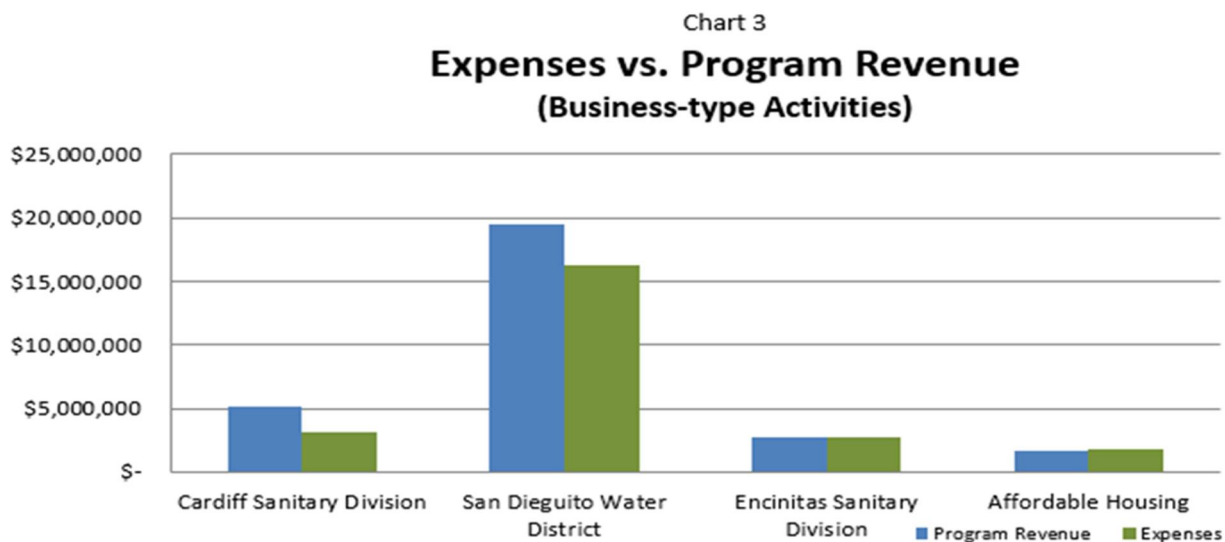
Business-type Activities

Business-type activities for the City of Encinitas include water and wastewater operations and the City's affordable housing program. These activities increased net position by \$7.3 million from the last fiscal year. The program revenues and general revenues totaled \$31.2 million, exceeding total expenses of \$23.9 million. Refer to Table 2, Statement of Activities and Changes in Net Position.

The Statement of Activities and Changes in Net Position for business-type activities reflects an increase of \$2.4 million in program revenues and a decrease of \$1.2 million in general revenues from the previous year. The primary reason for the increase in operating revenue during Fiscal Year 2020-21 was attributable to SDWD's increase in water sales of \$2.2 million due to an increase in the water rates. The Board approved the rate increase effective June 1, 2020. The operating revenues in Cardiff Sanitary Division (CSD) remained stable and the Encinitas Sanitary Division (ESD) increased half a percent compared to the previous year. Operating expense for SDWD increased \$2.1 million compared to the previous year. The changes in water rates offset the increase in operating expenses resulting in no change in operating income for SDWD. The CSD and ESD operating income remained stable.

Overall, program revenues and general revenues exceeded program expenses during Fiscal Year 2020-21 resulting in a total net change of \$7.3 million.

Chart 3 below compares program revenue from business-type activities to program expenses. Water and wastewater operations operated at a surplus, as shown in the Statement of Activities and Changes in Net Position.



Note: Program revenues only include charges for services, operating grants and contributions, capital grants and contributions and do not include general revenues.



City of Encinitas

Management's Discussion and Analysis (Continued)

For the Year Ended June 30, 2021

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund Revenues

\$3 million above projections

General Fund actual revenues of \$83.3 million were \$5.7 million, or 7.3 percent, higher than the original adopted budget and \$3 million, or 3.8 percent, higher than the final amended budget. Actual revenues were higher by \$3.5 million, or 4.3 percent, when compared to FY 2019-20.

For budgeting purposes, the City's revenue projections have historically been conservative. Table 1 below compares revenue projections to actual revenue received, by type of revenue:

Table 1

| Description | FY 2019-20 Actual | FY 2020-21 Adopted Budget | FY 2020-21 Amended Budget | FY 2020-21 Actual | FY 2020-21 \$ Variance | FY 2020-21 % Variance |
|----------------------------|----------------------|---------------------------------|---------------------------------|----------------------|------------------------------|-----------------------------|
| Property Tax | \$49,520,037 | \$51,687,490 | \$52,187,490 | \$52,521,878 | \$334,388 | 0.6% |
| Documentary Transfer Tax | 632,882 | 520,000 | 600,000 | 1,155,082 | 555,082 | 92.5% |
| Sales Tax | 13,744,880 | 11,898,717 | 13,290,000 | 15,453,648 | 2,163,648 | 16.3% |
| Transient Occupancy Tax | 1,906,448 | 1,650,704 | 1,650,704 | 2,258,444 | 607,740 | 36.8% |
| Franchise Tax | 2,183,570 | 2,208,351 | 2,208,351 | 2,253,971 | 45,620 | 2.1% |
| Licenses, Fees and Permits | 263,518 | 235,200 | 262,680 | 261,950 | (730) | -0.3% |
| Intergovernmental Revenue | 780,808 | 674,947 | 674,947 | 740,163 | 65,216 | 9.7% |
| Charges for Services | 6,629,819 | 6,958,742 | 6,606,063 | 5,862,698 | (743,365) | -11.3% |
| Fines and Penalties | 655,032 | 404,153 | 404,153 | 232,874 | (171,279) | -42.4% |
| Use of Money and Property | 2,810,702 | 837,361 | 724,166 | 301,160 | (423,006) | -58.4% |
| Other Revenue | 712,659 | 548,811 | 1,680,565 | 2,285,673 | 605,108 | 36.0% |
| Total | \$79,840,355 | \$77,624,476 | \$80,289,119 | \$83,327,540 | \$3,038,421 | 3.8% |

Actual operating revenue in FY 2020-21 (excluding transfers in) exceeded projections by approximately \$3 million. Significant variances can be attributed to:

- i Increased property and documentary transfer tax receipts from higher value assessments, higher than anticipated transfers of ownership and a lower-than-expected delinquency rate.
- i Less severe economic impact on sales tax revenues resulting from the COVID-19 pandemic. A shift to online shopping during the pandemic and a recent legislative change that allowed for the taxation of additional internet purchases resulted in strong growth in the countywide use tax pool. Additionally, retailers in the consumer goods category reported strong sales, spurred by federal stimulus and pent-up consumer demand as most pandemic restrictions were lifted. Lastly, receipts from auto and transportation related sales exceeded expectations due to low financing rates, consumer savings from curtailed spending opportunities during the pandemic, federal stimulus and increased home equity that facilitated greater borrowing.



City of Encinitas Management's Discussion and Analysis (Continued) For the Year Ended June 30, 2021

- i Higher than anticipated transient occupancy tax revenue receipts from short-term vacation rentals.
- i A reduction in development related revenues originating from permits and building inspection fees, as well as fees collected to support recreation programs (recorded in the Charges for Services category) resulting from cancellations due to the COVID-19 pandemic.
- i Lower than projected revenue in the Fines and Penalties category mostly due to a reduction in parking citations and vehicle code violations issued during the COVID-19 pandemic. This was primarily due to fewer vehicles on the road and limited public contact by law enforcement during this time.
- i The change in fair market value of investments in the Use of Money category.
- i A reimbursement of approximately \$470,000 recorded as other revenue from the Olivenhain Municipal Water District for the El Camino Real Mobility Striping Improvement project (CS20B).

General Fund Expenditures \$3.1 million under budget

Operating expenditures for the fiscal year (excluding transfers out) were approximately \$3.1 million under budget. Table 2 compares the expenditure budget to actual expenditures for the fiscal year by category:

Table 2

| Description | FY 2019-20 Actual | FY 2020-21 Adopted Budget | FY 2020-21 Amended Budget | FY 2020-21 Actual | FY 2020-21 \$ Variance | FY 2020-21 % YTD | FY 2020-21 % Variance |
|---------------------------|----------------------|---------------------------------|---------------------------------|----------------------|------------------------------|------------------------|-----------------------------|
| Personnel | \$35,004,659 | \$36,757,219 | \$37,383,254 | \$36,499,224 | \$ (884,030) | 97.6% | -2.4% |
| Materials & Supplies | 1,272,419 | 1,188,402 | 1,215,671 | 982,901 | (232,770) | 80.9% | -19.1% |
| Contracts & Services | 30,658,840 | 32,495,739 | 32,630,652 | 30,608,184 | (2,022,468) | 93.8% | -6.2% |
| Internal Cost Allocation | 399,163 | 411,718 | 411,718 | 407,513 | (4,205) | 99.0% | -1.0% |
| Capital Outlay | 1,350 | 206,641 | 247,661 | 244,430 | (3,231) | 98.7% | -1.3% |
| Debt/Finance | 127,025 | 127,025 | 127,025 | 127,025 | - | 100.0% | 0.0% |
| Expenditures Total | \$67,463,456 | \$71,186,744 | \$72,015,981 | \$68,869,276 | (\$3,146,705) | 95.6% | -4.4% |

Savings in personnel costs was primarily the result of vacancies across City departments.

The Contracts and Services category was approximately \$2 million under budget, which was primarily a result of the following approximate variances:

- i Expenditures for law enforcement services and parking citation processing were \$445,000 lower than anticipated due to a decrease in activity during the pandemic.
- i Savings of \$287,000 in park, beach, and trail maintenance contracts as there was limited usage by the public during the pandemic, as well as mild weather with fewer severe weather events during the year.



City of Encinitas

Management's Discussion and Analysis (Continued)

For the Year Ended June 30, 2021

- i Contract building inspection services were under budget by \$253,000. Activity remained relatively slow during the pandemic, resulting in reduced expenditures and an associated decline in revenue collected from building inspection fees.
- i Expenditures for utilities were \$220,000 under budget due to limited operations and use of facilities and parks during the pandemic.
- i Election costs assessed by the County for election services were \$215,000 lower than anticipated. Staff anticipated additional cost for possible citizen-initiated ballot measures that did not appear on the November 2020 ballot.
- i Tree maintenance was under budget by \$147,000 citywide.
- i Training and professional development was \$123,000 under budget across all departments as there were limited training opportunities offered during the fiscal year due to pandemic related restrictions.
- i The City's portion of expenditures for Carlsbad Watershed coordination, monitoring and assessment; obligations under the Stormwater Committee MOU; and SWRCB Annual Discharge Fee coordination were lower than anticipated by \$102,000.
- i Expenditures on information technology service contracts were under budget by approximately \$78,000 as the demand and cost of services was lower than anticipated.
- i Expenditures on Materials and Supplies in FY 220-21 was approximately \$223,000 under budget due to the following (variances are approximate):
 - i Savings of approximately \$71,000 for street, park, beach, and trail maintenance due to mild weather conditions and limited usage during the pandemic.
 - i Expenditures on fuel were under budget by \$39,000.
 - i In person activities, such as City-wide training, new orientations, all hands meetings, Customer Service Initiative events, in-person interviews and wellness programs were suspended during the pandemic resulting in \$16,000 in savings.
 - i Expenditures on computer hardware was approximately \$10,000 lower than expected due to fewer computer hardware replacements and purchases during the fiscal year as a staff was working remotely.

Excess of Revenues over Expenditures

\$6.2 million above projections

Actual revenues over expenditures were approximately \$14.3 million, compared to a budget of \$8.2 million. This does not take into account other financing sources and uses which are discussed below. This result is a combination of revenues being above projections and expenditures being under budget, as discussed above.



City of Encinitas Management's Discussion and Analysis (Continued) For the Year Ended June 30, 2021

Other Financing Sources and Uses – General Fund

Other financing sources and uses consisted of transfers in and transfers out during the fiscal year. Scheduled transfers in included: (a) monies from the Gasoline Taxes Special Revenue Fund, which fund a portion of the City's street maintenance program, and (b) monies for impact fees collected for community facilities and fire mitigation. The impact fees are transferred at year end to reimburse the General Fund for amounts expended in prior years for the Public Library and Fire Station Rehabilitation projects. Transfers in for operating were slightly over projections by \$27,266, due to CARES Act funding which subsidized the personnel costs for expenditures related to COVID-19.

Transfers out of the General Fund operating category were \$146,133 less than projected. The anticipated matching shares or subsidies from the General Fund for the Community Development Block Grant (CDBG) Fund, Section 8 Administration Fund and Pacific Pines Administration Fund were lower than projected. The Section 8 Administration Fund also received additional CARES Act funding to subsidize administrative costs. Transfers out to internal service funds include the General Fund's contribution to the Self-Insurance fund. Appropriations for capital projects from the General Fund totaled \$15 million compared to \$4.8 million in 2020.

Transfers out for debt service totaled \$3.7 million which were flat compared to the previous year.

Analysis of Fund Balance and Changes in Fund Balance

Fund balance was projected to be \$22.5 million as of June 30, 2021, a scheduled decrease of about \$4.7 million. Actual fund balance was \$27.4 million, or \$4.9 million higher than projected; as mentioned above, revenues were \$3 million above projected and expenditures were \$3.1 million under projected. Net transfers out were higher by \$1.5 million.

There was an excess of revenues over expenditures of \$14.3 million. Factoring net transfers for operating expenditures, debt service payments, and capital expenditures of \$14.3 million, the net result is a decrease in total fund balance of \$ 0.05 million at year end.

Besides the General Fund, the Capital Improvements Capital Projects Fund and Infrastructure Improvements Special Revenue Fund are also major funds in the governmental funds. The City executes capital projects through the Capital Improvements Capital Projects Fund. When a project is designated and the budget is appropriated, the fund balance of the funding source is transferred to the Capital Improvements Capital Projects Fund to complete the capital project. Because of the transfers, the Infrastructure Improvements Special Revenue Fund at June 30, 2021 had a deficit fund balance of \$7.1 million due to expected grant funding and commitments. The Capital Improvements Capital Projects Fund had a total fund balance of \$38.1 million at the end of Fiscal Year 2020-21.



City of Encinitas Management's Discussion and Analysis (Continued) For the Year Ended June 30, 2021

CAPITAL ASSETS AND THE CAPITAL IMPROVEMENT PROGRAM

As of June 30, 2021, the City had approximately \$291.7 million invested in a broad range of capital assets including road and drainage systems, parks and beach facilities, public buildings, water and wastewater treatment facilities, collection and distribution systems, and affordable housing stock. Of that amount, \$231.9 million is classified as capital assets under the category of governmental activities, and \$59.8 million is classified as capital assets of business-type activities. For more detailed information on capital assets activity refer to Note 7. In addition, there are \$68.7 million of assets under business-type activities classified as investments in joint ventures. These investments consist mainly of capital assets belonging to related governmental agencies where the City holds an equity interest in the joint venture. The assets are primarily water and wastewater treatment facilities.

Governmental Activities

Capital Assets: \$231.9 million

The City has three Capital Improvements Capital Projects Funds to monitor capital improvements projects for governmental activities. These projects include public facilities, acquisition of parkland and park improvements, infrastructure, and certain City "work projects" such as multi-year consultant studies that meet the criteria for inclusion as capital projects for budgeting purposes. The City uses a dollar threshold of \$100,000 and a useful life of five years or more in its evaluation for capitalizing a capital expenditure. Eligible project costs are additions to construction in progress (CIP) at fiscal yearend. Costs for completed projects are recorded as additions to the appropriate capital asset category at year end.

The City spent approximately \$22.1 million this fiscal year on capital improvement projects consisting of a variety of different projects that were either in development or under construction. The primary emphasis this fiscal year was the Leucadia Streetscape project, Olympus Park, the El Portal Pedestrian/Bike Underpass project, the Morning Sun Drive Sidewalk project, City Hall Renovations, General Mobility Improvement projects, Vulcan Avenue Temporary Parking, the Technology Infrastructure Replacement project, parkland and drainage improvements, and ongoing pavement overlay projects.

Business-type Activities

Capital Assets: \$59.8 million

The City accounts for the acquisition and construction of capital assets for its water and wastewater operations under its proprietary-type funds as enterprise activities. Capital spending is recorded as expenses in the appropriate capital fund under each separate activity during the fiscal year. At the end of the fiscal year, the expenses are analyzed to determine if they meet the criteria to be capitalized as long-term capital assets. The criteria are the same as the City's criteria (\$100,000 threshold and a minimum five-year life). Eligible capital expenses are then capitalized to the construction-in-progress account, while non-eligible expenses are reclassified as operating expenses. Total amounts expensed on completed projects are then transferred to the appropriate capital asset class. Capital assets at \$59.8 million increased compared to the prior year's amount of \$56.9 million. During the year, CSD capitalized



City of Encinitas

Management's Discussion and Analysis (Continued)

For the Year Ended June 30, 2021

its share of the Olivenhain trunk improvements which totaled approximately \$5.8 million and SDWD wrote off water lines that were replaced during the year.

The City's Affordable Housing Fund carries an investment of about \$2.4 million in affordable housing stock under the classification of utility, plant, vehicles and equipment. The City purchased 16 housing units in 2004. There has not been any capital spending activity in this fund since then.

Investment in Joint Ventures: \$68.7 million

The City's water and wastewater enterprises each hold equity interests in joint ventures with other local agencies.

SDWD holds an equity interest, along with Santa Fe Irrigation District, in the R.E. Badger Joint Facilities. SDWD makes capital contributions each year for the replacement and improvement of the Joint Facilities, which then is added to the investment account at the end of the fiscal year. SDWD also makes monthly payments to cover its proportional share of annual operating costs.

SDWD also holds an equity interest in the R.E. Badger Water Facilities Financing Authority. The primary reason for this investment is to provide financing for the acquisition and construction of capital improvements related to the R.E. Badger Joint Facilities. SDWD has a proportional share of assets in the debt service reserve only. Therefore, these resources are not available to SDWD for the funding of its operations.

Cardiff Sanitary Division (CSD) holds an equity interest, along with the City of Solana Beach, in the San Elijo Joint Powers Authority (SEJPA) Joint Facilities. CSD makes capital contributions each year for the replacement and improvement of the SEJPA Joint Facilities, which is added to its investment account at the end of the fiscal year. CSD also makes quarterly payments to cover its proportional share of annual operating costs. The treatment facilities, also serving other local agencies, bill quarterly for their proportional share of operations costs and capital improvements.

Encinitas Sanitary Division (ESD) holds an equity interest, along with five other local agencies, in the Encina Wastewater Authority (EWA) Joint Facilities. ESD makes capital contributions each year for the replacement and improvement of the EWA Joint Facilities. These capital contributions are additions to the investment account at the end of the fiscal year. ESD also makes quarterly payments to cover its proportional share of annual operating costs.

The City's joint ventures in the Cardiff Sanitary Division and Encinitas Sanitary Division increased \$2.2 million and the joint venture in the San Dieguito Water District increased \$5.5 million.

DEBT ISSUANCE AND ADMINISTRATION

The City has a total of \$66.4 million of long-term obligations for both governmental and business-type activities as shown in Note 8 of the basic financial statements. The governmental activities debt totaling \$42.1 million include \$1.3 million in capital leases, and \$40.8 million in bonded debt. Besides \$42.1 million



City of Encinitas

Management's Discussion and Analysis (Continued)

For the Year Ended June 30, 2021

in debt, the long-term obligations in governmental activities also includes \$6.9 million in claims payable and compensated absences. The capital leases consist of borrowings for the Civic Center Roof Replacement project and fire apparatus vehicles. The business-type activities long-term obligation totals \$17.4 million and includes \$17.2 million in bonded debt and \$0.2 million in compensated absences. Of the \$59.3 million total debt that is due, \$3.9 million is due within one year.

Governmental Activities

\$42.1 million

The majority of the City's long-term debt is bonded debt issued in order to acquire and/or construct public facilities including City Hall, the Public Library, the Encinitas Community Park and the Pacific View property. Debt payments for all of these bonds are due semi-annually at fixed amounts, and the debt matures at various times through 2045. The City's total annual debt service of approximately \$3.9 million represents approximately five percent of annual General Fund operating revenues.

The City has a policy of utilizing lease/purchase financing for the acquisition of equipment costing more than \$100,000. The City is obligated under a lease/purchase agreement (a private placement with a financial institution) for improvements made to City Hall in 2008 for the repair of the roof. The annual payment on that lease is \$183,556. Additionally, the City currently leases two fire engine vehicles. The annual lease payments in FY 2020-21 were \$156,296.

Business-type Activities

\$17.2 million

SDWD and CSD carry long-term debt issued to construct capital improvements to both their distribution and collection systems and their Joint Facilities. On July 6, 2017, SEJPA on behalf of its members (the CSD division and the City of Solana Beach) issued 2017 Revenue Bonds for the purpose of funding facilities and improvements as part of SEJPA's capital improvements. CSD's share of the loan is \$10,615,000. The Encinitas Housing Authority has a mortgage loan with a financial institution that partially funded the acquisition of the City's affordable housing units (Pacific Pines). The City is not obligated in any way for repayment of these debt issues.

General Information on City Debt

The City of Encinitas obtained and affirmed an upgrade to its issuer credit rating to AAA by Standard & Poor's (S&P) this year. The City's credit rating affirmed by S&P issued a credit rating of AA+ on the City's 2021 Lease Revenue bonds. Ratings for lease revenue bond issues are typically one notch lower than the issuers' rating due to the payment structure of the bond issue.



City of Encinitas

Management's Discussion and Analysis (Continued)

For the Year Ended June 30, 2021

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The City's elected and appointed officials consider many economic factors when setting budgets, including national, state and local economic conditions, trends in residential housing, and the unique needs of the community. The Finance Department coordinates the development of the operating and capital budgets presented by the City Manager to the City Council for consideration. The City adopts its operating budget over a two-year cycle, with legal appropriations set for the first year only. The operating and capital budgets for Fiscal Year 2021-22 were appropriated by the City Council in June 2021.

The FY 2020-21 actual results, when compared to the adopted projections and appropriations, showed revenues above forecasts and expenditures under budget. FY 2021-22 revenues are expected to increase \$4.8 million over the FY 2020-21 budget. Expenditures are budgeted to increase by \$4.5 million over the FY 2020-21 budget and capital expenditures are budgeted to increase to \$24.3 million primarily due to the funding of the Leucadia Streetscape project by obtaining financing in the amount of \$20 million. Next year's budget includes a two percent adjustment to employee compensation, which is the largest expenditure category of the General Fund budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is intended to provide our residents, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the monies it receives and manages. If you have questions about this report or need additional information, please contact the Finance Department of the City of Encinitas, 505 South Vulcan Ave, Encinitas, California 92024, telephone (760) 633-2600, or visit our website at www.encinitasca.gov and review the Finance Department webpage.

BASIC FINANCIAL STATEMENTS



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**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**



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City of Encinitas
Statement of Net Position
June 30, 2021

| | Primary Government | | |
|--|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| ASSETS | | | |
| Current assets: | | | |
| Cash and investments (Note 3) | \$ 82,428,758 | \$ 47,540,633 | \$ 129,969,391 |
| Restricted cash and investments with fiscal agent (Note 3) | 17 | 146,278 | 146,295 |
| Receivables (Note 4) | 7,620,286 | 3,033,625 | 10,653,911 |
| Interest receivable | 212,423 | 122,148 | 334,571 |
| Inventory and prepaid items | 796,898 | 389,384 | 1,186,282 |
| Total current assets | 91,058,382 | 51,232,068 | 142,290,450 |
| Noncurrent assets: | | | |
| Internal balances | 80,009 | (80,009) | - |
| Investments in joint ventures (Note 5) | - | 68,662,474 | 68,662,474 |
| Long-term receivable (Note 6) | 444,069 | - | 444,069 |
| Capital assets (Note 7): | | | |
| Non-depreciable | 86,150,613 | 7,039,038 | 93,189,651 |
| Depreciable, net | 145,742,478 | 52,757,756 | 198,500,234 |
| Total capital assets, net | 231,893,091 | 59,796,794 | 291,689,885 |
| Total noncurrent assets | 232,417,169 | 128,379,259 | 360,796,428 |
| Total assets | 323,475,551 | 179,611,327 | 503,086,878 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred loss on bond refunding | 287,421 | - | 287,421 |
| Pension related deferred outflows of resources (Note 13) | 12,394,140 | 1,815,089 | 14,209,229 |
| OPEB related deferred outflows of resources (Note 14) | 1,184,823 | 60,059 | 1,244,882 |
| Total deferred outflows of resources | 13,866,384 | 1,875,148 | 15,741,532 |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities | 8,142,110 | 4,135,850 | 12,277,960 |
| Interest payable | 396,326 | 197,141 | 593,467 |
| Unearned revenue | 4,996,882 | - | 4,996,882 |
| Deposits and other liabilities | 3,989,284 | 537,935 | 4,527,219 |
| Long-term liabilities - due within one year (Note 8) | 6,449,827 | 1,655,911 | 8,105,738 |
| Total current liabilities | 23,974,429 | 6,526,837 | 30,501,266 |
| Noncurrent liabilities: | | | |
| Long-term liabilities - due in more than one year (Note 8) | 42,576,624 | 15,730,204 | 58,306,828 |
| Net pension liability (Note 13) | 53,884,405 | 7,093,742 | 60,978,147 |
| Net OPEB liability (Note 14) | 5,926,863 | 213,196 | 6,140,059 |
| Total noncurrent liabilities | 102,387,892 | 23,037,142 | 125,425,034 |
| Total liabilities | 126,362,321 | 29,563,979 | 155,926,300 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pension related deferred inflows of resources (Note 13) | 1,254,905 | 744,071 | 1,998,976 |
| OPEB related deferred inflows of resources (Note 14) | 1,353,923 | 34,381 | 1,388,304 |
| Total deferred inflows of resources | 2,608,828 | 778,452 | 3,387,280 |
| NET POSITION | | | |
| Net investment in capital assets | 190,035,875 | 42,615,968 | 232,651,843 |
| Restricted: | | | |
| Community development | 987,383 | - | 987,383 |
| Debt service | 172,722 | - | 172,722 |
| Housing | - | 386,507 | 386,507 |
| Capital projects | 18,307,101 | - | 18,307,101 |
| Unrestricted | (1,132,295) | 108,141,569 | 107,009,274 |
| Total net position | \$208,370,786 | \$ 151,144,044 | \$359,514,830 |

See accompanying Notes to the Basic Financial Statements.

City of Encinitas
Statement of Activities and Changes in Net Position
For the Year Ended June 30, 2021

| Functions/Programs | Expenses | Program Revenues | | | |
|--------------------------------|----------------|----------------------|------------------------------------|----------------------------------|------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Total Program Revenues |
| Primary government: | | | | | |
| Governmental activities: | | | | | |
| General government | \$ 18,698,862 | \$ 1,361,790 | \$ 1,365,108 | \$ - | \$ 2,726,898 |
| Public safety | 37,494,513 | 2,292,593 | 251,424 | - | 2,544,017 |
| Public works | 11,444,920 | 105,811 | 3,561,363 | 6,387,543 | 10,054,717 |
| Planning services | 7,360,378 | 3,434,081 | 767,683 | - | 4,201,764 |
| Engineering services | 9,200,037 | 457,981 | - | - | 457,981 |
| Parks and recreation | 9,247,192 | 759,536 | 167,143 | 510,106 | 1,436,785 |
| Interest on long-term debt | 1,488,333 | - | - | - | - |
| Total governmental activities | 94,934,235 | 8,411,792 | 6,112,721 | 6,897,649 | 21,422,162 |
| Business-type activities: | | | | | |
| Cardiff Sanitary Division | 3,075,590 | 5,048,111 | - | 143,514 | 5,191,625 |
| San Dieguito Water District | 16,217,193 | 19,037,114 | 10,000 | 388,600 | 19,435,714 |
| Encinitas Sanitary Division | 2,751,591 | 2,759,121 | - | 18,761 | 2,777,882 |
| Affordable Housing | 1,797,801 | 329,678 | 1,357,154 | - | 1,686,832 |
| Total business-type activities | 23,842,175 | 27,174,024 | 1,367,154 | 550,875 | 29,092,053 |
| Total primary government | \$ 118,776,410 | \$ 35,585,816 | \$ 7,479,875 | \$ 7,448,524 | \$ 50,514,215 |

See accompanying Notes to the Basic Financial Statements.

City of Encinitas
Statement of Activities and Changes in Net Position (Continued)
For the Year Ended June 30, 2021

| Functions/Programs | Net (Expense) Revenue and Changes in Net Position | | |
|---|--|-----------------------------|-----------------|
| | Primary Government | | |
| | Governmental Activities | Business-type Activities | Total |
| Primary government: | | | |
| Governmental activities: | | | |
| General government | \$ (15,971,964) | \$ - | \$ (15,971,964) |
| Public safety | (34,950,496) | - | (34,950,496) |
| Public works | (1,390,203) | - | (1,390,203) |
| Planning services | (3,158,614) | - | (3,158,614) |
| Engineering services | (8,742,056) | - | (8,742,056) |
| Parks and recreation | (7,810,407) | - | (7,810,407) |
| Interest on long-term debt | (1,488,333) | - | (1,488,333) |
| Total governmental activities | (73,512,073) | - | (73,512,073) |
| Business-type activities: | | | |
| Cardiff Sanitary Division | - | 2,116,035 | 2,116,035 |
| San Dieguito Water District | - | 3,218,521 | 3,218,521 |
| Encinitas Sanitary Division | - | 26,291 | 26,291 |
| Affordable Housing | - | (110,969) | (110,969) |
| Total business-type activities | - | 5,249,878 | 5,249,878 |
| | (73,512,073) | 5,249,878 | (68,262,195) |
| General revenues: | | | |
| Taxes: | | | |
| Property taxes and documentary transfer taxes | 54,839,785 | 1,227,621 | 56,067,406 |
| Sales and use taxes | 15,453,648 | - | 15,453,648 |
| Transient occupancy taxes | 2,823,055 | - | 2,823,055 |
| Franchise taxes | 2,599,810 | - | 2,599,810 |
| Total taxes | 75,716,298 | 1,227,621 | 76,943,919 |
| Intergovernmental - unrestricted | 99,985 | - | 99,985 |
| Investment income | 44,858 | 89,227 | 134,085 |
| Rental income | - | 229,132 | 229,132 |
| Other | 1,162,877 | 574,982 | 1,737,859 |
| Transfers | 9,318 | (9,318) | - |
| Total general revenues and transfers | 77,033,336 | 2,111,644 | 79,144,980 |
| Changes in net position | 3,521,263 | 7,361,522 | 10,882,785 |
| Net position: | | | |
| Beginning of year | 204,849,523 | 143,782,522 | 348,632,045 |
| End of year | \$ 208,370,786 | \$ 151,144,044 | \$ 359,514,830 |

See accompanying Notes to the Basic Financial Statements.



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FUND FINANCIAL STATEMENTS



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**GOVERNMENTAL FUND
FINANCIAL STATEMENTS**



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City of Encinitas
Balance Sheet
Governmental Funds
June 30, 2021

| | Major Funds | | | | |
|--|----------------------|--|--|--------------------------|--------------------------|
| | General Fund | Capital Improvements Capital Projects Fund | Infrastructure Improvements Special Revenue Fund | Other Governmental Funds | Total Governmental Funds |
| ASSETS | | | | | |
| Cash and investments | \$ 29,933,035 | \$ 31,894,013 | \$ 5,134,561 | \$ 8,593,341 | \$ 75,554,950 |
| Receivables | 5,657,063 | 942 | 1,594,242 | 367,631 | 7,619,878 |
| Interest receivable | 158,944 | - | 15,821 | 37,658 | 212,423 |
| Due from other funds (Note 9) | 549,419 | 8,347,308 | - | - | 8,896,727 |
| Inventory and prepaid items | 717,128 | - | - | - | 717,128 |
| Long-term receivable | 19,987 | - | - | 424,082 | 444,069 |
| Restricted cash and investments | 3 | - | - | 14 | 17 |
| Total assets | \$ 37,035,579 | \$ 40,242,263 | \$ 6,744,624 | \$ 9,422,726 | \$ 93,445,192 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable and accrued liabilities | \$ 5,172,810 | \$ 2,094,646 | \$ 53,619 | \$ 480,940 | \$ 7,802,015 |
| Unearned revenue | 732,447 | - | 4,225,582 | 38,853 | 4,996,882 |
| Due to other funds (Note 9) | - | - | 8,601,055 | 209,252 | 8,810,307 |
| Deposits and other liabilities | 3,967,037 | - | - | 22,247 | 3,989,284 |
| Total liabilities | 9,872,294 | 2,094,646 | 12,880,256 | 751,292 | 25,598,488 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue | - | - | 1,004,738 | 463,352 | 1,468,090 |
| Total deferred inflows of resources | - | - | 1,004,738 | 463,352 | 1,468,090 |
| Fund Balances: | | | | | |
| Nonspendable | 737,115 | - | - | - | 737,115 |
| Restricted | 172,708 | 18,226,785 | - | 8,208,082 | 26,607,575 |
| Committed | 16,998,291 | 19,920,832 | - | - | 36,919,123 |
| Unassigned | 9,255,171 | - | (7,140,370) | - | 2,114,801 |
| Total fund balances | 27,163,285 | 38,147,617 | (7,140,370) | 8,208,082 | 66,378,614 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 37,035,579 | \$ 40,242,263 | \$ 6,744,624 | \$ 9,422,726 | \$ 93,445,192 |

See accompanying Notes to the Basic Financial Statements.

City of Encinitas
Reconciliation of the Governmental Funds Balance Sheet
to the Government-wide Statement of Net Position
June 30, 2021

| | |
|--|------------------------------|
| Total Fund Balances - Total Governmental Funds | \$ 66,378,614 |
| Amounts reported for governmental activities in the Statement of Net Position were different because: | |
| Capital assets used in governmental activities were not financial resources and therefore were not reported in governmental funds (net of \$3,737,459 reported in internal service funds). | |
| Land | 61,862,474 |
| Land easements | 2,443,333 |
| Construction in progress | 21,844,806 |
| Public facilities | 119,083,800 |
| Vehicles, equipment and machinery | 3,124,766 |
| Infrastructure | 128,427,191 |
| Less: Accumulated depreciation | <u>(108,630,738)</u> |
| Total capital assets adjustment | <u>228,155,632</u> |
| Deferred loss on refunding in the governmental activities were not financial resources and, therefore, were not reported in governmental funds. | <u>287,421</u> |
| Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in the Governmental Funds Balance Sheet. | <u>(396,326)</u> |
| Long-term liabilities applicable to the City's governmental activities were not due and payable in the current period and therefore were not reported in the governmental funds (net of \$224,244 reported in internal service funds): | |
| Amount reported in Government-wide Statement of Net Position: | |
| 2008 Civic Center roof replacement lease | (350,785) |
| 2013 Community Park Bonds, net of unamortized premium of \$61,320 | (5,261,320) |
| 2014 Moonlight Beach Tower Series A Bonds, net of unamortized discount of \$24,892 | (2,665,108) |
| 2014 Pacific View Series B Bonds, net of unamortized discount of \$124,960 | (9,005,040) |
| 2015 Library Refunding Bonds, net of unamortized premium of \$588,353 | (13,583,353) |
| 2017 Park Refunding Bonds, net of unamortized premium of \$971,631 | (10,306,631) |
| Claims payable | (4,038,427) |
| Compensated absences | <u>(2,843,387)</u> |
| Total long-term liabilities | <u>(48,054,051)</u> |
| Net pension liability is not due and payable in the current period and, therefore, is not required to be reported in the governmental funds. | <u>(53,025,716)</u> |
| Actuarially determined pension deferred outflows of resources are reported in the government-wide statements but are not reported in the governmental funds. | <u>12,214,396</u> |
| Actuarially determined pension deferred inflows of resources are reported in the government-wide statements but are not reported in the governmental funds. | <u>(1,252,402)</u> |
| Net OPEB liability is not due and payable in the current period and, therefore, is not required to be reported in the governmental funds. | <u>(5,792,487)</u> |
| Actuarially determined OPEB deferred outflows of resources are reported in the government-wide statements but are not reported in the governmental funds. | <u>1,157,960</u> |
| Actuarially determined OPEB deferred inflows of resources are reported in the government-wide statements but are not reported in the governmental funds. | <u>(1,323,225)</u> |
| Unavailable revenue deferred inflows of resources are not available for the current period and, therefore, are deferred in the governmental funds or not recorded in the governmental funds. | <u>1,468,090</u> |
| Internal service funds were used by management to charge the costs of risk management, personnel support, fleet maintenance and vehicle replacement to individual funds. The assets and liabilities of the internal service funds were included in governmental activities in the Government-wide Statement of Net Position. | <u>8,552,880</u> |
| Net position of governmental activities | \$ <u>208,370,786</u> |

See accompanying Notes to the Basic Financial Statements.

City of Encinitas
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2021

| | Major Funds | | | | |
|---|---------------------|---|---|--------------------------|--------------------------|
| | General Fund | Capital Improvements Capital Projects Fund | Infrastructure Improvements Special Revenue Fund | Other Governmental Funds | Total Governmental Funds |
| REVENUES: | | | | | |
| Taxes and assessments | \$ 73,643,022 | \$ - | \$ 576,289 | \$ 2,601,784 | \$ 76,821,095 |
| Licenses and permits | 261,950 | - | - | - | 261,950 |
| Intergovernmental | 740,163 | - | 9,592,171 | 1,232,929 | 11,565,263 |
| Development impact fees | - | - | - | 1,088,887 | 1,088,887 |
| Charges for services | 5,862,696 | - | - | - | 5,862,696 |
| Fines, forfeitures and penalties | 232,873 | - | - | - | 232,873 |
| Use of money and property | 301,159 | - | 59,487 | 216,534 | 577,180 |
| Other | 2,285,674 | 281,856 | - | 225,585 | 2,793,115 |
| Total revenues | 83,327,537 | 281,856 | 10,227,947 | 5,365,719 | 99,203,059 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| General government | 12,929,877 | - | 1,460,865 | 142,310 | 14,533,052 |
| Public safety | 34,283,456 | - | 95,713 | 240,143 | 34,619,312 |
| Public works | 6,246,296 | - | - | 1,114,064 | 7,360,360 |
| Planning services | 6,265,249 | - | 160,559 | 513,600 | 6,939,408 |
| Engineering services | 3,037,830 | - | - | 723,536 | 3,761,366 |
| Parks and recreation | 5,862,135 | - | - | 1,375,643 | 7,237,778 |
| Capital outlay | 244,429 | 22,120,718 | - | - | 22,365,147 |
| Debt service: | | | | | |
| Principal | - | - | - | 2,106,004 | 2,106,004 |
| Interest and fiscal charges | - | - | - | 1,611,171 | 1,611,171 |
| Total expenditures | 68,869,272 | 22,120,718 | 1,717,137 | 7,826,471 | 100,533,598 |
| REVENUES OVER (UNDER) EXPENDITURES | 14,458,265 | (21,838,862) | 8,510,810 | (2,460,752) | (1,330,539) |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Transfers in (note 9) | 7,383,298 | 24,802,081 | 3,872,276 | 4,465,125 | 40,522,780 |
| Transfers out (note 9) | (21,884,286) | (9,529,313) | (6,282,766) | (3,540,313) | (41,236,678) |
| Total other financing sources (uses) | (14,500,988) | 15,272,768 | (2,410,490) | 924,812 | (713,898) |
| NET CHANGE IN FUND BALANCES | (42,723) | (6,566,094) | 6,100,320 | (1,535,940) | (2,044,437) |
| FUND BALANCES: | | | | | |
| Beginning of year | 27,206,008 | 44,713,711 | (13,240,690) | 9,744,022 | 68,423,051 |
| End of year | \$ 27,163,285 | \$ 38,147,617 | \$ (7,140,370) | \$ 8,208,082 | \$ 66,378,614 |

See accompanying Notes to the Basic Financial Statements.

City of Encinitas
Reconciliation of the Governmental Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Government-wide Statement of Activities
and Changes in Net Position
For the Year Ended June 30, 2021

Net Change in Fund Balances - Total Governmental Funds \$(2,044,437)

Amounts reported for governmental activities in the Statement of Activities were different because:

Governmental funds reported capital outlay as expenditures. However, in the Government-wide Statement of Activities and Changes in Net Position, the cost of those assets was allocated over their estimated useful lives as depreciation expense. This was the amount of capital assets recorded in the current period. 13,597,737

Depreciation expense on capital assets was reported in the Government-wide Statement of Activities and Changes in Net Position, but it did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the Governmental Funds (net of \$650,991 recorded in internal service funds). (6,638,705)

Repayment of long-term liabilities was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-wide Statement of Net Position.
Principal payment of long-term debt 2,106,004

Amortization expenses were reported in the Government-wide Statement of Activities and Changes in Net Position, but they did not require the use of current financial resources. Therefore, amortization expenses were not reported as expenditures in the Governmental Funds.
Bond premium and discount 136,452
Deferred amounts on refunding (19,162)

Certain long-term liabilities were reported in the Government-wide Statement of Activities and Changes in Net Position, but they did not require the use of current financial resources. Therefore, long-term liabilities were not reported as expenditures in governmental funds. These amounts represented the changes in long-term liabilities from prior year.
Changes in compensated absences (333,676)
Changes in claims payable (795,357)
Changes in the net pension liability (3,920,964)
Changes in the net OPEB liability 860,120

The net effect of various miscellaneous transactions involving pension plans (i.e. deferred outflow/inflow amortization, contributions after the measurement date) increased Net Position. 1,955,718

The net effect of various miscellaneous transactions involving OPEB plans (i.e. deferred outflow/inflow amortization, contributions after the measurement date) increased Net Position. (51,080)

Interest expense on long-term debt was reported in the Government-wide Statement of Activities and Changes in Net Position, but it did not require the use of current financial resources. This amount represented the change in accrued interest from prior year. 23,355

A portion of deferred grant revenues are not available to pay for current period expenditures and, therefore, are not recognized in the funds. (44,659)

Internal service funds were used by management to charge the costs of certain activities to individual funds. The net revenue of internal service funds was reported with governmental activities. (1,310,083)

Change in net position of governmental activities \$ 3,521,263

See accompanying Notes to the Basic Financial Statements.

**PROPRIETARY FUND
FINANCIAL STATEMENTS**

City of Encinitas
Statement of Net Position
Proprietary Funds
June 30, 2021

| | Major Enterprise Funds | | |
|---|---------------------------------|-----------------------------------|-----------------------------------|
| | Cardiff Sanitary Division | San Dieguito Water District | Encinitas Sanitary Division |
| ASSETS | | | |
| Current assets: | | | |
| Cash and investments | \$ 12,398,629 | \$ 21,632,360 | \$ 13,260,106 |
| Restricted cash and investments with fiscal agent | - | - | - |
| Accounts and taxes receivable | 57,083 | 2,946,462 | 28,646 |
| Interest receivable | 32,157 | 55,159 | 34,183 |
| Inventory and prepaid items | 6,323 | 259,560 | 5,303 |
| Total current assets | <u>12,494,192</u> | <u>24,893,541</u> | <u>13,328,238</u> |
| Noncurrent assets: | | | |
| Investment in joint ventures | 36,454,616 | 25,375,489 | 6,832,369 |
| Capital assets: | | | |
| Land | - | 3,450,544 | - |
| Public works facility right-of-use | - | 3,378,700 | - |
| Construction in progress | - | - | 209,794 |
| Capacity rights, net | - | 158,902 | - |
| Utility, plant, vehicles, and equipment, net | <u>20,997,177</u> | <u>15,102,458</u> | <u>14,195,228</u> |
| Total capital assets, net | 20,997,177 | 22,090,604 | 14,405,022 |
| Total noncurrent assets | <u>57,451,793</u> | <u>47,466,093</u> | <u>21,237,391</u> |
| Total assets | <u>69,945,985</u> | <u>72,359,634</u> | <u>34,565,629</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension related deferred outflows of resources | - | 1,815,089 | - |
| OPEB related deferred outflows of resources | - | 60,059 | - |
| Total deferred outflows of resources | <u>-</u> | <u>1,875,148</u> | <u>-</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities | 958,134 | 2,368,148 | 791,463 |
| Due to other funds (Note 9) | - | - | - |
| Accrued interest payable | 146,038 | 51,103 | - |
| Deposits | - | 519,476 | - |
| Compensated absences - due in one year | - | 95,536 | - |
| Current portion of long-term debt | <u>230,000</u> | <u>1,240,000</u> | <u>-</u> |
| Total current liabilities | <u>1,334,172</u> | <u>4,274,263</u> | <u>791,463</u> |
| Noncurrent liabilities: | | | |
| Capital leases payable | - | - | - |
| Revenue bonds payable - due in more than one year | - | 1,703,115 | - |
| Notes and mortgages payable - due in more than one year | 11,297,912 | 1,785,000 | - |
| Compensated absences - due in more than one year | - | 96,736 | - |
| Net pension liability | - | 7,093,742 | - |
| Net OPEB liability | - | 213,196 | - |
| Total noncurrent liabilities | <u>11,297,912</u> | <u>10,891,789</u> | <u>-</u> |
| Total liabilities | <u>12,632,084</u> | <u>15,166,052</u> | <u>791,463</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pension related deferred inflows of resources | - | 744,071 | - |
| OPEB related deferred inflows of resources | - | 34,381 | - |
| Total deferred inflows of resources | <u>-</u> | <u>778,452</u> | <u>-</u> |
| NET POSITION | | | |
| Net investment in capital assets | 9,469,265 | 17,362,489 | 14,405,022 |
| Restricted: | | | |
| Housing | - | - | - |
| Unrestricted | <u>47,844,636</u> | <u>40,927,789</u> | <u>19,369,144</u> |
| Total net position | <u>\$ 57,313,901</u> | <u>\$ 58,290,278</u> | <u>\$ 33,774,166</u> |

See accompanying Notes to the Basic Financial Statements.

City of Encinitas
Statement of Net Position (Continued)
Proprietary Funds
June 30, 2021

| | Non-major Enterprise Fund Affordable Housing | Total | Governmental Activities Internal Service Funds |
|---|---|-----------------------|---|
| ASSETS | | | |
| Current assets: | | | |
| Cash and investments | \$ 249,538 | \$ 47,540,633 | \$ 6,873,808 |
| Restricted cash and investments with fiscal agent | 146,278 | 146,278 | - |
| Accounts and taxes receivable | 1,434 | 3,033,625 | 408 |
| Interest receivable | 649 | 122,148 | - |
| Inventory and prepaid items | 118,198 | 389,384 | 79,770 |
| Total current assets | <u>516,097</u> | <u>51,232,068</u> | <u>6,953,986</u> |
| Noncurrent assets: | | | |
| Investment in joint ventures | - | 68,662,474 | - |
| Capital assets: | | | |
| Land | - | 3,450,544 | - |
| Public works facility right-of-use | - | 3,378,700 | - |
| Construction in progress | - | 209,794 | - |
| Capacity rights, net | - | 158,902 | - |
| Utility, plant, vehicles, and equipment, net | <u>2,303,991</u> | <u>52,598,854</u> | <u>3,737,459</u> |
| Total capital assets, net | 2,303,991 | 59,796,794 | 3,737,459 |
| Total noncurrent assets | <u>2,303,991</u> | <u>128,459,268</u> | <u>3,737,459</u> |
| Total assets | <u>2,820,088</u> | <u>179,691,336</u> | <u>10,691,445</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension related deferred outflows of resources | - | 1,815,089 | 179,744 |
| OPEB related deferred outflows of resources | <u>-</u> | <u>60,059</u> | <u>26,863</u> |
| Total deferred outflows | <u>-</u> | <u>1,875,148</u> | <u>206,607</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities | 18,105 | 4,135,850 | 340,095 |
| Due to other funds (Note 9) | 80,009 | 80,009 | 6,411 |
| Accrued interest payable | - | 197,141 | - |
| Deposits | 18,459 | 537,935 | - |
| Compensated absences - due in one year | 4,883 | 100,419 | - |
| Current portion of long-term debt | <u>85,492</u> | <u>1,555,492</u> | <u>191,162</u> |
| Total current liabilities | <u>206,948</u> | <u>6,606,846</u> | <u>537,668</u> |
| Noncurrent liabilities: | | | |
| Capital leases payable | - | - | 781,238 |
| Revenue bonds payable - due in more than one year | - | 1,703,115 | - |
| Notes and mortgages payable - due in more than one year | 839,307 | 13,922,219 | - |
| Compensated absences - due in more than one year | 8,134 | 104,870 | - |
| Net pension liability | - | 7,093,742 | 858,689 |
| Net OPEB liability | <u>-</u> | <u>213,196</u> | <u>134,376</u> |
| Total noncurrent liabilities | <u>847,441</u> | <u>23,037,142</u> | <u>1,774,303</u> |
| Total liabilities | <u>1,054,389</u> | <u>29,643,988</u> | <u>2,311,971</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pension related deferred inflows of resources | - | 744,071 | 2,503 |
| OPEB related deferred inflows of resources | <u>-</u> | <u>34,381</u> | <u>30,698</u> |
| Total deferred inflows | <u>-</u> | <u>778,452</u> | <u>33,201</u> |
| NET POSITION | | | |
| Net investment in capital assets | 1,379,192 | 42,615,968 | 2,765,059 |
| Restricted: | | | |
| Housing | 386,507 | 386,507 | - |
| Unrestricted | <u>-</u> | <u>108,141,569</u> | <u>5,787,821</u> |
| Total net position | <u>\$ 1,765,699</u> | <u>\$ 151,144,044</u> | <u>\$ 8,552,880</u> |

See accompanying Notes to the Basic Financial Statements.

City of Encinitas
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2021

| | Major Enterprise Funds | | |
|---|---------------------------------|-----------------------------------|-----------------------------------|
| | Cardiff Sanitary Division | San Dieguito Water District | Encinitas Sanitary Division |
| OPERATING REVENUES: | | | |
| Charges for services | \$ 5,048,111 | \$ 18,978,184 | \$ 2,759,121 |
| Rental income | - | - | - |
| Interfund revenues | - | 58,930 | - |
| Intergovernmental | - | - | - |
| Other revenues | - | 33,885 | - |
| Total operating revenues | <u>5,048,111</u> | <u>19,070,999</u> | <u>2,759,121</u> |
| OPERATING EXPENSES: | | | |
| Housing assistance payments | - | - | - |
| Source of supply | - | 6,557,383 | - |
| General operations and maintenance | 1,224,108 | 7,043,472 | 801,835 |
| Facility operations and maintenance | 1,520,097 | 2,886,039 | 836,972 |
| General and administrative | 217,891 | - | 130,298 |
| Depreciation | 454,813 | 757,346 | 441,705 |
| Insurance and claims | 57,884 | 69,482 | 51,540 |
| Total operating expenses | <u>3,474,793</u> | <u>17,313,722</u> | <u>2,262,350</u> |
| OPERATING INCOME (LOSS) | <u>1,573,318</u> | <u>1,757,277</u> | <u>496,771</u> |
| NONOPERATING REVENUES (EXPENSES): | | | |
| Investment income | 29,879 | 35,766 | 18,706 |
| Property taxes | - | 1,227,621 | - |
| Operating grants | - | 10,000 | - |
| Rental income | - | 123,368 | - |
| Net change from joint ventures | 842,956 | 1,295,329 | (489,241) |
| Gain (loss) on disposal of capital assets | - | - | - |
| Other nonoperating revenue | - | 367,845 | - |
| Amortization of bond premium | 98,880 | 74,372 | - |
| Interest expense | (443,753) | (198,800) | - |
| Total nonoperating revenues (expenses) | <u>527,962</u> | <u>2,935,501</u> | <u>(470,535)</u> |
| INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS | <u>2,101,280</u> | <u>4,692,778</u> | <u>26,236</u> |
| CAPITAL CONTRIBUTIONS AND TRANSFERS | | | |
| Capital contributions | 143,514 | 388,600 | 18,761 |
| Transfers in (Note 9) | - | 8,759 | - |
| Transfers out (Note 9) | - | - | - |
| Total capital contributions and transfers | <u>143,514</u> | <u>397,359</u> | <u>18,761</u> |
| CHANGES IN NET POSITION | <u>2,244,794</u> | <u>5,090,137</u> | <u>44,997</u> |
| NET POSITION: | | | |
| Beginning of year | <u>55,069,107</u> | <u>53,200,141</u> | <u>33,729,169</u> |
| End of year | <u>\$ 57,313,901</u> | <u>\$ 58,290,278</u> | <u>\$ 33,774,166</u> |

See accompanying Notes to the Basic Financial Statements.

City of Encinitas
Statement of Revenues, Expenses, and Changes in Net Position (Continued)
Proprietary Funds
For the Year Ended June 30, 2021

| | Non-major Enterprise Fund | | Governmental |
|---|------------------------------|-----------------------|---|
| | Affordable Housing | Total | Activities Internal Service Funds |
| OPERATING REVENUES: | | | |
| Charges for services | \$ - | \$ 26,785,416 | \$ - |
| Rental income | 105,764 | 105,764 | - |
| Interfund revenues | 123,808 | 182,738 | 2,808,331 |
| Intergovernmental | 205,870 | 205,870 | - |
| Other revenues | - | 33,885 | 706,614 |
| Total operating revenues | <u>435,442</u> | <u>27,313,673</u> | <u>3,514,945</u> |
| OPERATING EXPENSES: | | | |
| Housing assistance payments | 1,403,463 | 1,403,463 | - |
| Source of supply | - | 6,557,383 | - |
| General operations and maintenance | 130,855 | 9,200,270 | 999,207 |
| Facility operations and maintenance | - | 5,243,108 | - |
| General and administrative | 147,181 | 495,370 | 1,653,573 |
| Depreciation | 100,538 | 1,754,402 | 650,991 |
| Insurance and claims | - | 178,906 | 2,227,202 |
| Total operating expenses | <u>1,782,037</u> | <u>24,832,902</u> | <u>5,530,973</u> |
| OPERATING INCOME (LOSS) | <u>(1,346,595)</u> | <u>2,480,771</u> | <u>(2,016,028)</u> |
| NONOPERATING REVENUES (EXPENSES): | | | |
| Investment income | 4,876 | 89,227 | - |
| Property taxes | - | 1,227,621 | - |
| Operating grants | 1,357,154 | 1,367,154 | - |
| Rental income | - | 123,368 | - |
| Net change from joint ventures | - | 1,649,044 | - |
| Gain (loss) on disposal of capital assets | - | - | 538 |
| Other nonoperating revenue | - | 367,845 | - |
| Amortization of bond premium | - | 173,252 | - |
| Interest expense | (15,764) | (658,317) | (17,809) |
| Total nonoperating revenues (expenses) | <u>1,346,266</u> | <u>4,339,194</u> | <u>(17,271)</u> |
| INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS | <u>(329)</u> | <u>6,819,965</u> | <u>(2,033,299)</u> |
| CAPITAL CONTRIBUTIONS AND TRANSFERS | | | |
| Capital contributions | - | 550,875 | - |
| Transfers in (Note 9) | - | 8,759 | 1,855,216 |
| Transfers out (Note 9) | (18,077) | (18,077) | (1,132,000) |
| Total capital contributions and transfers | <u>(18,077)</u> | <u>541,557</u> | <u>723,216</u> |
| CHANGES IN NET POSITION | <u>(18,406)</u> | <u>7,361,522</u> | <u>(1,310,083)</u> |
| NET POSITION: | | | |
| Beginning of year | <u>1,784,105</u> | <u>143,782,522</u> | <u>9,862,963</u> |
| End of year | <u>\$ 1,765,699</u> | <u>\$ 151,144,044</u> | <u>\$ 8,552,880</u> |

See accompanying Notes to the Basic Financial Statements.

City of Encinitas
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021

| | Major Enterprise Funds | | |
|--|---------------------------------|-----------------------------------|-----------------------------------|
| | Cardiff Sanitary Division | San Dieguito Water District | Encinitas Sanitary Division |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Cash received from users | \$ 5,082,772 | \$ 18,840,882 | \$ 2,766,280 |
| Cash received from other funds | - | 58,930 | - |
| Payments to employees | (2,265) | (3,633,573) | - |
| Payments to suppliers for goods and services | (2,102,108) | (11,158,145) | (1,660,690) |
| Other operating revenues | - | 33,885 | - |
| Net cash provided by (used in) operating activities | <u>2,978,399</u> | <u>4,141,979</u> | <u>1,105,590</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | |
| Acquisition of capital assets | (3,522,610) | (51,439) | (799,236) |
| Capital contributions received - connection/capacity fees | 143,514 | 184,800 | 18,761 |
| Principal payments on long-term debt | (284,999) | (1,190,000) | - |
| Interest payments on long-term debt | (446,573) | (211,766) | - |
| Capital related payments to other agencies | (667,950) | (4,187,788) | (1,082,782) |
| Proceeds from capital lease | - | - | - |
| Proceeds received from disposal of capital assets | - | - | - |
| Net cash (used in) capital and related financing activities | <u>(4,778,618)</u> | <u>(5,456,193)</u> | <u>(1,863,257)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | |
| Proceeds from operating grants | - | 377,845 | - |
| Proceeds from property taxes | - | 1,227,621 | - |
| Proceeds from rental income | - | 123,368 | - |
| Cash received from other funds | - | 8,759 | - |
| Cash paid to other funds | - | - | - |
| Net cash provided by (used in) noncapital financing activities | <u>-</u> | <u>1,737,593</u> | <u>-</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Interest income | <u>52,314</u> | <u>63,274</u> | <u>38,805</u> |
| Net cash provided by investing activities | <u>52,314</u> | <u>63,274</u> | <u>38,805</u> |
| Net increase (decrease) in cash and cash equivalents | (1,747,905) | 486,653 | (718,862) |
| CASH AND CASH EQUIVALENTS: | | | |
| Beginning of year | <u>14,146,534</u> | <u>21,145,707</u> | <u>13,978,968</u> |
| End of year | <u>\$ 12,398,629</u> | <u>\$ 21,632,360</u> | <u>\$ 13,260,106</u> |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION: | | | |
| Cash and investments | \$ 12,398,629 | \$ 21,632,360 | \$ 13,260,106 |
| Restricted cash and investments with fiscal agent | - | - | - |
| Total cash and cash equivalents | <u>\$ 12,398,629</u> | <u>\$ 21,632,360</u> | <u>\$ 13,260,106</u> |

See accompanying Notes to the Basic Financial Statements.

City of Encinitas
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2021

| | Major Enterprise Funds | | |
|--|---------------------------------|-----------------------------------|-----------------------------------|
| | Cardiff Sanitary Division | San Dieguito Water District | Encinitas Sanitary Division |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES: | | | |
| Operating income (loss) | \$ 1,573,318 | \$ 1,757,277 | \$ 496,771 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | |
| Depreciation | 454,813 | 757,346 | 441,705 |
| Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources: | | | |
| Changes in assets – (increase) decrease: | | | |
| Accounts and taxes receivable | 34,661 | (152,113) | 7,159 |
| Inventory and prepaid items | (1,271) | (26,333) | (1,008) |
| Change in deferred outflows of resources – (increase) decrease: | | | |
| OPEB-related deferred outflows | - | 9,871 | - |
| Pension-related deferred outflows | - | 687,758 | - |
| Changes in liabilities – increase (decrease): | | | |
| Accounts payable and accrued liabilities | 916,878 | 1,408,225 | 160,963 |
| Due to other funds | - | - | - |
| Deposits | - | 14,811 | - |
| Compensated absences | - | 35,072 | - |
| Net OPEB liability | - | (11,823) | - |
| Net pension liability | - | (484,060) | - |
| Change in deferred inflows of resources – increase (decrease): | | | |
| OPEB-related deferred inflows | - | (8,818) | - |
| Pension-related deferred inflows | - | 154,766 | - |
| Total adjustments | <u>1,405,081</u> | <u>2,384,702</u> | <u>608,819</u> |
| Net cash provided by (used in) operating activities | <u>\$ 2,978,399</u> | <u>\$ 4,141,979</u> | <u>\$ 1,105,590</u> |
| NON-CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | |
| Amortization of original issue premium | \$ 98,880 | \$ 74,372 | \$ - |
| Donation of capital assets | - | 203,800 | - |
| Total non-cash capital and related financing activities | <u>\$ 98,880</u> | <u>\$ 278,172</u> | <u>\$ -</u> |

See accompanying Notes to the Basic Financial Statements.

City of Encinitas
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2021

| | Non-major Enterprise Fund | | Governmental Activities Internal Service Funds |
|--|------------------------------|----------------------|---|
| | Affordable Housing | Total | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Cash received from users | \$ 311,160 | \$ 27,001,094 | \$ 3,514,537 |
| Cash received from other funds | 123,808 | 182,738 | - |
| Payments to employees | (136,771) | (3,772,609) | (1,550,112) |
| Payments to suppliers for goods and services | (1,542,577) | (16,463,520) | (3,568,951) |
| Other operating revenues | - | 33,885 | - |
| Net cash provided by (used in) operating activities | (1,244,380) | 6,981,588 | (1,604,526) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | |
| Acquisition of capital assets | - | (4,373,285) | (77,319) |
| Capital contributions received - connection/capacity fees | - | 347,075 | - |
| Principal payments on long-term debt | (84,115) | (1,559,114) | (138,487) |
| Interest payments on long-term debt | (15,764) | (674,103) | (17,809) |
| Capital related payments to other agencies | - | (5,938,520) | - |
| Proceeds from capital lease | - | - | 737,623 |
| Proceeds received from disposal of capital assets | - | - | 538 |
| Net cash (used in) capital and related financing activities | (99,879) | (12,197,947) | 504,546 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | |
| Proceeds from operating grants | 1,357,154 | 1,734,999 | - |
| Proceeds from property taxes | - | 1,227,621 | - |
| Proceeds from rental income | - | 123,368 | - |
| Cash received from other funds | - | 8,759 | 1,855,216 |
| Cash paid to other funds | (27,613) | (27,613) | (1,132,000) |
| Net cash provided by (used in) noncapital financing activities | 1,329,541 | 3,067,134 | 723,216 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Interest income | 5,702 | 160,095 | - |
| Net cash provided by investing activities | 5,702 | 160,095 | - |
| Net increase (decrease) in cash and cash equivalents | (9,016) | (1,989,130) | (376,764) |
| CASH AND CASH EQUIVALENTS: | | | |
| Beginning of year | 404,832 | 49,676,041 | 7,250,572 |
| End of year | <u>\$ 395,816</u> | <u>\$ 47,686,911</u> | <u>\$ 6,873,808</u> |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION: | | | |
| Cash and investments | \$ 249,538 | \$ 47,540,633 | \$ 6,873,808 |
| Restricted cash and investments with fiscal agent | 146,278 | 146,278 | - |
| Total cash and cash equivalents | \$ 395,816 | \$ 47,686,911 | \$ 6,873,808 |

See accompanying Notes to the Basic Financial Statements.

City of Encinitas
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2021

| | Non-major Enterprise Fund | | Governmental Activities Internal Service Funds |
|---|------------------------------|---------------------|---|
| | Affordable Housing | Total | |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES: | | | |
| Operating income (loss) | \$ (1,346,595) | \$ 2,480,771 | \$ (2,016,028) |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | |
| Depreciation | 100,538 | 1,754,402 | 650,991 |
| Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources: | | | |
| Changes in assets – (increase) decrease: | | | |
| Accounts and taxes receivable | (474) | (110,767) | (408) |
| Inventory and prepaid items | (12,477) | (41,089) | (19,196) |
| Change in deferred outflows of resources – (increase) decrease: | | | |
| OPEB-related deferred outflows | - | 9,871 | (1,869) |
| Pension-related deferred outflows | - | 687,758 | (19,636) |
| Changes in liabilities – increase (decrease): | | | |
| Accounts payable and accrued liabilities | 16,406 | 2,502,472 | (36,639) |
| Due to other funds | - | - | (278,436) |
| Deposits | - | 14,811 | - |
| Compensated absences | (1,778) | 33,294 | - |
| Net OPEB liability | - | (11,823) | 5,528 |
| Net pension liability | - | (484,060) | 137,975 |
| Change in deferred inflows of resources – increase (decrease): | | | |
| OPEB-related deferred inflows | - | (8,818) | 3,492 |
| Pension-related deferred inflows | - | 154,766 | (30,300) |
| Total adjustments | 102,215 | 4,500,817 | 411,502 |
| Net cash provided by (used in) operating activities | \$ (1,244,380) | \$ 6,981,588 | \$ (1,604,526) |
| NON-CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | |
| Amortization of original issue premium | \$ - | \$ 173,252 | \$ - |
| Donation of capital assets | - | 203,800 | - |
| | <u>\$ -</u> | <u>\$ 377,052</u> | <u>\$ -</u> |

See accompanying Notes to the Basic Financial Statements.



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**FIDUCIARY FUND
FINANCIAL STATEMENTS**



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City of Encinitas
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2021

| | Investment Custodial Fund | Custodial Fund |
|----------------------------------|------------------------------|---------------------|
| Assets: | | |
| Cash and investments (note 3) | \$ 2,490,890 | \$ 2,387,555 |
| Restricted cash and investments: | | |
| Held by fiscal agents | | 1,974,851 |
| Interest receivable | 5,840 | 6,087 |
| Current assessments receivable | <u>-</u> | <u>9,500</u> |
| Total assets | <u>2,496,730</u> | <u>4,377,993</u> |
| Liabilities: | | |
| Accounts payable | <u>-</u> | <u>-</u> |
| Total liabilities | <u>-</u> | <u>-</u> |
| Net Position: | | |
| Restricted for: | | |
| Golf course | 2,496,730 | - |
| Bondholders | <u>-</u> | <u>4,377,993</u> |
| Total net position | <u>\$ 2,496,730</u> | <u>\$ 4,377,993</u> |

City of Encinitas
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2021

| | <u>Investment Custodial Fund</u> | <u>Custodial Fund</u> |
|--|--------------------------------------|---------------------------|
| Additions: | | |
| Special tax assessments | \$ - | \$ 2,554,093 |
| Interest income (loss) | <u>(8,806)</u> | <u>(8,361)</u> |
| Total additions | <u>(8,806)</u> | <u>2,545,732</u> |
| Deductions: | | |
| Administrative fees | 1,520 | 30,561 |
| Bond principal | - | 1,665,000 |
| Bond interest | <u>-</u> | <u>913,319</u> |
| Total Deductions | <u>1,520</u> | <u>2,608,880</u> |
| Change in net position | (10,326) | (63,148) |
| NET POSITION: | | |
| Beginning of year, as restated (note 18) | <u>2,507,056</u> | <u>4,441,141</u> |
| End of year | <u>\$ 2,496,730</u> | <u>\$ 4,377,993</u> |

NOTES TO THE BASIC FINANCIAL STATEMENTS



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City of Encinitas
Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

Note 1 – Reporting Entity

The City of Encinitas (the “City”) was incorporated on October 1, 1986, pursuant to an election approving the San Dieguito Reorganization Plan, which consisted primarily of the detachment of territory from the Cardiff area and the annexation of the same territory to the City of Solana Beach.

The City is governed by a City Council consisting of a mayor and four council members under the Council-Manager form of government.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The primary criteria for including a potential component unit within the reporting entity are the governing body’s financial accountability and a financial benefit or burden relationship and whether it is misleading to exclude. A primary government is financially accountable and shares a financial benefit or burden relationship if it appoints a voting majority of an organization’s governing body and it is able to impose its will on the organization, or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. A primary government may also be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government.

Blended Component Units

Although the following are legally separate from the City, they have been “blended” as though they are part of the City because the component unit’s governing body is substantially the same as the City’s and there is a financial benefit or burden relationship between the City and the component unit; management of the City has operational responsibilities for the component units; and/or the component units provide services entirely, or almost entirely, to the City or otherwise exclusively, or almost exclusively, benefits the City, even though it does not provide services directly to it.

The San Dieguito Water District (“SDWD”) was formed in 1922 under the laws of the State of California to supply water services to the central western portion of San Diego County. Certain management, maintenance, and operating functions are the responsibility of the City, which bills periodically for these services.

The Encinitas Housing Authority (the “EHA”) was formed on January 26, 1994, under the laws of the State of California to provide housing assistance to citizens of the City.

The Encinitas Public Financing Authority (the “EPFA”) was formed on November 6, 1991, by the City and SDWD as a Joint Powers Authority under the laws of the State of California to purchase, finance, and lease certain real property to the members. The member agencies are the City and the SDWD.

The following specific criteria were used in determining the status of these component units:

- Members of the City Council also act as the governing body of the EHA, the EPFA and SDWD.
- The City, the EHA, the EPFA and SDWD are financially interdependent.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 1 – Reporting Entity (Continued)

Blended Component Units (Continued)

- The EHA, the EPFA and SDWD are managed, at least in part, by employees of the City, who provide various support functions including financial reporting and investment decisions.

Separate financial statements for SDWD are available at the City's administrative office. Separate financial statements are not required or prepared for the EHA and the EPFA.

Note 2 – Summary of Significant Accounting Policies

A. Basis of Presentation

Financial statement presentation follows the recommendations promulgated by the Governmental Accounting Standards Board ("GASB") commonly referred to as accounting principles generally accepted in the United States of America ("U.S. GAAP"). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting standards.

B. Measurement Focus, Basis of Accounting and Financial Statements Presentation

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained in accordance with legal and managerial requirements.

The Statement of Net Position/Balance Sheet reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and, therefore, will not be recognized as an expense until that time. The City reports deferred loss on refunding, deferred outflows related to pensions, and Other Post- Employment Benefits (OPEB) in this category.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and, therefore, are not recognized as revenue until that time. The City has two types of items that qualify for reporting in this category. The first two items are deferred inflows related to pensions and OPEB. The third item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from grants. This amount is deferred and recognized as an inflow of resources in the period the amount becomes available.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 2 – Summary of Significant Accounting Policies (Continued)

B. Measurement Focus, Basis of Accounting and Financial Statements Presentation (Continued)

Government-wide Financial Statements

The City's Government-wide Financial Statements include a Statement of Net Position, and a Statement of Activities and Changes in Net Position. These statements present summaries of governmental and business-type activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements.

These financial statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Certain types of transactions are reported as program revenues for the City in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made in regard to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities and Changes in Net Position, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- Due to/from other funds
- Transfers in/out

Government Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in Net Position as presented in these statements to the Net Position presented in the Government-wide Financial Statements. The City has presented all major funds that met the applicable criteria.

All governmental funds are accounted for on a spending, or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balances.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 2 – Summary of Significant Accounting Policies (Continued)

B. Measurement Focus, Basis of Accounting and Financial Statements Presentation (Continued)

Government Fund Financial Statements (Continued)

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except for those revenues subject to accrual (generally 60 days after year end) are recognized when earned. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property taxes, transient occupancy taxes, franchise taxes, sales tax, licenses, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The Reconciliation of the Fund Financial Statements to the Government-wide Financial Statements is provided to explain the differences.

The City reports the following major Governmental Funds:

The **General Fund** is used to account for resources which are not required to be accounted for in another fund. The fund includes the general activities of the City and other administrative functions.

The **Capital Improvements Capital Projects Fund** is used to account for financial resources to be used for the acquisition or construction of major property, equipment, or facilities which are generally financed by governmental funds.

The **Infrastructure Improvements Special Revenue Fund** is used to account for financial resources from state and federal grants which are primarily to fund operations and capital improvements.

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows for each major Proprietary Fund. A separate column representing Internal Service Funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the Government-wide Financial Statements. The City's Internal Service Funds include four individual funds which provide services directly to other City funds. These areas of service include Risk Management, Wastewater Support, Vehicle Maintenance, and Vehicle Replacement.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 2 – Summary of Significant Accounting Policies (Continued)

B. Measurement Focus, Basis of Accounting and Financial Statements Presentation (Continued)

Proprietary Fund Financial Statements (Continued)

The Statement of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in total Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The City reports the following major proprietary funds:

The **Cardiff Sanitary Division (“CSD”) Enterprise Fund** provides wastewater collection and treatment services to approximately 6,400 customers in the southern portion of the City.

The **San Dieguito Water District (“SDWD”) Enterprise Fund** provides potable and reclaimed water services to approximately 11,000 customers in Encinitas.

The **Encinitas Sanitary Division (“ESD”) Enterprise Fund** provides wastewater collection and treatment services to approximately 4,000 customers in the northern portion of the City.

Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements are accounted for according to the nature of the fund. The City has a Custodial fund and an Investment Trust Fund.

The **Custodial Fund** accounts for one Community Facilities (Mello-Roos) District for which the City acts as an agent for debt service activities.

The **Investment Trust Fund** accounts for the cash invested on behalf of the Encinitas Ranch Golf Course.

C. Cash, Cash Equivalents, and Investments

The City pools its available cash for investment purposes. The City considers pooled cash and investment amounts, with original maturities of three months or less, to be cash equivalents.

Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 2 – Summary of Significant Accounting Policies (Continued)

C. Cash, Cash Equivalents, and Investments (Continued)

The Statement of Cash Flows requires presentation of “cash and cash equivalents”. For the purposes of the statement of cash flows, the City considers all proprietary fund pooled cash and investments as “cash and cash equivalents,” as such funds are available to the various funds as needed.

Certain disclosure requirements, if applicable, for deposits and investment risks in the following areas:

- Interest rate risk
- Credit risk
 - Overall
 - Custodial credit risk
 - Concentration of credit risk
- Foreign currency risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year end and other disclosures.

D. Restricted Cash and Investments with Fiscal Agents

Cash and investments with fiscal agents are restricted due to limitations on their use by bond covenants. Fiscal agents acting on behalf of the City hold investment funds arising from the proceeds of long-term debt issuances. The funds may be used for specific capital outlays or for the payment of certain bonds and have been invested only as permitted by specific State statutes or applicable City ordinance, resolution or bond indenture.

E. Fair Value Measurement

Certain assets and liabilities are required to be reported at fair value. The fair value framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly and fair value is determined through the use of models or other valuation methodologies including:

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

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 2 – Summary of Significant Accounting Policies (Continued)

E. Fair Value Measurement (Continued)

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

F. Receivables

Receivables include such items as taxes, intergovernmental revenues, charges for services, miscellaneous accounts receivable, and interest receivable. No allowance for doubtful accounts has been established, as the City believes all amounts are considered to be collectible in the normal course of business.

G. Investments in Joint Ventures

The City's Cardiff Sanitary Division, San Dieguito Water District, and Encinitas Sanitary Division (the "City agencies") participate in joint ventures with other local agencies, generally to provide water and wastewater treatment more efficiently. Each entity has an ownership interest in the respective joint facilities, which are accounted for under the equity method of accounting. The City agencies pay for the fair share of operating costs and make capital contributions for major maintenance and the upgrade or construction of facilities. The City agencies also record their share of the results of operations for these joint ventures. Refer to Note 5, Investment in Joint Ventures.

H. Inventory and Prepaid Items

Inventory applies only to SDWD and consists of water meters and other material used in the repair of capital facilities. Inventory is valued at average-cost using the first-in first-out basis. Prepaid items are payments made to vendors for services that will benefit periods beyond the fiscal year ended. The cost of inventory and prepaids are recorded as expenditures/expenses when consumed rather than purchased.

I. Capital Assets

Capital assets are valued at historical cost or estimated historical cost if the actual historical cost was not available. Donated capital assets are valued at their acquisition value on the date donated. City policy has set the capitalization threshold for reporting capital assets at \$5,000 for non-infrastructure assets and \$100,000 for infrastructure assets. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

| | |
|-------------------------------------|---------------|
| Structures and improvements | 20 - 45 years |
| Equipment, machinery and vehicles | 5 - 20 years |
| Infrastructure | 20 - 50 years |
| Collection and distribution systems | 50 years |

The City defines infrastructure as the basic physical assets that allow the City to function.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 2 – Summary of Significant Accounting Policies (Continued)

I. Capital Assets (Continued)

Governmental fund capital assets include land, land easements, construction in progress, public facilities (buildings and building improvements), vehicles, equipment and machinery, and infrastructure assets (e.g., roads, streets and sidewalks, bridges, curbs and gutters, drainage systems, lighting systems and similar assets).

Proprietary fund capital assets include, land easements, public works facility right of use, construction in progress, structures and improvements, collection and distribution systems, machinery and equipment, and capacity rights, which are stated at cost. Contributed assets, which are principally collection and distribution lines, are stated at cost or estimated acquisition value on the date of donation.

J. Deposit Liabilities

The City collects deposits from homeowners and commercial enterprises as surety for the payment of fees and other costs related to planning and engineering services provided by the City. The City collects two types of deposits: (1) Application Deposits and (2) Security Deposits. Application deposits are collected on certain projects for which a fee for services has not been established. As costs for these projects are incurred by the City, the applicant's deposit balance is adjusted, and revenue (including applicable overhead charges) is recognized. Expenses incurred in excess of the deposit amounts are billed to the applicant. Any surplus at project completion is returned to the applicant. Security deposits are collected from the applicant to guarantee required performance. These may either be in cash or in the form of non-cash, such as performance bonds or letters of credit. The amount of cash deposits on hand as of June 30, 2021 is reported as a *current liability* in the Statement of Net Position and Balance Sheets. Noncash security deposits are not reported as liabilities, as the corresponding surety is not an asset of the City.

K. Unearned Revenue

Unearned revenue recorded in the government-wide statement of net position for governmental activities and the governmental fund financial statements consist of federal and state capital grants, representing voluntary non-exchange transactions, for which advance payments have been received from the provider for which eligibility requirements, other than timing requirements, have not been satisfied.

Unearned revenue recorded in the government-wide statement of net position for business-type activities and the proprietary fund financial statements generally consist of program fees collected from customers prior to the statement of net position date for recreation programs that begin in the next fiscal year or donations for capital or work projects, for which the related expenses have not yet been incurred.

L. Long-Term Debt

For the government-wide financial statements and proprietary fund financial statements, long-term debt and other financial obligations are reported as liabilities, net of bond premiums or discounts.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 2 – Summary of Significant Accounting Policies (Continued)

L. Long-Term Debt (Continued)

Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Issuance costs are reported as expense when incurred.

Governmental fund financial statements do not present long-term debt but are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-wide Statement of Net Position.

M. Arbitrage Rebate Requirement

The City is subject to the Internal Revenue Code (“IRC”) Section 148(f), related to its tax-exempt revenue bonds. The IRC requires that investment earnings on gross proceeds of any revenue bonds that are in excess of the amount prescribed be surrendered to the Internal Revenue Service. The City had no rebate liability for arbitrage as of June 30, 2021.

N. Claims Liabilities

The City accounts for material claims and judgments outstanding at year end. When it is probable that a claim liability has been incurred at year end, and the amount of the loss can be reasonably estimated, the City records the estimated loss.

O. Compensated Absences

The City’s policy permits its non-fire employees to accumulate up to a maximum of 500 hours vacation. Fire employees can accrue up to a maximum of 720 hours of vacation, depending on the length of employment with the City. Non-fire employees are compensated five days of sick leave per year with no balances accruing upon separation of employment. Fire employees may accrue up to 500 hours of sick leave. The combined unused vacation and sick pay will be paid to the employee or his/her beneficiary upon leaving the City’s employment. The amount due will be determined using the salary/wage rate in effect at the time of separation.

Government-wide Financial Statements – For governmental and business-type activities, compensated absences are recorded as expenses and liabilities as incurred.

Fund Financial Statements – In governmental funds, compensated absences are recorded as expenditures in the years paid, as it is the City’s policy to liquidate any unpaid compensated absences at June 30 from future resources, rather than currently available financial resources. The General Fund is typically used to liquidate compensated absences. In proprietary funds, compensated absences are expensed to the various funds in the period they are earned, and such fund’s share of the unpaid liability is recorded as a long-term liability of the fund.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 2 – Summary of Significant Accounting Policies (Continued)

P. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 13). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

| | |
|--------------------|-------------------------------|
| Valuation date | June 30, 2019 |
| Measurement Date | June 30, 2020 |
| Measurement Period | July 1, 2019 to June 30, 2020 |

The obligations for net pension liability and OPEB are primarily liquidated from the General Fund. There is no fixed payment schedule for these liabilities

Q. Other Post-Employment Benefits

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 14).

The following timeframes are used for OPEB reporting:

| | |
|--------------------|-------------------------------|
| Valuation date | June 30, 2020 |
| Measurement Date | June 30, 2020 |
| Measurement Period | July 1, 2019 to June 30, 2020 |

R. Net Position

For government-wide and proprietary fund financial statements, net position represents the difference between all other elements in the statement of net position and should be displayed in the following three components.

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, plus deferred outflows of resources attributed to their acquisition, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets and deferred inflows of resources attributable to their acquisition.

Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 2 – Summary of Significant Accounting Policies (Continued)

R. Net Position (Continued)

Unrestricted – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the City's policy is to apply restricted net position first.

S. Fund Balances

In governmental fund financial statements, fund balances are categorized as follows:

Non-spendable – Items that cannot be spent because they are not in spendable form, such as prepaid items and inventories, and items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan funds.

Restricted – Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors, such as through debt covenants, grantors, contributors, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation.

Committed – Committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations that the government imposes upon itself at its highest level of decision making, normally the governing body, and that remain binding unless removed in the same manner. Adoption of a resolution by the City Council is required to commit resources or rescind the commitment.

Assigned – Assigned fund balances encompass the portion of net fund resources reflecting the government's intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose. The City Council adopted a resolution contained within the annual budget that delegates the authority to the Director of Finance to assign fund balance amounts in the annual financial statements.

Unassigned – This amount is for any portion of the fund balances that do not fall into one of the above categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it is not appropriate to report a positive 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 particular fund.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 2 – Summary of Significant Accounting Policies (Continued)

S. Fund Balances (Continued)

When expenditures are incurred for purposes where only unrestricted fund balances are available, the City uses the unrestricted resources in the following order: committed, assigned, and unassigned.

T. Property Taxes

Property taxes are levied on July 1 and are payable in two installments: November 1 and February 1 of each year. Property taxes become delinquent on December 10 and April 10, for the first and second installments, respectively. The lien date is January 1. The County of San Diego, California (County) bills and collects property taxes and remits them to the City according to a payment schedule established by the County.

The County is permitted by State law to levy taxes at one percent of full market value (at time of purchase). The City receives a share of this basic tax levy.

Property tax revenue is recognized in the fiscal year for which the taxes have been levied, provided the taxes are received within 60 days after the end of the fiscal year. Property taxes received after this date are not considered available as a resource that can be used to finance the current year operations of the City and therefore, are not recorded as revenue until collected.

No allowance for doubtful accounts on property taxes receivable was considered necessary.

U. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of the contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

V. Accounting Changes

Upcoming Governmental Accounting Standards Implementation

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB statements:

- GASB Statement No. 87 – “*Leases*,” effective for reporting periods beginning after June 30, 2021.
- GASB Statement No. 91 – “*Conduit Debt Obligations*,” effective for reporting period beginning after December 15, 2023.
- GASB Statement No. 92 – “*Omnibus 202*,” effective for reporting period beginning after June 30, 2022.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 2 – Summary of Significant Accounting Policies (Continued)

V. Accounting Changes (Continued)

- GASB Statement No. 94 – “*Public-Private and Public-Public partnerships and Availability Payment Arrangements*,” effective for reporting period beginning after June 30, 2023.
- GASB Statement No. 96 – “*Subscription-Based Information Technology Arrangements*,” effective for reporting period beginning after June 30, 2023.
- GASB Statement No. 97 – “*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*,” effective for reporting period beginning after June 30, 2022.
- GASB Statement No. 98 – “*The Annual Comprehensive Financial Report*,” effective for fiscal years ending after December 15, 2021.

Note 3 – Cash and Investments

Cash and investments are classified in the accompanying financial statements as follows:

| | Government-wide Statement of Position | | Fiduciary Funds | |
|---|---------------------------------------|-----------------------------|------------------------------|-----------------------|
| | Governmental Activities | Business-type Activities | Statement of Net Position | Total |
| Current assets: | | | | |
| Cash and investments | \$ 82,428,758 | \$ 47,540,633 | \$ 4,878,445 | \$ 134,847,836 |
| Restricted cash and investments with fiscal agent | 17 | 146,278 | 1,974,851 | 2,121,146 |
| Total cash and investments | \$ 82,428,775 | \$ 47,686,911 | \$ 6,853,296 | \$ 136,968,982 |

Cash and investments at June 30, 2021, consisted of the following:

| | |
|--------------------------------------|-----------------------|
| Cash on hand | \$ 3,655 |
| Deposits with financial institutions | 3,410,146 |
| Restricted cash | 2,121,146 |
| Investments | 131,434,035 |
| Total cash and investments | \$ 136,968,982 |

At June 30, 2021, cash and investments, excluding restricted cash and investments held by fiscal agent, are reported at fair value based on quoted market prices. The following table represents the fair value measurements of investments recognized in the accompanying Statement of Net Position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2021:

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 3 – Cash and Investments (Continued)

| Investment Type | Fair Value | Percentage of Investments | Measurement Input |
|---|-----------------------------|---------------------------------|----------------------|
| Investments: | | | |
| Local Agency Investment Fund (LAIF) | \$ 37,937,739 | 28.86% | Uncategorized |
| California Asset Management Program | 1,070,730 | 0.81% | Uncategorized |
| Money Market Mutual Funds | 19,380,190 | 14.75% | Uncategorized |
| Negotiable Certificates of Deposit | 13,796,218 | 10.50% | Uncategorized |
| U.S. Treasury Securities | 19,294,310 | 14.68% | Level 2 |
| U.S. Government Sponsored Enterprise Securities | 35,741,460 | 27.19% | Level 2 |
| San Diego County Investment Pool | 4,213,388 | 3.21% | Uncategorized |
| Total Investments | <u><u>\$131,434,035</u></u> | | |

The City's level two investments are valued based on the level two input of bond valued by a pricing service that uses matrix pricing.

A. Demand Deposits

The carrying amounts of the City's demand deposits were \$3,410,146 at June 30, 2021. Bank balances were \$5,038,149 at that date, the total amount of which was collateralized or insured with securities held by the pledging financial institutions in the City's name as discussed below.

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 market value of pledged securities must equal at least 110 percent of the City's cash deposits. California law also allows institutions to secure City's deposits by pledging first trust deed mortgage notes having a value of 150 percent 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 ("FDIC"). The City has not waived the collateralization requirements.

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

The table below 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 debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 3 – Cash and Investments (Continued)

B. Investments Authorized by the California Government Code and the City's Adopted Investment Policy (Continued)

| Authorized Investment Type | Authorized by Investment Policy | Maximum Maturity | Maximum Percentage of Portfolio | Maximum Investment in One Issuer |
|---|---------------------------------------|---------------------|---------------------------------------|--|
| Repurchased Agreements-Overnight "Sweep" | Yes | 1 year | 20% | No Limit |
| Local Agency Investment Fund (LAIF) | Yes | N/A | 30% | State Law Maximum |
| Other Governmental Managed Investment Pools | Yes | N/A | 30% | 10% per pool |
| Money Market Mutual Funds | Yes | N/A | 20% | 10% |
| Certificates of Deposit | Yes | 5 years | 10% | 5% |
| Negotiable Certificates of Deposit | Yes | 5 years | 10% | 5% |
| Bankers' Acceptances | Yes | 180 days | 10% | 5% |
| U.S. Treasury Bills, Notes and Bonds | Yes | 5 years | 50% | No Limit |
| U.S. Government Sponsored Enterprises | Yes | 5 years | 60% | 25% |
| Commercial Paper | Yes | 270 days | 25% | 5% |
| Commercial Medium-Term Notes | Yes | 5 years | 15% | 5% |
| Guaranteed Investment Contracts | Yes | N/A | 10% | 5% |
| Demand Deposits - Non-Interest Bearing | Yes | N/A | 2% | 2% |
| Demand Deposits - Interest Bearing | Yes | N/A | 20% | 10% |
| Asset Backed Securities | Yes | N/A | 10% | 5% |
| Supranationals | Yes | 5 years | 20% | 15% |

C. Investments Authorized by Debt Agreements

The investment of the proceeds from debt issuances, held by a third-party trustee, is governed by the provisions of the specific debt agreement rather than by the Government Code or the Investment Policy. The investment types that are authorized and currently utilized by the City are *Guaranteed Investment Contracts* and *Money Market Mutual Funds*.

D. Risk Disclosures

Disclosures Related to Interest Rate Risk

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

Information about the sensitivity of the fair values of the City's investments to interest rate risk is provided in the table that shows the distribution by maturity is as follows:

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 3 – Cash and Investments (Continued)

D. Risk Disclosures (Continued)

| Investment Type | Total | Remaining Maturity (in Months) | | |
|---|----------------------|--------------------------------|----------------------|---------------------|
| | | Less than 12 Months | 12 to 36 Months | 36-60 Months |
| Investments: | | | | |
| Local Agency Investment Fund (LAIF) | \$ 37,937,739 | \$ 37,937,739 | \$ - | \$ - |
| California Asset Management Program | 1,070,730 | 1,070,730 | - | - |
| Money Market Mutual Funds | 19,380,190 | 19,380,190 | - | - |
| Negotiable Certificates of Deposit | 13,796,218 | 745,531 | 7,728,492 | 5,322,195 |
| U.S. Treasury Securities | 19,294,310 | 6,020,020 | 13,274,290 | - |
| U.S. Government Sponsored Enterprise Securities | 35,741,460 | 18,166,020 | 17,575,440 | - |
| San Diego County Investment Pool | 4,213,388 | 4,213,388 | - | - |
| Total Investments | \$131,434,035 | \$ 87,533,618 | \$ 38,578,222 | \$ 5,322,195 |

Disclosures Related to Credit Risk

Credit risk is defined as the risk that an issuer of an investment will not fulfill its obligation to repay the holder at the maturity date. This is generally measured by the assignment of a rating by a nationally recognized statistical organization. However, some issuers do not seek a credit rating. For instance, the California Local Agency Investment Fund (LAIF) has not sought or received a credit rating. In these cases, the purchaser is solely responsible for performing their own due diligence before purchasing an investment or participating in an external investment pool. Certificates of deposit of \$250,000 or less are fully insured by the Federal Deposit Insurance Corporation (FDIC), and therefore, do not seek a credit rating.

The next table presents the minimum rating required by (where applicable) the Government Code, the Investment Policy, or the debt agreements, and the actual rating as of year-end for each investment type.

| Investment Type | Fair Value | Minimum Legal Rating | Rating as of Year End | |
|---|---------------|----------------------|-----------------------|---------------|
| | | | AAA/AA+ | Not Rated |
| Investments: | | | | |
| Local Agency Investment Fund (LAIF) | \$ 37,937,739 | N/A | \$ - | \$ 37,937,739 |
| California Asset Management Program | 1,070,730 | N/A | 1,070,730 | - |
| Money Market Mutual Funds | 19,380,190 | AAA | 19,380,190 | - |
| Negotiable Certificates of Deposit | 13,796,218 | N/A | - | 13,796,218 |
| U.S. Treasury Securities* | 19,294,310 | N/A | - | - |
| U.S. Government Sponsored Enterprise Securities | 35,741,460 | N/A | 35,741,460 | - |
| San Diego County Investment Pool | 4,213,388 | N/A | 4,213,388 | - |
| Total Investments | \$131,434,035 | | \$ 60,405,768 | \$ 51,733,957 |

*Exempt from rating disclosure

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 3 – Cash and Investments (Continued)

D. Risk Disclosures (Continued)

GASB Statement No. 40 requires disclosure by amount and issuer of investments in any one issuer that represent five percent or more of total investments. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represents five percent or more of the City's total investments are as follows:

| Issuer | Investment Type | Fair Value |
|--------------------------|---|---------------|
| Federal Farm Credit Bank | U.S Government Sponsored Enterprise Securities | \$ 11,300,020 |
| Federal Home Loan Bank | U.S Government Sponsored Enterprise Securities | 10,076,704 |

Disclosures Relating to Custodial Credit Risk

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments.

E. Investment in State Investment Pool – Local Agency Investment Fund

The City is a participant in the Local Agency Investment Fund (LAIF) which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. There are no restrictions on participant withdrawals.

F. Investment in California Asset Management Program (CAMP)

The City is a voluntary participant in CAMP, a California Joint Powers Authority that falls under California Government Code Section 53601(p), which is directed by a Board of Trustees that is made up of experienced local government finance directors and treasurers. The Pool is required to maintain an average maturity of less than 60 days and is rated AAA by Standard & Poor's national rating agency. There are no restrictions on participant withdrawals.

G. Investment in San Diego County Pooled Investment Fund

The San Diego County Pooled Investment Fund (SDCPIF) is a pooled investment fund program governed by the County of San Diego Board of Supervisors and administered by the County of San Diego Treasurer and Tax Collector. Investments in SDCPIF are highly liquid as deposits and withdrawals can be made at any time without penalty. SDCPIF does not impose a maximum investment limit.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 3 – Cash and Investments (Continued)

G. Investment in San Diego County Pooled Investment Fund (Continued)

The County of San Diego's bank deposits are either Federally insured or collateralized in accordance with the California Government Code. Pool detail is included in the County of San Diego Annual Comprehensive Financial Report (ACFR). Copies of the ACFR may be obtained from the County of San Diego Auditor-Controller's Office – 1600 Pacific Coast Highway – San Diego, CA 92101.

Note 4 – Receivables

At June 30, 2021, receivables consist of the following:

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|----------------------------------|---|--|----------------------|
| Accounts receivable | \$ 2,678,248 | \$ 2,909,979 | \$ 5,588,227 |
| Taxes and assessments receivable | 440,205 | 123,646 | 563,851 |
| Accrued revenues | 4,501,833 | - | 4,501,833 |
| Total | <u>\$ 7,620,286</u> | <u>\$ 3,033,625</u> | <u>\$ 10,653,911</u> |

Note 5 – Investment in Joint Ventures

Investment in joint ventures consists of the following as of June 30, 2021:

| <u>Proprietary Fund</u> | <u>Investment in Joint Ventures</u> | |
|---|-------------------------------------|-----------------------------|
| Cardiff Sanitary Division | San Elijo Joint Facilities | <u>\$ 36,454,616</u> |
| San Dieguito Water District | R.E. Badger Joint Facilities | 24,731,437 |
| San Dieguito Water District | R.E. Badger Financing Authority | <u>644,052</u> |
| | | <u>25,375,489</u> |
| Encinitas Sanitary Division | Encina Joint Facilities | <u>6,832,369</u> |
| Total Investment in Joint Ventures | | <u>\$ 68,662,474</u> |

A. Cardiff Sanitary Division

Investment in San Elijo Joint Powers Authority (SEJPA)

In 1964, Cardiff Sanitary Division ("CSD") entered into an agreement with Solana Beach Sanitation District ("Solana Beach") for the joint ownership, maintenance, operation, and use of a Wastewater Treatment Plant and Ocean Outfall (collectively, the "Joint Facilities").

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 5 – Investment in Joint Ventures (Continued)

A. Cardiff Sanitary Division (Continued)

In 1987, CSD and Solana Beach agreed to establish the San Elijo Joint Powers Authority ("SEJPA"), a separate legal entity whose function is to manage and operate the Joint Facilities and to determine the joint and separate obligations of the members concerning the transmission, treatment, disposal, and reclamation of wastewater within the respective service territories. On June 30, 1988, CSD and Solana Beach each transferred all of their assets related to the Joint Facilities in exchange for a 50 percent interest in SEJPA. The Ocean Outfall is jointly owned by SEJPA (21 percent interest) and the City of Escondido (79 percent interest).

SEJPA is responsible for the operations and maintenance of the Joint Facilities as well as the related administration. The operations and maintenance costs are allocated monthly and billed quarterly, based on the relative volume of flows after taking into account charges to other agencies that lease certain capacity rights and share in the costs of operations and maintenance. For the year ended June 30, 2021, CSD's share of those costs was \$1,520,097, which is reported as a component of "facility operations and maintenance" in the accompanying financial statements.

B. San Dieguito Water District

Investment in R.E. Badger Filtration Plant and related Facilities (the "Joint Facilities")

In 1967, SDWD entered into an agreement with Santa Fe Irrigation District ("Santa Fe") for the joint ownership, maintenance, operation, and use of a water treatment plant and various facilities for the storage and delivery of potable water. During the ensuing years, the SDWD and Santa Fe have added various facilities and improvements, which are owned in different percentages depending on the type of facility and the agreements in place. The ownership percentages of these Joint Facilities are described in the next table.

| <u>SDWD</u> | <u>Santa Fe</u> | <u>Facilities</u> |
|-------------|-----------------|------------------------------|
| 45% | 55% | Filtration Plant |
| 31% | 69% | Filtered Water Reservoir |
| 39% | 61% | Joint Pipeline |
| 42% | 58% | San Dieguito Water Reservoir |

Santa Fe is responsible for the operations and maintenance of the Joint Facilities as well as the related administration. The operations and maintenance costs are allocated monthly on the basis of the water used by each district, and administrative costs are allocated based on an agreed-upon cost allocation plan. For the year ended June 30, 2021, SDWD's share of those was \$2,886,039, which is shown as "facility operations and maintenance" in the accompanying financial statements.

Investment in R.E. Badger Water Facilities Financing Authority (the "Financing Authority")

In 1999, SDWD and Santa Fe entered into a joint exercise of powers agreement and formed the Financing Authority to provide financing for the acquisition and construction of capital improvements related to the Joint Facilities.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 5 – Investment in Joint Ventures (Continued)

B. San Dieguito Water District (Continued)

The Financing Authority subsequently issued revenue bonds for the purpose of funding those capital improvements. SDWD and Santa Fe are obligated under Installment Purchase Agreements to repay their proportionate shares of the long-term financing.

The investment in the Financing Authority consists primarily of SDWD's share of the debt reserve funds held by a fiscal agent and unamortized bond discounts and issuance costs.

C. Encinitas Sanitary Division

Investment in Encina Water Pollution Control Facility (the "Joint Facilities")

ESD is one of six member agencies with an ownership interest in the Joint Facilities. ESD owns approximately 2.7 percent of the Joint Facilities, after adjusting for the construction and upgrades to the Joint Facilities, referred to as "Phase V improvements." This ownership percentage affords ESD treatment capacity rights of approximately 2.0 million gallons/day, which is in excess of current needs and sufficient to meet all projected future needs. The Encina Wastewater Authority (Encina) is responsible for the operations and maintenance of the Joint Facilities, as well as the related administration. The operations, maintenance, and administrative costs are allocated monthly on the basis of the relative flows of each member agency. For the year ended June 30, 2021, ESD's share of those costs was \$836,972, which is shown as "facility operations and maintenance" in the accompanying financial statements.

Note 6 – Long-Term Receivables

Long-term receivables consist of loans to developers and loans to employees for the purchase of computer equipment, a program approved by the City Council to promote more efficient use of technology. At June 30, 2021, loans receivable is shown in the next table.

| | |
|-------------------------|--------------------------|
| Iris Apartments | \$ 424,082 |
| Employee computer loans | <u>19,987</u> |
| Total | <u><u>\$ 444,069</u></u> |

Iris Apartments

On April 20, 2012, the City entered into a promissory note agreement with Iris Apartments in the amount of \$350,000, secured by a Deed of Trust on the project. The outstanding principal balance due to the City bears simple interest at a rate of six percent per annum, commencing on the date of fund disbursement which was May 2012. Under the terms of the agreement, Iris Apartments is obligated to make annual payments of principal and interest in the amount equal to 50 percent of residual receipts, as defined in the promissory note agreement. All principal and unpaid interest will be due and payable on April 20, 2067. The outstanding principal and interest receivable at June 30, 2021 was \$424,082.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 7 – Capital Assets

A. Governmental Activities

The summary of changes in governmental activities capital assets for the year ended June 30, 2021 is as follows:

| | <u>Balance June 30, 2020</u> | <u>Additions</u> | <u>Deletions</u> | <u>Transfers</u> | <u>Balance June 30, 2021</u> |
|--|----------------------------------|---------------------|---------------------|--------------------|----------------------------------|
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 61,862,474 | \$ - | \$ - | \$ - | \$ 61,862,474 |
| Land easements | 2,443,333 | - | - | - | 2,443,333 |
| Construction in progress | 17,247,553 | 7,238,853 | (284,320) | (2,357,280) | 21,844,806 |
| Total capital assets, not being depreciated | <u>81,553,360</u> | <u>7,238,853</u> | <u>(284,320)</u> | <u>(2,357,280)</u> | <u>86,150,613</u> |
| Capital assets, being depreciated: | | | | | |
| Public facilities | 113,825,961 | 4,376,144 | - | 881,695 | 119,083,800 |
| Vehicles, equipment and machinery | 11,770,601 | 1,438,330 | (64,722) | - | 13,144,209 |
| Infrastructure | 125,243,023 | 1,919,029 | (210,446) | 1,475,585 | 128,427,191 |
| Total capital assets, being depreciated | <u>250,839,585</u> | <u>7,733,503</u> | <u>(275,168)</u> | <u>2,357,280</u> | <u>260,655,200</u> |
| Less accumulated depreciation | | | | | |
| Public facilities | (43,055,836) | (3,894,499) | - | 34,818 | (46,915,517) |
| Vehicles, equipment and machinery | (7,468,104) | (853,722) | 55,966 | - | (8,265,860) |
| Infrastructure | (57,098,897) | (2,651,118) | 53,488 | (34,818) | (59,731,345) |
| Total accumulated depreciation | <u>(107,622,837)</u> | <u>(7,399,339)</u> | <u>109,454</u> | <u>-</u> | <u>(114,912,722)</u> |
| Total capital assets being depreciated, net | <u>143,216,748</u> | <u>334,164</u> | <u>(165,714)</u> | <u>2,357,280</u> | <u>145,742,478</u> |
| Governmental activities capital assets, net | <u>\$ 224,770,108</u> | <u>\$ 7,573,017</u> | <u>\$ (450,034)</u> | <u>\$ -</u> | <u>\$ 231,893,091</u> |

Depreciation expense was charged to the functions/programs of the governmental activities as follows:

| | |
|-----------------------------------|---------------------|
| General government | \$ 1,579,558 |
| Public safety | 568,264 |
| Public works | 2,854,876 |
| Parks and recreation | 1,745,650 |
| Internal service funds | 650,991 |
| Total depreciation expense | <u>\$ 7,399,339</u> |

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 7 – Capital Assets (Continued)

B. Business-type Activities

The summary of changes in business-type activities capital assets for the year ended June 30, 2021 is as follows:

| | <u>Balance</u> <u>June 30, 2020</u> | <u>Additions</u> | <u>Deletions</u> | <u>Transfers</u> | <u>Balance</u> <u>June 30, 2021</u> |
|---|--|---------------------|--------------------|--------------------|--|
| Capital assets, not being depreciated: | | | | | |
| Land easements | \$ 3,450,544 | \$ - | \$ - | \$ - | \$ 3,450,544 |
| Public works facility right of use | 3,378,700 | - | - | - | 3,378,700 |
| Construction in progress | 3,393,153 | 4,317,071 | (31,104) | (7,469,326) | 209,794 |
| Total capital assets, not being depreciated | <u>10,222,397</u> | <u>4,317,071</u> | <u>(31,104)</u> | <u>(7,469,326)</u> | <u>7,039,038</u> |
| Capital assets, being depreciated: | | | | | |
| Structures and improvements | 23,338,725 | 4,775 | - | 5,814,779 | 29,158,279 |
| Collection and distribution | 66,061,956 | 203,800 | (3,939,542) | 1,654,547 | 63,980,761 |
| Machinery and equipment | 2,747,580 | 82,543 | - | - | 2,830,123 |
| Capacity rights | 323,190 | - | - | - | 323,190 |
| Total capital assets, being depreciated | <u>92,471,451</u> | <u>291,118</u> | <u>(3,939,542)</u> | <u>7,469,326</u> | <u>96,292,353</u> |
| Less accumulated depreciation | | | | | |
| Structures and improvements | (7,507,038) | (528,250) | - | - | (8,035,288) |
| Collection and distribution | (35,746,706) | (1,089,266) | 3,939,542 | - | (32,896,430) |
| Machinery and equipment | (2,308,168) | (130,423) | - | - | (2,438,591) |
| Capacity rights | (157,825) | (6,463) | - | - | (164,288) |
| Total accumulated depreciation | <u>(45,719,737)</u> | <u>(1,754,402)</u> | <u>3,939,542</u> | <u>-</u> | <u>(43,534,597)</u> |
| Total capital assets being depreciated, net | <u>46,751,714</u> | <u>(1,463,284)</u> | <u>-</u> | <u>7,469,326</u> | <u>52,757,756</u> |
| Business-type activities capital assets, net | <u>\$ 56,974,111</u> | <u>\$ 2,853,787</u> | <u>\$ (31,104)</u> | <u>\$ -</u> | <u>\$ 59,796,794</u> |

Depreciation expense was charged to the functions/programs of the business-type activities as follows:

| | |
|------------------------------|---------------------|
| Cardiff Sanitary Division | \$ 454,813 |
| San Dieguito Water District | 757,346 |
| Encinitas Sanitary Division | 441,705 |
| Non-major Affordable Housing | 100,538 |
| Total | <u>\$ 1,754,402</u> |

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 8 – Long-Term Obligations

A summary of changes in long-term liabilities for the year ended June 30, 2021 is as follows:

| | <u>Balance July 1, 2020</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance June 30, 2021</u> | <u>Due Within One Year</u> | <u>Due in More Than One Year</u> |
|---|---------------------------------|---------------------|-----------------------|----------------------------------|--------------------------------|--------------------------------------|
| Governmental Activities: | | | | | | |
| Capital Leases: | | | | | | |
| 2008 Civic Center Roof Replacement | \$ 516,789 | \$ - | \$ (166,004) | \$ 350,785 | \$ 172,186 | \$ 178,599 |
| 2017 Fire Apparatus | 373,264 | - | (89,867) | 283,397 | 92,129 | 191,268 |
| 2020 Fire Apparatus | - | 737,623 | (48,620) | 689,003 | 99,033 | 589,970 |
| Bonded Debt: | | | | | | |
| 2013 Community Park Bonds | 5,560,000 | - | (360,000) | 5,200,000 | 365,000 | 4,835,000 |
| add: original issue premium | 70,080 | - | (8,760) | 61,320 | - | 61,320 |
| 2014 Moonlight Beach Tower (Series A) | 2,760,000 | - | (70,000) | 2,690,000 | 75,000 | 2,615,000 |
| less: original issue discount | (25,929) | - | 1,037 | (24,892) | - | (24,892) |
| 2014 Pacific View (Series B) | 9,345,000 | - | (215,000) | 9,130,000 | 225,000 | 8,905,000 |
| less: original issue discount | (130,167) | - | 5,207 | (124,960) | - | (124,960) |
| 2015 Library Refunding Bonds | 13,575,000 | - | (580,000) | 12,995,000 | 610,000 | 12,385,000 |
| add: original issue premium | 625,125 | - | (36,772) | 588,353 | - | 588,353 |
| 2017 Park Refunding Bonds | 10,050,000 | - | (715,000) | 9,335,000 | 750,000 | 8,585,000 |
| add: original issue premium | 1,068,795 | - | (97,164) | 971,631 | - | 971,631 |
| Claims payable | 3,243,070 | 2,464,599 | (1,669,242) | 4,038,427 | 2,828,027 | 1,210,400 |
| Compensated absences | 2,509,711 | 5,014,065 | (4,680,389) | 2,843,387 | 1,233,452 | 1,609,935 |
| Total governmental activities | <u>49,540,738</u> | <u>8,216,287</u> | <u>(8,730,574)</u> | <u>49,026,451</u> | <u>6,449,827</u> | <u>42,576,624</u> |
| Business-type Activities: | | | | | | |
| 2011 CSD Note Payable to SEJPA | 60,000 | - | (60,000) | - | - | - |
| add: original issue premium | 34,401 | - | (34,401) | - | - | - |
| 2017 CSD Note Payable to SEJPA | 10,840,000 | - | (225,000) | 10,615,000 | 230,000 | 10,385,000 |
| add: original issue premium | 948,024 | - | (35,112) | 912,912 | - | 912,912 |
| 2007 SDWD Note Payable Badger | 2,855,000 | - | (525,000) | 2,330,000 | 545,000 | 1,785,000 |
| 2004 EHA Housing Note Payable | 1,008,914 | - | (84,115) | 924,799 | 85,492 | 839,307 |
| 2014 SDWD Water Revenue Bonds | 2,840,000 | - | (665,000) | 2,175,000 | 695,000 | 1,480,000 |
| add: original issue premium | 297,487 | - | (74,372) | 223,115 | - | 223,115 |
| Compensated absences (SDWD) | 157,199 | 304,933 | (269,860) | 192,272 | 95,536 | 96,736 |
| Compensated absences (Affordable Housing) | 14,794 | 7,979 | (9,756) | 13,017 | 4,883 | 8,134 |
| Total business-type activities | <u>19,055,819</u> | <u>312,912</u> | <u>(1,982,616)</u> | <u>17,386,115</u> | <u>1,655,911</u> | <u>15,730,204</u> |
| Total long-term obligations | <u>\$68,596,557</u> | <u>\$ 8,529,199</u> | <u>\$(10,713,190)</u> | <u>\$ 66,412,566</u> | <u>\$ 8,105,738</u> | <u>\$ 58,306,828</u> |

A. Governmental Activities

2008 Civic Center Roof Replacement and Energy Optimization Project

On February 27, 2008, the City entered into a long-term lease arrangement with a financial institution to finance \$2,100,000 of the 2008 improvements to the Encinitas Civic Center. The lease has a term of fifteen years, an interest rate of 3.69 percent, and semi-annual payments of \$91,778. The project was completed during Fiscal Year 2008-09, and the final payment is due in Fiscal Year 2022-23. The total cost of the project was \$3,543,258.

The annual debt service requirements for the lease outstanding at June 30, 2021 are as follows:

| <u>Year Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|-------------------|------------------|-------------------|
| 2022 | \$ 172,186 | \$ 11,370 | \$ 183,556 |
| 2023 | <u>178,599</u> | <u>4,957</u> | <u>183,556</u> |
| Total | <u>\$ 350,785</u> | <u>\$ 16,327</u> | <u>\$ 367,112</u> |

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 8 – Long-Term Obligations (Continued)

A. Governmental Activities (Continued)

2017 Fire Apparatus Lease

The City entered into a long-term lease arrangement in Fiscal Year 2016-17 to finance the purchase of a 2017 Pierce Arrow XT Pumper Truck for \$629,851. The lease has a term of seven years, an interest rate of 2.50 percent, and annual payments of \$98,641.

The annual debt service requirements for the lease outstanding at June 30, 2021 are as follows:

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|-------------------|------------------|-------------------|
| 2022 | \$ 92,129 | \$ 6,512 | \$ 98,641 |
| 2023 | 94,446 | 4,195 | 98,641 |
| 2024 | 96,822 | 1,819 | 98,641 |
| Total | <u>\$ 283,397</u> | <u>\$ 12,526</u> | <u>\$ 295,923</u> |

2020 Fire Apparatus Lease

The City entered into a long-term lease arrangement in Fiscal Year 2020-2021 to finance the purchase of a 2020 Pierce Arrow XT Pumper Truck for \$737,623. The lease has a term of seven years, an interest rate of 2.50 percent, and annual payments of \$115,310.

The annual debt service requirements for the lease outstanding at June 30, 2021 are as follows:

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|-------------------|------------------|-------------------|
| 2022 | \$ 99,033 | \$ 16,278 | \$ 115,311 |
| 2023 | 101,475 | 13,836 | 115,311 |
| 2024 | 103,977 | 11,334 | 115,311 |
| 2025 | 106,539 | 8,772 | 115,311 |
| 2026 | 109,165 | 6,146 | 115,311 |
| 2027-2028 | 168,814 | 4,154 | 172,968 |
| Total | <u>\$ 689,003</u> | <u>\$ 60,520</u> | <u>\$ 749,523</u> |

Capital assets and accumulated depreciation for assets held under capital leases are as follows:

| | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>Net Capital Assets</u> |
|------------------------------|--------------|-------------------------------------|-------------------------------|
| Public facilities | \$ 3,543,258 | \$ (1,712,575) | \$ 1,830,683 |
| Fire apparatus and equipment | 1,366,937 | (182,553) | 1,184,384 |

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 8 – Long-Term Obligations (Continued)

A. Governmental Activities (Continued)

2013 Lease Revenue Refunding Bonds (Public Park Construction Project)

On March 20, 2013, the Encinitas Public Financing Authority, a blended component unit of the City, issued its 2013 Lease Revenue Bonds, Series A (Public Park Construction Project) in the amount of \$7,865,000 to provide funds for the construction of capital improvements to the Encinitas Community Park. The bonds consist of \$7,865,000 of serial bonds, which mature annually through 2033 in installments ranging from \$305,000 to \$510,000. Interest is due and payable semi-annually at rates ranging from 2.00 percent to 3.00 percent. The bonds were issued at a premium, which is being amortized over the life of the bonds on a straight-line basis in the government-wide financial statements. The bonds are payable from lease payments to be made by the City of Encinitas for the right to use certain real property and related improvements pursuant to a lease agreement dated March 1, 2013 between the City as lessee and the Authority as lessor. The bonds are secured by pledged revenue consisting of all lease revenue paid by the City of Encinitas in addition to any assets held in trust for the purpose of paying the lease payments. The Authority has a leasehold on the property until all the terms of the lease agreement are fulfilled. The refunding bonds are payable from any source of legally available funds of the City. The bonds are subject to federal arbitrage requirements.

The annual debt service requirements for the 2013 Lease Revenue Refunding Bonds outstanding at June 30, 2021 are as follows:

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|---------------------|-------------------|---------------------|
| 2022 | \$ 365,000 | \$ 148,206 | \$ 513,206 |
| 2023 | 375,000 | 138,722 | 513,722 |
| 2024 | 390,000 | 127,950 | 517,950 |
| 2025 | 400,000 | 116,100 | 516,100 |
| 2026 | 410,000 | 103,950 | 513,950 |
| 2027-2031 | 2,255,000 | 324,075 | 2,579,075 |
| 2032-2036 | 1,005,000 | 30,375 | 1,035,375 |
| Total | <u>\$ 5,200,000</u> | <u>\$ 989,378</u> | <u>\$ 6,189,378</u> |

The bonds maturing on or after October 1, 2023 are subject to optional redemption on any date on or after October 1, 2022, without a premium.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 8 – Long-Term Obligations (Continued)

A. Governmental Activities (Continued)

2014 Lease Revenue Bonds (Pacific View Property and Moonlight Beach Lifeguard Tower)

On November 26, 2014, the Encinitas Public Financing Authority (on behalf of the City of Encinitas) issued its 2014 Lease Revenue Bonds, Series A tax-exempt (Moonlight Beach Lifeguard Tower) and Series B taxable (Pacific View Property) in the amounts of \$3,095,000 and \$10,365,000, respectively, to provide funds for the purpose of improving the Moonlight Beach Lifeguard Tower and financing the acquisition of a property known as the Pacific View Property. The bonds consist of \$3,350,000 of serial bonds and \$10,110,000 of term bonds. The serial bonds mature annually through 2030 in installments ranging from \$65,000 to \$245,000. The term bonds mature through 2045 and are subject to mandatory sinking requirements. Interest is due and payable semi-annually at rates ranging from 2.00 percent to 3.50 percent. The bonds were issued at a discount, which is being amortized over the life of the bonds on a straight-line basis in the government-wide financial statements. The bonds are payable from lease payments to be made by the City of Encinitas for the right to use certain real property and related improvements pursuant to a lease agreement dated November 1, 2014 between the City as lessee and the Authority as lessor. The bonds are secured by pledged revenue consisting of all lease revenue paid by the City of Encinitas in addition to any assets held in trust for the purpose of paying the lease payments. The Authority has a leasehold on the property until all the terms of the lease agreement are fulfilled. The refunding bonds are payable from any source of legally available funds of the City. The bonds are subject to federal arbitrage requirements.

The annual debt service requirements for the 2014 Lease Revenue Bonds, Series A Moonlight Beach Lifeguard Tower bonds outstanding at June 30, 2021 are as follows:

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|---------------------|---------------------|---------------------|
| 2022 | \$ 75,000 | \$ 92,831 | \$ 167,831 |
| 2023 | 75,000 | 89,831 | 164,831 |
| 2024 | 80,000 | 86,731 | 166,731 |
| 2025 | 85,000 | 84,069 | 169,069 |
| 2026 | 85,000 | 81,944 | 166,944 |
| 2027-2031 | 470,000 | 370,491 | 840,491 |
| 2032-2036 | 550,000 | 285,488 | 835,488 |
| 2037-2041 | 650,000 | 177,756 | 827,756 |
| 2042-2046 | 620,000 | 47,813 | 667,813 |
| Total | <u>\$ 2,690,000</u> | <u>\$ 1,316,954</u> | <u>\$ 4,006,954</u> |

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 8 – Long-Term Obligations (Continued)

A. Governmental Activities (Continued)

***2014 Lease Revenue Bonds (Pacific View Property and Moonlight Beach Lifeguard Tower)
(Continued)***

The annual debt service requirements for the 2014 Lease Revenue Bonds, Series B Pacific View Property bonds outstanding at June 30, 2021 are as follows:

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|---------------------|---------------------|----------------------|
| 2022 | \$ 225,000 | \$ 420,225 | \$ 645,225 |
| 2023 | 230,000 | 413,113 | 643,113 |
| 2024 | 240,000 | 405,475 | 645,475 |
| 2025 | 245,000 | 397,288 | 642,288 |
| 2026 | 255,000 | 387,741 | 642,741 |
| 2027-2031 | 1,450,000 | 1,766,841 | 3,216,841 |
| 2032-2036 | 1,820,000 | 1,395,188 | 3,215,188 |
| 2037-2041 | 2,330,000 | 887,000 | 3,217,000 |
| 2042-2046 | <u>2,335,000</u> | <u>240,875</u> | <u>2,575,875</u> |
| Total | <u>\$ 9,130,000</u> | <u>\$ 6,313,746</u> | <u>\$ 15,443,746</u> |

2015 Library Refunding Bonds

On September 1, 2015, the Encinitas Public Financing Authority issued \$15,645,000 of 2015 Lease Revenue Refunding Bonds to defease and refund on a current basis, all of the outstanding 2006 Library Bonds which were originally used to finance capital projects that included the construction of the Encinitas Library and the Encinitas Community Park, in addition to rehabilitating three fire stations and the public works facility. The bonds consist of serial bonds maturing from 2016 through 2036 in annual installments of \$480,000 to \$1,025,000. Interest is due and payable semi-annually at rates ranging from 2.5 percent to 5.0 percent. Annual debt service is approximately \$1,065,000 through 2036. The bonds are subject to federal arbitrage requirements.

The annual debt service requirements for the 2015 Library Refunding Bonds outstanding at June 30, 2021 are presented below.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 8 – Long-Term Obligations (Continued)

A. Governmental Activities (Continued)

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|----------------------|---------------------|----------------------|
| 2022 | \$ 610,000 | \$ 446,581 | \$ 1,056,581 |
| 2023 | 640,000 | 415,331 | 1,055,331 |
| 2024 | 675,000 | 382,456 | 1,057,456 |
| 2025 | 700,000 | 351,581 | 1,051,581 |
| 2026 | 730,000 | 322,981 | 1,052,981 |
| 2027-2031 | 3,980,000 | 1,267,481 | 5,247,481 |
| 2032-2036 | 4,635,000 | 594,131 | 5,229,131 |
| 2037 | 1,025,000 | 18,578 | 1,043,578 |
| Total | <u>\$ 12,995,000</u> | <u>\$ 3,799,120</u> | <u>\$ 16,794,120</u> |

2017 Park Refunding Bonds

On February 7, 2017, the Encinitas Public Financing Authority issued \$11,955,000 of 2017 Lease Revenue Refunding Bonds to defease and refund on a current basis, all of the outstanding 2010 Park Bonds which were issued for the purpose of refinancing its 2001 Lease Revenue Bonds, Series A. The refunded 2001 Lease Revenue Bonds, Series A were used to finance the acquisition of real property (Hall Property) now known as the Encinitas Community Park. The bonds consist of serial bonds maturing from 2018 through 2031 in annual installments of \$580,000 to \$1,110,000 and term bonds maturing April 1, 2030 in the amount of \$2,125,000. Interest is due and payable semi-annually at rates ranging from 3.0 percent to 5.0 percent. Annual debt service is approximately \$1,140,000 through 2031. The bonds are subject to federal arbitrage requirements.

The annual debt service requirements for the 2017 Park Refunding Bonds outstanding at June 30, 2021 are as follows:

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|---------------------|---------------------|----------------------|
| 2022 | \$ 750,000 | \$ 392,000 | \$ 1,142,000 |
| 2023 | 785,000 | 354,500 | 1,139,500 |
| 2024 | 825,000 | 315,250 | 1,140,250 |
| 2025 | 870,000 | 274,000 | 1,144,000 |
| 2026 | 910,000 | 230,500 | 1,140,500 |
| 2027-2031 | 5,195,000 | 518,300 | 5,713,300 |
| Total | <u>\$ 9,335,000</u> | <u>\$ 2,084,550</u> | <u>\$ 11,419,550</u> |

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 8 – Long-Term Obligations (Continued)

B. Business-Type Activities

2011 CSD Note Payable to San Elijo Joint Powers Authority (SEJPA)

On December 1, 2011, the City, on behalf of its members (the Cardiff Sanitary Division and the City of Solana Beach) refinanced all of its outstanding debt, including its 2003 refunding revenue bonds and a loan from the State of California. Information on the bond issuance itself is available through the SEJPA administrative offices. CSD is responsible, via a Third Amended and Restated Loan Agreement, for the repayment of \$4,341,362 of the total borrowing amount of \$9,235,000 (or approximately 47 percent.) The average rate on the borrowing is approximately 2.0 percent. The bonds were issued at a premium, which is being amortized over the life of the bonds on a straight-line basis. The issue also resulted in deferred refunding costs, which are also being amortized over the life of the bonds on a straight-line basis.

During the year ended June 30, 2021, the note was paid off.

2017 CSD Note Payable to San Elijo Joint Powers Authority (SEJPA)

On July 6, 2017 SEJPA, on behalf of its members (the Cardiff Sanitary Division and the City of Solana Beach) issued 2017 Revenue Bonds (Clean Water Projects) for the purpose of funding facilities and improvements as part of SEJPA's capital improvement plan and certain costs of issuance. The 2017 revenue bonds are not the obligation of the City of Encinitas nor its component unit, the CSD. The City of Encinitas entered into a Series 2017 Loan Agreement dated June 1, 2017 as a successor to the CSD to assist in the financing of the CSD's respective share of the Series 2017 Revenue Bonds. CSD is responsible for the repayment of the loan in the amount of \$11,057,500 of the total borrowing amount of \$22,115,000 (50 percent). Annual debt service is approximately \$670,000 from 2020 through 2047. The average rate on the borrowing is approximately 2.5 percent. The bonds were issued at a premium, which is being amortized over the life of the bonds on a straight-line basis.

Encinitas has pledged its *system revenues* to pay for this outstanding obligation. *System revenues* are defined as gross revenues less operations and maintenance costs that are related to the collection, treatment, reclamation, recycling, and disposal of wastewater. Encinitas has covenanted to collect its system revenues which after allowances for contingencies and error in the estimates, shall produce gross revenues sufficient in each fiscal year to provide system revenues equal to at least 1.3 times the annual debt service. Total principal and interest remaining to be paid on the 2017 Note Payable as of June 30, 2021 is \$17,383,960. During the year ended June 30, 2021, interest paid on the 2017 Note Payable was \$444,863 and net revenue was \$2,300,405, or 343 percent of annual debt service. Management of CSD believes it is in compliance with these covenants for Fiscal Year 2020-21.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 8 – Long-Term Obligations (Continued)

B. Business-Type Activities (Continued)

2017 CSD Note Payable to San Elijo Joint Powers Authority (SEJPA) (Continued)

The annual debt service requirements for the 2017 CSD Note Payable to SEJPA outstanding at June 30, 2021 are as follows:

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|----------------------|---------------------|----------------------|
| 2022 | \$ 230,000 | \$ 438,113 | \$ 668,113 |
| 2023 | 237,500 | 431,213 | 668,713 |
| 2024 | 245,000 | 424,088 | 669,088 |
| 2025 | 255,000 | 414,288 | 669,288 |
| 2026 | 267,500 | 401,538 | 669,038 |
| 2027-2031 | 1,550,000 | 1,793,313 | 3,343,313 |
| 2032-2036 | 1,955,000 | 1,388,938 | 3,343,938 |
| 2037-2041 | 2,370,000 | 970,769 | 3,340,769 |
| 2042-2046 | 2,862,500 | 481,000 | 3,343,500 |
| 2047 | 642,500 | 25,700 | 668,200 |
| Total | <u>\$ 10,615,000</u> | <u>\$ 6,768,960</u> | <u>\$ 17,383,960</u> |

2007 SDWD Note Payable to R.E. Badger Water Facilities Financing Authority (WFFA)

On November 20, 2007, the WFFA, on behalf of its members (the Santa Fe Irrigation District and the San Dieguito Water District) issued \$20,685,000 of 2007 Water Revenue Refunding Bonds while concurrently redeeming all of its outstanding 1999 Water Revenue Bonds. Information on the bond issuance itself is available through the WFFA administrative offices. SDWD is responsible, via an Amended and Restated Loan Agreement, for the repayment of \$7,705,000 of the total borrowing. Principal is due and payable annually in amounts ranging from \$335,000 to \$620,000.

Interest is due and payable semi-annually at rates ranging from 3.5 percent to 4.5 percent. Annual debt service is approximately \$635,000 through 2025.

The annual debt service requirements for the 2007 SDWD Note Payable to R.E. Badger Water Facilities Financing Authority outstanding at June 30, 2021 are as follows:

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|---------------------|-------------------|---------------------|
| 2022 | \$ 545,000 | \$ 89,396 | \$ 634,396 |
| 2023 | 570,000 | 66,043 | 636,043 |
| 2024 | 595,000 | 40,915 | 635,915 |
| 2025 | 620,000 | 13,950 | 633,950 |
| Total | <u>\$ 2,330,000</u> | <u>\$ 210,304</u> | <u>\$ 2,540,304</u> |

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 8 – Long-Term Obligations (Continued)

B. Business-Type Activities (Continued)

2014 SDWD Water Revenue Refunding Bonds

On September 18, 2014, SDWD issued \$5,870,000 of Water Revenue Refunding Bonds, Series 2014, to defease and refund on a current basis, all of the outstanding 2004 Water Revenue Refunding Bonds. The bonds consist of serial bonds maturing from 2016 through 2024 in annual installments of \$570,000 to \$755,000. Interest is due and payable semi-annually at rates ranging from 3.0 percent to 4.0 percent. Annual debt service is approximately \$780,000 through 2024. The bonds are subject to federal arbitrage requirements.

The annual debt service requirements for the 2014 SDWD Water Refunding Bonds outstanding at June 30, 2021 are as follows:

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|---------------------|-------------------|---------------------|
| 2022 | \$ 695,000 | \$ 73,100 | \$ 768,100 |
| 2023 | 725,000 | 44,700 | 769,700 |
| 2024 | 755,000 | 15,100 | 770,100 |
| Total | <u>\$ 2,175,000</u> | <u>\$ 132,900</u> | <u>\$ 2,307,900</u> |

Pledged Revenues

SDWD has pledged its *net revenues* to pay the debt service on these two obligations. *Net revenues* are defined as gross revenues less operations and maintenance costs, excluding depreciation, amortization and other non-cash type charges. Total principal and interest outstanding of the debt as of June 30, 2021, is \$4,848,204. During the year ended June 30, 2021 principal and interest paid was \$1,401,766 and net revenue was \$4,538,392, or 324 percent of annual debt service. SDWD has covenanted to budget for *net revenues* each fiscal year of at least 115 percent of combined annual debt service. SDWD's management believes it is in compliance with these covenants for Fiscal Year 2020-21.

2004 Encinitas Housing Authority (EHA) Note Payable

In 2004, the EHA secured a note payable with a financial institution of \$1,905,338 to partially fund the acquisition of 16 affordable housing units. The note is secured only by the rental income generated by the housing units. Principal and interest are due and payable monthly. Annual principal installments range from \$52,417 in 2014 to \$98,938 in 2031. The note bears interest at 90 percent of the ten-year US Treasury note, adjustable every six years. The EHA is solely responsible for repayment of this note.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 8 – Long-Term Obligations (Continued)

B. Business-Type Activities (Continued)

The annual debt service requirements for the 2004 Encinitas Housing Authority Note Payable outstanding at June 30, 2021 are as follows:

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|-------------------|------------------|---------------------|
| 2022 | \$ 85,492 | \$ 14,388 | \$ 99,880 |
| 2023 | 86,891 | 12,989 | 99,880 |
| 2024 | 88,282 | 11,598 | 99,880 |
| 2025 | 89,757 | 10,122 | 99,879 |
| 2026 | 91,226 | 8,653 | 99,879 |
| 2027-2031 | 479,001 | 20,396 | 499,397 |
| 2032 | 4,150 | 5 | 4,155 |
| Total | <u>\$ 924,799</u> | <u>\$ 78,151</u> | <u>\$ 1,002,950</u> |

Note 9 – Interfund Receivables, Payable and Transfers

A. Due To and From Other Funds

Individual interfund receivables and payables at June 30, 2021 were as follows:

| | Due from Other Funds | Due to Other Funds |
|--|-------------------------|-----------------------|
| Governmental Funds: | | |
| General Fund | \$ 549,419 | \$ - |
| Capital Improvements Capital Projects Fund | 8,347,308 | - |
| Infrastructure Improvements Special Revenue Fund | | 8,601,055 |
| Non-major Governmental Funds | - | 209,252 |
| Enterprise Funds: | | |
| Non-major Affordable Housing Enterprise Fund | - | 80,009 |
| Internal Service Funds | - | 6,411 |
| Total | <u>\$ 8,896,727</u> | <u>\$ 8,896,727</u> |

The amounts due to the General Fund are all short-term borrowings in anticipation of grant revenue not yet received or for debt service payments.

The amounts due to the Capital Improvements Capital Projects fund represent grant revenues due from other funds for capital projects.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 9 – Interfund Receivables, Payable and Transfers (Continued)

B. Transfers In and Out

Transfers in and out between funds for the year ended June 30, 2021 were as follows:

| <u>Transfers In</u> | <u>Transfers Out</u> | |
|------------------------------|------------------------------|----------------------------|
| General Fund | Infrastructure Improvements | \$ 1,115,150 |
| General Fund | Non-Major Governmental Funds | 50,405 |
| General Fund | Internal Service Funds | 1,000,000 |
| General Fund | Capital Projects Fund | 5,217,743 |
| | | <u>7,383,298</u> |
| Infrastructure Improvements | Capital Projects Fund | 3,872,276 |
| Capital Projects Fund | Infrastructure Improvements | 5,155,845 |
| Capital Projects Fund | Non-Major Governmental Funds | 3,489,908 |
| Capital Projects Fund | Non-Major Proprietary Fund | 18,077 |
| Capital Projects Fund | General Fund | 16,138,251 |
| | | <u>24,802,081</u> |
| Non-Major Governmental Funds | General Fund | 4,025,267 |
| Non-Major Governmental Funds | Capital Projects Fund | 439,294 |
| Non-Major Governmental Funds | Infrastructure Improvements | 564 |
| | | <u>4,465,125</u> |
| Internal Service Funds | Internal Service Funds | 132,000 |
| Internal Service Funds | Infrastructure Improvements | 2,448 |
| Internal Service Funds | General Fund | 1,720,768 |
| | | <u>1,855,216</u> |
| Major Proprietary Fund | Infrastructure Improvements | 8,759 |
| Total | | <u><u>\$42,386,755</u></u> |

Transfers into the General Fund consist of funds from the State Gasoline Tax, Development Impact Fees and a special subsidy for COVID19 personnel related cost from the Federal CARES Act. The City accounts for all street maintenance expenditures in the Streets Division budget unit within the General Fund and transfers all State Gasoline Tax operating revenues from the Infrastructure Improvements Special Revenue Fund to the General Fund. The City's Development Impact Fee Funds transfer funds to the General Fund for qualified costs incurred, or to be incurred in the future years, by the General Fund for the construction of public facilities. The transfer into the General Fund also include a return of the Opportunity Fund which was originally funded for housing, land and the development of open space.

Transfers into the Capital Improvements Capital Projects Fund represent funds from other governmental funds for capital expenditures. All capital projects are executed and expended through the Capital Improvements Capital Projects Fund.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 9 – Interfund Receivables, Payable and Transfers (Continued)

B. Transfers In and Out (Continued)

Transfers into the non-major governmental funds represent General Fund subsidies for the Senior Nutrition Program, the Community Development Block Grant (CDBG), the Section 8 Housing Program, the Home Program, and the Wiro Park Landscape and Lighting District. In 1998, the Council increased the Transient Occupancy Tax (TOT) from eight percent to ten percent.

The additional two percent of TOT revenue increase is transferred to the Coastal Zone Management fund for beach and sand replenishment and stabilization projects. The transfers into the non-major governmental funds also include transfers to the City's Debt Service Fund and the Encinitas Public Financing Authority Debt Service Fund to pay for the City's various debt service obligations.

Transfers into the Internal Service Funds represent the City's annual contribution from the General Fund to the Self Insurance (Risk Management) Fund. The contribution is not mandated and is established by the City Council during the annual budget process. In addition, the General Fund also contributes toward vehicle replacement funds annually.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 10 – Fund Balance and Net Position Classifications

The City classifies fund balances, as shown on the *Balance Sheet - Governmental Funds* as of June 30, 2021 as follows:

| | Major Funds | | | | |
|--------------------------------------|---------------------|--|--|--------------------------|---------------------|
| | General Fund | Capital Improvements Capital Projects Fund | Infrastructure Improvements Special Revenue Fund | Other Governmental Funds | Totals |
| Nonspendable: | | | | | |
| Inventory and prepaid items | \$ 717,128 | \$ - | \$ - | \$ - | \$ 717,128 |
| Long-term receivable | 19,987 | - | - | - | 19,987 |
| Total nonspendable | <u>737,115</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>737,115</u> |
| Restricted: | | | | | |
| Capital projects | - | 18,226,785 | - | - | 18,226,785 |
| Street maintenance and improvements | - | - | - | 1,756,326 | 1,756,326 |
| Cable Franchise PEG funds | - | - | - | 274,099 | 274,099 |
| Environmental initiatives | - | - | - | 456,365 | 456,365 |
| Affordable housing | - | - | - | 144,116 | 144,116 |
| Donations | - | - | - | 128,045 | 128,045 |
| Parkland and open space | - | - | - | 766,273 | 766,273 |
| Traffic mitigation | - | - | - | 758,248 | 758,248 |
| Flood control | - | - | - | 258,987 | 258,987 |
| Flexible saving account | 172,705 | - | - | - | 172,705 |
| Lighting and landscaping assessments | - | - | - | 3,300,296 | 3,300,296 |
| Law enforcement | - | - | - | 365,313 | 365,313 |
| Debt service | 3 | - | - | 14 | 17 |
| Total restricted | <u>172,708</u> | <u>18,226,785</u> | <u>-</u> | <u>8,208,082</u> | <u>26,607,575</u> |
| Committed: | | | | | |
| Capital projects | - | 19,920,832 | - | - | 19,920,832 |
| Budget stabilization | 1,700,925 | - | - | - | 1,700,925 |
| Operating reserve | 15,297,366 | - | - | - | 15,297,366 |
| Total committed | <u>16,998,291</u> | <u>19,920,832</u> | <u>-</u> | <u>-</u> | <u>36,919,123</u> |
| Unassigned | <u>9,255,171</u> | <u>-</u> | <u>(7,140,370)</u> | <u>-</u> | <u>2,114,801</u> |
| Total Fund Balances | <u>\$27,163,285</u> | <u>\$ 38,147,617</u> | <u>\$ (7,140,370)</u> | <u>\$ 8,208,082</u> | <u>\$66,378,614</u> |

Categorization of Reserves under Adopted City Policies

All unassigned amounts in the City's General Fund are considered reserves under internal City policies. The City maintains three separate and distinct reserves.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 10 – Fund Balance and Net Position Classifications (Continued)

Categorization of Reserves under Adopted City Policies (Continued)

- 1) **Contingency Reserve** – represents funds that are committed for use only in exceptional circumstances such as catastrophic events that could negatively impact the financial condition of the City. Funding represents 20 percent of the following year's operating expenditures, and no drawdowns have ever been executed from this reserve. City Policy requires a 4/5 vote of the City Council to authorize draws on this reserve. The amount of the contingency reserve as of June 30, 2021 was \$15,297,366.
- 2) **Budget Stabilization Reserve** – was established in 2007 to help mitigate potential fluctuations in operating revenues, or to fund unanticipated operating expenditures. Funding levels are mandated at two to five percent of the following year's budgeted operating revenues. Any changes to the level of funding for this reserve also require a 4/5 vote of the City Council. In practice, this reserve has been funded within the established range since 2007, and changes are made during the annual budget process. The amount of the budget stabilization reserve committed as of June 30, 2021 was \$1,700,925.
- 3) **General Undesignated Reserve** – this reserve represents any remaining unassigned fund balance after funding levels have been established for (1) and (2) above. These funds may be allocated in any manner the City Council designates. The amount of the general undesignated reserve as of June 30, 2021 was \$9,255,171.

Note 11 – Risk Management

A. City of Encinitas - Risk Management and Insurance Programs

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has a proactive in-house risk management program, which combines risk mitigation initiatives with a self-insurance program and excess coverage policies with outside providers.

The City maintains a Self-Insurance Fund to finance and account for its self-insured risks of loss. The Risk Management fund is accounted for as an internal service fund. It is supported by interfund charges for workers' compensation coverage, unemployment insurance, and contributions from CSD, ESD and the City. The Risk Management fund strives to maintain an adequate net position, over time, to cover all known and reported claims, as well as an adequate reserve for incurred but not reported (IBNR) claims.

The City is self-insured for liability claims and losses up to \$250,000 per occurrence, and for workers' compensation claims and losses up to \$350,000 per occurrence.

The City is a member of the California State Association of Counties, Excess Insurance Authority (CSAC EIA), a joint risk sharing pool which covers liability claims or losses above the City's \$250,000 self-insured level. CSAC EIA is a separate legal entity formed by the participating municipalities and counties to provide pooled excess liability insurance coverage to its members.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 11 – Risk Management (Continued)

A. City of Encinitas - Risk Management and Insurance Programs (Continued)

The members do not hold any ownership stake in CSAC EIA and have no claims to revenue or assets upon withdrawal.

CSAC EIA is governed by a Board of Directors, who determines policy and necessary funding levels, including retroactive adjustments for over- or under-funding, which is reflected as adjustments to current year premiums. The City is covered for losses above \$250,000 with excess coverage through CSAC EIA and excess carriers up to \$50 million dollars. All members jointly share risk liability exposures in excess of each member's self-insured retention.

The City is a member of the Local Agency Workers Compensation Excess (LAWCX), a California Joint Powers Insurance Authority. LAWCX provides coverage for claims between \$350,000 and \$5,000,000. Excess workers' compensation coverage between \$5,000,000 and statutory limits is provided through contract reinsurance. City departments contribute premiums to the Self-Insurance Fund based on annual rates set for each work class.

Changes in the balances of claims payable for liability and workers' compensation during the past two years are as follows:

| | Year Ended June 30, 2021 | Year Ended June 30, 2020 |
|-----------------------------------|-----------------------------|-----------------------------|
| Claims payable, beginning of year | \$ 3,243,070 | \$ 2,652,742 |
| Estimated incurred claims, net | 2,464,599 | 1,812,951 |
| Claims payments or closures | <u>(1,669,242)</u> | <u>(1,222,623)</u> |
| Claims payable, end of year | <u>\$ 4,038,427</u> | <u>\$ 3,243,070</u> |

A. San Dieguito Water District (SDWD) - Risk Management and Insurance Programs

Risk management programs and support for SDWD are provided by the City of Encinitas Risk Management Department, for which SDWD pays the City an annual fee (charge for those services). SDWD paid the City \$91,408 for the year ended June 30, 2021.

SDWD is a member of the Association of California Water Agencies - Joint Powers Insurance Authority (JPIA), which provides coverage for general liability, property and casualty, and workers' compensation. As of June 30, 2021, in the opinion of the District's management and general counsel, there were no material claims which would require accrual in the accompanying financial statements. Management has determined, based on modest self-insurance retention levels and favorable claims experience, that no self-insurance liabilities were necessary. SDWD has two outstanding minor claims as of June 30, 2021 and did not pay any claims during the fiscal year.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 12 – Commitments and Contingencies

A. Lawsuits

Claims and lawsuits have been filed against the City in the normal course of conducting City business. The estimated liability under such Claims is adequately covered by the reserve funds in the Self-Insurance Fund and by the excess insurance coverage afforded by CSAC and LAWCX (See Note 11).

B. Grants

Amounts received or owed from federal and state granting agencies are subject to audit and adjustment by grantor agencies. While no matters of noncompliance were disclosed by the audit of the financial statements or Single Audit of the Federal grant programs, grantor agencies may subject grant programs to additional compliance tests, which may result in disallowed costs. In the opinion of management, future disallowances of current or prior grant expenditures, if any, would not have a material adverse effect on the financial position of the City.

C. Construction Commitments

As of June 30, 2021, the City had remaining contractual commitments totaling approximately \$10.1 million for capital projects related to its governmental and business-type activities. The more significant capital commitments included approximately \$8.0 million for street improvement projects, approximately \$0.3 million for park improvements, \$0.2 million in drainage improvements, \$0.2 million for CSD and ESD pipeline rehabilitation projects and \$1.4 million for CSD pump station upgrades improvement projects.

Note 13 – California Public Employees' Retirement System

The information in the following table includes the aggregate total pension related items for the Miscellaneous and Safety plans of the City and the Miscellaneous plan of SDWD:

| | Miscellaneous | Safety | SDWD | Total |
|-------------------------------|---------------|---------------|--------------|---------------|
| Net Pension Liabilities | \$ 26,278,871 | \$ 27,605,534 | \$ 7,093,742 | \$ 60,978,147 |
| Deferred Outflow of Resources | 5,500,798 | 6,893,342 | 1,815,089 | 14,209,229 |
| Deferred Inflow of Resources | 76,598 | 1,178,307 | 744,071 | 1,998,976 |
| Pension Expense | 4,548,787 | 3,934,127 | 975,950 | 9,458,864 |

The City has the following California Public Employees' Retirement Plans:

1. The Miscellaneous Plan of the City of Encinitas (Miscellaneous Plan)
2. The Safety Plan of the City of Encinitas (Safety Plan)
 - a. Fire Plan of the City of Encinitas
 - b. Lifeguard Plan of the City of Encinitas
3. The Miscellaneous Plan of the San Dieguito Water District (SDWD Plan)

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 13 – California Public Employees’ Retirement System (Continued)

Plan Descriptions

Miscellaneous Plan

The City of Encinitas has entered into separate defined benefit pension plans covering miscellaneous and safety employees with the California Public Employees’ Retirement System (CalPERS). CalPERS is an agent multiple-employer public employee defined benefit pension plan. The plans provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. The Plans are administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees’ Retirement Law. The City selects optional benefit provisions from the benefit menu by contract and adopts those benefits through local ordinances. A full description of the pension plans regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2018 Annual Actuarial Valuation Report. This report and CalPERS’ audited financial statements are publicly available reports that can be obtained at CalPERS’ website under “Forms and Publications.”

Safety Plan

The *Safety Plan* is a cost-sharing multiple employer defined benefit plan in which the City participates with other public agencies that each have fewer than 100 active members and share the same benefit formula and includes both fire and lifeguard employees, and retirees. The Safety Plan is administered by the California Public Employees’ Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Safety Plan are established by State statutes within the Public Employees’ Retirement Law. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office – 400 P Street, Sacramento, California 95814.

SDWD Plan

The *SDWD Plan* is a cost-sharing multiple employer defined benefit plan that provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries, in which the District participates with other public agencies that each have fewer than 100 active members and share the same benefit formula. The Plan is administered by the California Public Employees’ Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statutes within the Public Employee’s Retirement Law. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office – 400 P Street, Sacramento, California 95814.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 13 – California Public Employees' Retirement System (Continued)

Benefits Provided

The City's *Miscellaneous Plan* is an agent multiple-employer plan that is part of the City's portion of CalPERS. The *Miscellaneous Plan* provides employees hired before October 13, 2012 with a Tier 1 benefit equal to 2.7 percent at 55 years of age, calculated based on the single highest year of qualifying compensation. As of October 13, 2012, the City Council imposed new terms and conditions on the miscellaneous employees which created a new benefit formula for employees hired after the effective date of the change (the "Tier 2 miscellaneous plan".) Employees hired under the Tier 2 miscellaneous plan receive a lower benefit formula, referred to as the two percent at 60 years of age formula. In addition, legislation enacted by the State of California applying to all local units of government, referred to as the Public Employees' Pension Reform Act (PEPRA) which became effective on January 1, 2013, created yet another benefit formula for new hires with no experience or prior service credit with CalPERS. In the case of the City, this will constitute a "Tier 3 miscellaneous plan" which provides a retirement benefit, referred to as the two percent at 62 years of age formula. The actual retirement benefit for Tier 2 and Tier 3 miscellaneous employees will be calculated using the average of the highest 36 consecutive months of qualifying compensation.

The City's *Safety Plan* provides Fire Department employees hired before June 23, 2012 with a Tier 1 benefit equal to three percent at 55 years of age, calculated based on the single highest year of qualifying compensation. Effective June 23, 2012, the City provides for modifications to the pension benefit formula for employees hired on or after the effective date (the "Tier 2 fire safety plan".) The three percent at 55 year of age formula is maintained, but the actual retirement benefit will be calculated using the average of the highest 36 consecutive months of qualifying compensation. In addition, the PEPRA legislation, created yet another benefit formula for new hires with no experience or prior service credit with CalPERS. In the case of the City, this will constitute a "Tier 3 fire safety plan" which provides a retirement benefit, referred to as the 2.7 percent at 57 years of age formula. This plan also utilizes the mandated method of calculation based on the average of the highest 36 consecutive months of qualifying compensation.

The City's *Safety Plan* also provides lifeguard employees hired before October 13, 2012 with a Tier 1 benefit equal to three percent at 55 years of age, calculated based on the single highest year of qualifying compensation. The lifeguards have Tier 2 and Tier 3 (PEPRA) plans which are identical to the *Fire Plan* described above.

The *SDWD Plan* provides employees hired before October 13, 2012 with a Tier 1 benefit equal to 2.7 percent at 55 years of age, calculated based on the single highest year of qualifying compensation. As of October 13, 2012, the Board of Directors imposed new terms and conditions which created a new benefit formula for employees hired after the effective date of the change (the "Tier 2 Plan"). Employees hired under the Tier 2 Plan receive a lower benefit formula, referred to as the two percent at 60 years of age formula. In addition, PEPRA created yet another benefit formula for new hires with no experience or prior service credit with CalPERS. In the case of the District, this will constitute a "Tier 3 Plan" which provides a retirement benefit, referred to as the 2 percent at 62 years of age formula. The actual retirement benefit for Tier 2 and Tier 3 employees will be calculated using the average of the highest 36 consecutive months of qualifying compensation.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 13 – California Public Employees’ Retirement System (Continued)

Employees Covered by Benefit Terms

As of the measurement date June 30, 2020, the following employees were covered by the benefit terms for the City’s plans:

| | <u>Miscellaneous</u> | <u>Safety</u> | <u>SDWD</u> |
|--|----------------------|---------------|-------------|
| Active employees | 158 | 61 | 22 |
| Inactive employees or beneficiaries currently receiving benefits | 156 | 83 | 33 |
| Inactive employees entitled to, but not yet receiving benefits | 174 | 50 | 13 |
| Total | <u>488</u> | <u>194</u> | <u>68</u> |

Contributions

Miscellaneous Plan

Employee Contributions

Active City Tier 1 miscellaneous members are required to contribute eight percent of their annual covered salary (the "employee contribution"). Effective October 13, 2012, all City Tier 1 miscellaneous members contribute the full eight percent, which is credited to their individual accounts. Members receiving the Tier 2 or Tier 3 benefits are required to contribute seven percent and 6.25 percent of their annual covered salary, respectively. The employee contribution requirements are established by State statute.

Employer Contributions

The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members (the "employer contributions"). The employer normal cost contribution rate for Fiscal Year 2020-21 was 11.755 percent for miscellaneous members. The employer contribution rates are calculated and established annually by CalPERS, based on the actuarial methods and assumptions as adopted by the CalPERS Board of Administration.

Safety Plan

Active fire and lifeguard members are required to contribute 9 to 12.75 percent of their annual covered salary (the "employee contribution"). The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members (the "employer contributions"). The employer contribution rates for Fiscal Year 2020-21 were 13.884 to 23.558 percent for fire members and 13.044 to 21.746 percent for lifeguard members. The employer contribution rates are calculated and established annually by CalPERS, based on the actuarial methods and assumptions adopted by the CalPERS Board of Administration.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 13 – California Public Employees' Retirement System (Continued)

Contributions (Continued)

SDWD Plan

Active members in the Tier 1 Plan are required to contribute eight percent of their annual covered salary (the "employee contribution"). Effective October 13, 2012, all Tier 1 members contribute the full eight percent, which is credited to their individual accounts. Members receiving the Tier 2 or Tier 3 benefits are required to contribute seven percent, and 6.25 percent of their annual covered salary, respectively. The employee contribution requirements are established by State statute.

SDWD is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members (the "employer contributions"). The employer contribution rates for the year ended June 30, 2021 for Tier 1, Tier 2, and PEPRAs employees were 14.194 percent, 8.794 percent, and 7.732 percent, respectively. The employer contribution rates are calculated and established annually by CalPERS, based on the actuarial methods and assumptions as adopted by the CalPERS Board of Administration.

Net Pension Liability

Actuarial Methods and Assumptions Used to Determine Total Pension Liability (All Plans)

For the measurement period ended June 30, 2020, the total pension liability was determined by rolling forward the June 30, 2019 total pension liability. The June 30, 2019 and June 30, 2020 total pension liabilities were based on the following actuarial methods and assumptions:

| | |
|----------------------------------|--|
| Actuarial Cost Method | Entry Age Normal in accordance with the requirements of No. 68 |
| Actuarial Assumptions: | |
| Discount Rate | 7.15% |
| Inflation | 2.50% |
| Salary Increases | Varies by Entry Age and Service |
| Mortality Rate Table | Derived using CalPERS' Membership Data for all funds |
| Post Retirement Benefit Increase | The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter |

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 13 – California Public Employees’ Retirement System (Continued)

Discount Rate (Continued)

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

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

| Asset Class ¹ | Assumed Asset Allocation | Real Return 1 - 10 ² | Real Return 11 + ³ |
|---------------------------------|---|--|--|
| Global equity | 50.0% | 4.80% | 5.98% |
| Fixed income | 28.0 | 1.00 | 2.62 |
| Inflation assets | - | 0.77 | 1.81 |
| Private equity | 8.0 | 6.30 | 7.23 |
| Real assets | 13.0 | 3.75 | 4.93 |
| Liquidity | 1.0 | - | (0.92) |

¹ In the CalPERS ACFR, fixed income is included in global debt securities; liquidity is included in short-term investments; inflation assets are included in both global equity securities and global debt securities.

² An expected inflation of 2.00 percent was used for this period.

³ An expected inflation of 2.92 percent was used for this period.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 13 – California Public Employees’ Retirement System (Continued)

Changes in the Net Pension Liability

The following tables show the changes in the net pension liability recognized over the measurement period for the Miscellaneous Plan:

| | Increase (Decrease) | | |
|---|--------------------------------|------------------------------------|--------------------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability/(Asset) |
| | (a) | (b) | (c) = (a) - (b) |
| Balance at June 30, 2019 (Valuation Date) | \$ 114,964,209 | \$ 90,314,870 | \$ 24,649,339 |
| Changes Recognized for the Measurement Period: | | | |
| Service Cost | 2,434,146 | - | 2,434,146 |
| Interest on the total pension liability | 8,158,681 | - | 8,158,681 |
| Difference between expected and actual experience | 372,587 | - | 372,587 |
| Contributions from the employer | - | 3,929,445 | (3,929,445) |
| Contributions from employees | - | 1,026,068 | (1,026,068) |
| Net investment income, net of administrative expense | - | 4,507,691 | (4,507,691) |
| Benefit payments, including refunds of employee contributions | (4,892,893) | (4,892,893) | - |
| Administrative expense | - | (127,322) | 127,322 |
| Other expense | - | - | - |
| Net Changes during July 1, 2019 to June 30, 2020 | 6,072,521 | 4,442,989 | 1,629,532 |
| Balance at June 30, 2020 (Measurement Date) | <u>\$ 121,036,730</u> | <u>\$ 94,757,859</u> | <u>\$ 26,278,871</u> |

As of June 30, 2021, the City reported net pension liabilities for its proportionate shares of the net pension liability of the Safety Plan as follows:

| | Plan Total Pension Liability | Plan Fiduciary Net Position | Plan Net Pension Liability/(Asset) |
|---|-------------------------------------|------------------------------------|---|
| Balance at June 30, 2019 (Valuation date) | \$ 96,757,950 | \$ 71,581,823 | \$ 25,176,127 |
| Balance at June 30, 2020 (Measurement date) | 101,149,747 | 73,544,213 | 27,605,534 |
| Net changes during 2019-2020 | <u>\$ 4,391,797</u> | <u>\$ 1,962,390</u> | <u>\$ 2,429,407</u> |

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 13 – California Public Employees’ Retirement System (Continued)

The City’s net pension liability for the Safety Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 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 the Safety Plan as of measurement date June 30, 2020 was as follows:

| | Safety Plan |
|--------------------------------------|------------------------|
| Proportionate share at June 30, 2019 | 0.40330% |
| Proportionate share at June 30, 2020 | <u>0.41435%</u> |
| Change - Increase/(Decrease) | <u>0.01105%</u> |

As of June 30, 2021, the City reported net pension liabilities for its proportionate shares of the net pension liability of the SDWD Plan as follows:

| | Plan Total Pension Liability | Plan Fiduciary Net Position | Plan Net Pension Liability/(Asset) |
|---|---|--|---|
| Balance at June 30, 2019 (Valuation Date) | \$ 23,722,943 | \$ 16,145,141 | \$ 7,577,802 |
| Balance at June 30, 2020 (Measurement Date) | <u>24,274,921</u> | <u>17,181,179</u> | <u>7,093,742</u> |
| Net changes during 2019-2020 | <u>\$ 551,978</u> | <u>\$ 1,036,038</u> | <u>\$ (484,060)</u> |

The City’s net pension liability for the SDWD Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2020, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The City’s proportionate share of the net pension liability for the SDWD Plan as of June 30 was as follows:

| | SDWD Plan |
|--------------------------------------|----------------------|
| Proportionate share at June 30, 2019 | 0.18923% |
| Proportionate share at June 30, 2020 | <u>0.16817%</u> |
| Change - Increase/(Decrease) | <u>(0.02106%)</u> |

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 13 – California Public Employees’ Retirement System (Continued)

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

The following presents the net pension liability of the Miscellaneous Plan, Safety Plan, and SDWD Plan as of the measurement date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.15 percent) or one percentage point higher (8.15 percent) than the current rate:

| | Plan's Net Pension Liability/(Asset) | | |
|--------------------|---|--|---------------------------------------|
| | Discount Rate - 1% (6.15%) | Current Discount Rate (7.15%) | Discount Rate + 1% (8.15%) |
| City Miscellaneous | \$ 42,790,678 | \$ 26,278,871 | \$ 12,665,510 |
| City Safety | 41,342,044 | 27,605,534 | 16,333,427 |
| SDWD | 10,324,142 | 7,093,742 | 4,424,564 |
| | <u>\$ 94,456,864</u> | <u>\$ 60,978,147</u> | <u>\$ 33,423,501</u> |

Pension Plan Fiduciary Net Position

Detailed information about the Miscellaneous, Safety, and SDWD Plans’ fiduciary net position is available in a separately issued CalPERS financial report.

Amortization of Deferred Outflows and Inflows of Resources

Under GASB No. 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

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

| | |
|--|--|
| Net difference between projected and actual earnings on pension plan investments | 5 years |
| All other amounts | Straight-line amortization over the expected average remaining service lifetime (EARSL) of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period. |

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 13 – California Public Employees’ Retirement System (Continued)

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

For the year ended June 30, 2021, the City recognized pension expense of \$4,548,787, \$4,718,175, and \$975,950 for the Miscellaneous, Safety and SDWD plans, respectively. At June 30, 2021, the City reported deferred outflows resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Miscellaneous Plan</u> | | <u>Safety Plan</u> | |
|--|---|--|---|--|
| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
| Contribution made after the measurement date | \$ 3,989,449 | \$ - | \$ 3,224,229 | \$ - |
| Difference between expected and actual experience | 688,611 | (30,408) | 2,140,669 | - |
| Difference between employer's contribution and proportionate share of contribution | - | - | - | (1,086,352) |
| Changes of assumptions | - | (46,190) | - | (91,955) |
| Net difference between projected and actual earnings on pension plan investments | 822,738 | - | 599,984 | - |
| Adjustments due to difference in proportions | - | - | 928,460 | - |
| Total | <u>\$ 5,500,798</u> | <u>\$ (76,598)</u> | <u>\$ 6,893,342</u> | <u>\$ (1,178,307)</u> |

The \$3,989,449 and \$3,224,229 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 fiscal 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:

| | <u>Miscellaneous Plan</u> | <u>Safety Plan</u> | |
|--|---|---|---|
| <u>Measurement Period Ending June 30</u> | <u>Deferred Outflows (Inflows) of Resources</u> | <u>Deferred Outflows (Inflows) of Resources</u> | <u>Deferred Outflows (Inflows) of Resources Total</u> |
| 2021 | \$ 135,391 | \$ 618,682 | \$ 754,073 |
| 2022 | 429,190 | 913,889 | 1,343,079 |
| 2023 | 484,993 | 657,612 | 1,142,605 |
| 2024 | 385,177 | 300,623 | 685,800 |
| 2025 | - | - | - |
| Thereafter | - | - | - |
| | <u>\$ 1,434,751</u> | <u>\$ 2,490,806</u> | <u>\$ 3,925,557</u> |

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 13 – California Public Employees’ Retirement System (Continued)

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pension (Continued)

For the year ended June 30, 2021, the City recognized pension expense of \$975,950 for the SDWD Plan. At June 30, 2021 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred outflows of Resources | Deferred inflows of Resources |
|---|---|--|
| Contribution made after the measurement date | \$ 617,487 | \$ - |
| Difference between expected and actual experience | 365,562 | - |
| Changes of assumptions | - | (50,595) |
| Net difference between projected and actual earnings on pension plan investments | 210,731 | - |
| Difference between employer's actual contributions and proportionate share of contributions | 599,448 | (62,330) |
| Adjustments due to difference in proportions | 21,861 | (631,146) |
| Total | <u>\$ 1,815,089</u> | <u>\$ (744,071)</u> |

The \$617,487 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 fiscal 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:

| Measurement Period Ending June 30 | Deferred Outflows (Inflows) Of Resources |
|--|---|
| 2021 | \$ (1,085) |
| 2022 | 193,277 |
| 2023 | 160,267 |
| 2024 | 101,072 |
| 2025 | - |
| Thereafter | - |
| | <u>\$ 453,531</u> |

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 14 – Other Postemployment Benefits (OPEB)

The City of Encinitas and the San Dieguito Water District maintain separate plans to provide for post-retirement health care benefits. An actuarial report is prepared every two years to update plan information and assumptions (when required). The latest actuarial valuation was prepared for June 30, 2020 and was used to determine the June 30, 2020 measurement date amounts.

A. Summary

The information in the following table includes the aggregate total OPEB related items for the City and SDWD:

| | City | SDWD | Total |
|-------------------------------|--------------|-------------|--------------|
| Net OPEB Liabilities | \$ 5,926,863 | \$ 213,196 | \$ 6,140,059 |
| Deferred Outflow of Resources | 1,184,823 | 60,059 | 1,244,882 |
| Deferred Inflow of Resources | 1,353,923 | 34,381 | 1,388,304 |
| OPEB Expense | 411,207 | 29,428 | 440,635 |

B. City of Encinitas Retiree Health Plan

Plan Description

The City provides postretirement health care benefits through the Public Employees Medical and Hospital Care Act (PEMHCA), which is a defined benefit agent multiple-employer health benefit plan administered by CalPERS, to eligible employees who retire directly from the City. The City pays the cost for lifetime retiree and dependent medical benefits (average premium for CalPERS health plans available in San Diego County) for fire department employees hired before March 16, 1995. Other City retirees receive the PEMHCA minimum benefit, as determined by CalPERS. The City's financial obligation is to provide the CalPERS minimum required employee contribution (\$136 per month in 2019, \$139 per month in 2020, and in future years, indexed to medical CPI increases) except for former Encinitas Fire Protection District employees hired on or before March 15, 1995 who receive full retiree health benefits for both the employee and their dependents. The City does not provide a retiree contribution for dental, vision, or life insurance benefits. The City's OPEB plan does not issue a separate stand-alone report.

The City has elected to join the *California Employers' Retiree Benefit Trust* (the "Trust") in accordance with GASB Statement No. 75, which provides a means to fund the annual OPEB costs, referred to as the *Actuarially Determined Contribution* (ADC). The ADC includes the normal cost (current accrual for benefits being earned) plus an amortization of the unfunded accrued liability or net OPEB liability over 15 years on level-percentage of pay basis. The City's funding policy is to pre-fund the ADC through the Trust.

Eligibility

Employees of the City are eligible for retiree health benefits if they retire from the City and commence pension benefits under PERS (typically on or after age 50 with at least five years of PERS eligible service). Membership in the plan consisted of the following at June 30, 2020, the date of the latest actuarial valuation:

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 14 – Other Postemployment Benefits (OPEB) (Continued)

B. City of Encinitas Retiree Health Plan (Continued)

| | |
|--|------------|
| Active plan members | 226 |
| Inactive plan members or beneficiaries currently receiving benefits | 86 |
| Total | <u>312</u> |

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2020. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. The net OPEB liability at June 30, 2021 was:

| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability/(Asset) (c) = (a) - (b) |
|---|---|--|---|
| Balance at June 30, 2019 (Valuation Date) | \$ 11,547,054 | \$ 4,765,600 | \$ 6,781,454 |
| Changes Recognized for the Measurement Period: | | | |
| Service Cost | 218,453 | - | 218,453 |
| Interest on the total OPEB liability | 791,330 | - | 791,330 |
| Change of assumptions | - | | - |
| Difference between expected and actual experience | (291,076) | | (291,076) |
| Employer contributions | - | 1,370,746 | (1,370,746) |
| Net investment income | - | 205,412 | (205,412) |
| Benefit payments, including refunds of member contributions | (937,434) | (937,434) | - |
| Administrative expenses | - | (2,860) | 2,860 |
| Net Changes during July 1, 2019 to June 30, 2020 | <u>(218,727)</u> | <u>635,864</u> | <u>(854,591)</u> |
| Balance at June 30, 2020 (Measurement Date) | <u>\$ 11,328,327</u> | <u>\$ 5,401,464</u> | <u>\$ 5,926,863</u> |

Actuarial Assumptions

The net OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---------------------------|--|
| Actuarial Cost Method: | Entry Age Normal |
| Discount Rate | 7.00% |
| Inflation | 2.50% |
| Investment Rate of Return | 7.00%, assuming actuarially determined contributions funded into CERBT Investment Strategy 1. |
| Healthcare Trend Rate | Based on actual rate for 2021 and decreasing in 2022 from 6.00% to 5.00% in 2024 and thereafter. |

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 14 – Other Postemployment Benefits (OPEB) (Continued)

B. City of Encinitas Retiree Health Plan (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2019 to June 30, 2020.

Discount Rate

The discount rate used to measure the net OPEB liability was seven percent. This discount rate assumes the City continues to fully fund for its retiree health benefits through the California Employers' Retiree Benefit Trust (CERBT) under its investment allocation Strategy 1. The rate reflects the CERBT published median interest rate for Strategy 1 of 7.28 percent with an additional margin for adverse deviation.

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return* |
|--------------------|--------------------------|--|
| Global equity | 59.00% | 5.50% |
| Fixed income | 25.00% | 2.35% |
| Inflation assets | 5.00% | 1.50% |
| Commodities | 3.00% | 1.75% |
| REITs | 8.00% | 3.65% |

* Long-term expected rate of return is 7.00 percent

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

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate 1-percentage-point lower (six percent) or 1-percentage-point higher (eight percent) than the current discount rate:

| | Discount Rate - 1% (6.00%) | Current Discount Rate (7.00%) | Discount Rate + 1% (8.00%) |
|-----------------------|---------------------------------------|--|---------------------------------------|
| Net OPEB Liability \$ | 7,209,086 | \$ 5,926,863 | \$ 4,855,595 |

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 14 – Other Postemployment Benefits (OPEB) (Continued)

B. City of Encinitas Retiree Health Plan (Continued)

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

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

| | 1% Decrease | | Current Rate | | 1% Increase |
|-----------------------|--------------------------------------|----|--------------------------------------|----|--------------------------------------|
| | 5.00% decreasing to 4.00% | | 6.00% decreasing to 5.00% | | 7.00% decreasing to 6.00% |
| | <u> </u> | | <u> </u> | | <u> </u> |
| Net OPEB Liability \$ | 4,698,465 | \$ | 5,926,863 | \$ | 7,404,833 |

Contributions

The City's policy is to fund the ADC, which includes the normal cost (current accrual for benefits being earned) plus an amortization of the net (unfunded accrued) OPEB liability.

OPEB Liabilities, OPEB Expense and Deferred Outflows/Inflows of Resources to OPEB

For the year ended June 30, 2021, the City recognized OPEB expense of \$411,207 for the City Plan. At June 30, 2021 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| | <u> </u> | <u> </u> |
| OPEB contribution made after the measurement period | \$ 1,157,839 | \$ - |
| Changes of assumptions | - | (19,663) |
| Difference between expected actual experience | - | (1,334,260) |
| Net difference between projected and actual earnings on investments | 26,984 | - |
| | <u>\$ 1,184,823</u> | <u>\$ (1,353,923)</u> |

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 14 – Other Postemployment Benefits (OPEB) (Continued)

B. City of Encinitas Retiree Health Plan (Continued)

OPEB Liabilities, OPEB Expense and Deferred Outflows/Inflows of Resources to OPEB (Continued)

The \$1,157,839 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

| Measurement Period Ending June 30 | Deferred Outflows (Inflows) of Resources |
|--|---|
| 2021 | \$ (253,034) |
| 2022 | (214,265) |
| 2023 | (193,086) |
| 2024 | (190,991) |
| 2025 | (219,590) |
| Thereafter | (255,973) |
| | <u>\$ (1,326,939)</u> |

C. San Dieguito Water District – Retiree Health Plan

The San Dieguito Water District maintains a separate plan to provide for post-retirement health care benefits. An actuarial report is prepared every two years to update plan information and assumptions (when required). The latest actuarial valuation as of June 30, 2020 was used to determine the June 30, 2020 measurement date amounts.

Plan Description

SDWD provides postretirement health care benefits through the Public Employees Medical and Hospital Care Act (PEMHCA), which is a defined benefit agent multiple-employer health benefit plan administered by CalPERS, to eligible employees who retire directly from SDWD. Retirees receive the PEMHCA minimum benefit, as determined by CalPERS. SDWD does not provide a retiree contribution for dental, vision, or life insurance benefits. SDWD's OPEB plan does not issue a separate stand-alone report.

SDWD has elected to join the *California Employers' Retiree Benefit Trust* (the "Trust") in accordance with GASB Statement No. 75, which provides a means to fund the annual OPEB costs, referred to as the *Actuarially Determined Contribution* (ADC). The ADC includes the normal cost (current accrual for benefits being earned) plus an amortization of the unfunded accrued liability or net OPEB liability over 15 years on a level-percentage of pay basis. SDWD's funding policy is to pre-fund the ADC through the trust.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 14 – Other Postemployment Benefits (OPEB) (Continued)

C. San Dieguito Water District – Retiree Health Plan (Continued)

Eligibility

Employees of SDWD are eligible for retiree health benefits if they retire from SDWD and commence pension benefits under CalPERS (typically on or after age 50 with at least five years of CalPERS eligible service). Membership in the plan consisted of the following at June 30, 2020, the date of the latest actuarial valuation:

| | |
|--|-----------|
| Active plan members | 24 |
| Inactive plan members or beneficiaries currently receiving benefits | 21 |
| Total | <u>45</u> |

Change in the Net OPEB Liability

SDWD's net OPEB liability was measured as of June 30, 2020. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. The net OPEB liability at June 30, 2021 was:

| | Increase (Decrease) | | |
|--|---|--|---|
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability/(Asset) (c) = (a) - (b) |
| Balance at June 30, 2020 (Measurement Date: June 30, 2019) | \$ 500,683 | \$ 275,664 | \$ 225,019 |
| Changes Recognized for the Measurement Period: | | | |
| Service cost | 21,235 | - | 21,235 |
| Interest on the total OPEB liability | 35,691 | - | 35,691 |
| Contributions from the employer | - | 53,542 | (53,542) |
| Net investment income, net of administrative expense | - | 11,264 | (11,264) |
| Difference between expected and actual experience | (4,100) | - | (4,100) |
| Benefit payments, including refunds of employee contributions | (24,514) | (24,514) | - |
| Administrative expense | - | (157) | 157 |
| Net Changes | <u>28,312</u> | <u>40,135</u> | <u>(11,823)</u> |
| Balance at June 30, 2021 (Measurement Date: June 30, 2020) | <u>\$ 528,995</u> | <u>\$ 315,799</u> | <u>\$ 213,196</u> |

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 14 – Other Postemployment Benefits (OPEB) (Continued)

C. San Dieguito Water District – Retiree Health Plan (Continued)

Actuarial Assumptions

The net OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---------------------------|--|
| Actuarial Cost Method: | Entry Age Normal |
| Actuarial Assumptions: | |
| Discount Rate | 7.00% |
| Inflation | 2.50% |
| Wage Inflation | 2.75% per annum, in aggregate |
| Investment Rate of Return | 7.00%, assuming actuarially determined contributions funded into CERBT Investment |
| Healthcare Trend Rate | Based on actual rate for 2021 and decreasing in 2022 from 6.00% to 5.00% in 2024 and |

Discount Rate

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

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

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return* |
|-------------------------------|------------------------------|--|
| Global equity | 59.00% | 5.50% |
| Global debt security | 25.00% | 2.35% |
| Inflation assets | 5.00% | 1.50% |
| Commodities | 3.00% | 1.75% |
| Real estate investment trusts | 8.00% | 3.65% |
| | <u>100.00%</u> | |

* Long-term expected rate of return is 7.00 percent

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 14 – Other Postemployment Benefits (OPEB) (Continued)

C. San Dieguito Water District – Retiree Health Plan (Continued)

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

The following presents the net OPEB liability of SDWD, as well as what SDWD's net OPEB liability would be if it were calculated using a discount rate 1-percentage point lower (6.00 percent) or 1-percentage point higher (8.00 percent) than the current discount rate:

| | Discount Rate - 1% | | Current Discount | | Discount Rate + 1% |
|-----------------------|---------------------------|----|-------------------------|----|---------------------------|
| | (6.00%) | | Rate (7.00%) | | (8.00%) |
| Net OPEB Liability \$ | 273,049 | \$ | 213,196 | \$ | 162,977 |

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

The following presents the net OPEB liability of SDWD, as well as what SDWD's net OPEB liability would be if it were calculated using healthcare cost trend rates 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

| | 1% Decrease | | Current Rate | | 1% Increase |
|-----------------------|-----------------------------------|----|-----------------------------------|----|-----------------------------------|
| | 5.00% | | 6.00% | | 7.00% |
| | <u>decreasing to 4.00%</u> | | <u>decreasing to 5.00%</u> | | <u>decreasing to 6.00%</u> |
| Net OPEB Liability \$ | 153,171 | \$ | 213,196 | \$ | 285,905 |

Contributions

SDWD's policy is to fund the ADC, which includes the normal cost (current accrual for benefits being earned) plus an amortization of the net (unfunded accrued) OPEB liability.

OPEB Expense and Deferred Outflows/Inflows of Resources to OPEB

For the year ended June 30, 2021, SDWD recognized OPEB expense of \$29,428 for the SDWD Plan. At June 30, 2021, SDWD reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows | Deferred Inflows |
|---|--------------------------|-------------------------|
| | of Resources | of Resources |
| OPEB contribution subsequent to the measurement date | \$ 55,006 | \$ - |
| Changes of assumptions | 1,317 | - |
| Difference between expected and actual experience | | (34,381) |
| Net difference between projected and actual earnings on OPEB plan investments | 3,736 | - |
| Total | <u>\$ 60,059</u> | <u>\$ (34,381)</u> |

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 14 – Other Postemployment Benefits (OPEB) (Continued)

C. San Dieguito Water District – Retiree Health Plan (Continued)

OPEB Expense and Deferred Outflows/Inflows of Resources to OPEB (Continued)

The \$55,006 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

| Measurement Period Ending June 30 | Deferred Outflows (Inflows) of Resources |
|--|---|
| 2021 | \$ (7,363) |
| 2022 | (5,598) |
| 2023 | (4,600) |
| 2024 | (4,691) |
| 2025 | (6,492) |
| Thereafter | (584) |
| | <u>\$ (29,328)</u> |

Note 15 – Encinitas Ranch Golf Authority

The Encinitas Ranch Golf Authority (the “Golf Authority”) is a joint powers authority, formed by the City and SDWD in 1995 to finance, own, and operate an 18-hole golf course (the “Golf Course”) within the City. The Golf Course was constructed in connection with the development of the Encinitas Ranch master-planned community (the “Ranch”). The Ranch is a mixed-use community of residential, commercial and agricultural development within the City. As a condition to the development of the Ranch, the Cartas Company (the “Developer”), agreed to dedicate land for and construct the Golf Course improvements. The Golf Course opened to the public on March 1, 1998 and is managed and operated under a contract arrangement with a private company.

The Golf Authority is governed by a five-member Board of Directors, the membership of which is specified in the 1994 Encinitas Ranch Development Agreement. It is a self-sustaining golf course operation and receives no financial support from the City or SDWD. In future years, depending on the net revenues from golf operations, the City may benefit financially from the operations. However, this is unlikely until at least 2030, when the Golf Course bonded debt is expected to be paid off.

The debts and obligations of the Golf Authority are not the debts and obligations of the City or SDWD. Separate audited financial statements of the Golf Authority are available at the City's administrative office.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 16 – Special Assessment Debt

City of Encinitas - Community Facilities District (CFD) #1: Encinitas Ranch Community

During Fiscal Year 2012-13, the City, on behalf of the residents and businesses of the Community Facilities District (“CFD”) #1, refunded all of the outstanding bonds of the 2004 Special Tax Bonds, Series A, via a current refunding transaction. The CFD #1 issued \$32,265,000 par value of 2012 Special Tax Refunding Bonds (Encinitas Ranch Public Improvements), at lower interest rates, while maintaining the same general terms and conditions, including the final maturity date of September 1, 2030. The transaction will save the taxpayers an average of \$170,000 in annual debt service, or about six percent of the average annual debt service of the prior bonds.

As of June 30, 2021, the outstanding balance on the 2012 Special Tax Refunding Bonds was \$20,635,000. The City acts solely as an agent for CFD #1. The City has no duty or obligation to pay any liabilities or potential liabilities of the district. Neither the full faith and credit, nor the taxing power of the City or any other City related agency, is pledged to the repayment of these 2012 Special Tax Refunding Bonds. Therefore, such bonds are not considered to be a liability of the City and are not included in the accompanying basic financial statements.

City of Encinitas – Duties and Responsibilities

The City acts as the agent for this Assessment District, collecting the assessments and paying the CFD’s bills, as well as other administrative duties. The City has no duty or obligation to pay any liabilities or potential liabilities of the CFD. Neither the full faith and credit, nor the taxing power of the City or any other City related agency, is pledged in connection with this bond issue. Therefore, such bonds are not considered to be a liability of the City and are not included in the accompanying basic financial statements.

Note 17 – Other Required Disclosures

Deficit Fund Balances/Net Position

At June 30, 2021, the Infrastructure Improvements Special Revenue fund had a fund deficit of \$7,140,370. The deficit is anticipated to be funded from future grants, other revenues, and operating or capital transfers.

At June 30, 2021, the Wastewater Support Internal Service fund had a fund deficit of \$334,590. The deficit is anticipated to be funded by Cardiff Sanitary Division and Encinitas Sanitary Division funds.

At June 30, 2021, the Vehicle Maintenance Internal Service fund had a deficit of \$180,249. The deficit is anticipated to be funded by the General Fund, the Cardiff Sanitary Division, Encinitas Sanitary Division and San Dieguito Water District funds.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 18 – Prior Period Restatement

The City implemented the Governmental Accounting Standards Board (GASB) Statement No. 84 related to Fiduciary Activities. Accordingly, Net Position for the custodial funds was restated as of July 1, 2020 as follows:

| | Investment Custodial Fund | Custodial Fund |
|--|------------------------------|---------------------|
| Beginning net position, as previously reported | \$ - | \$ - |
| Implementation of GASB 84 | <u>2,057,056</u> | <u>4,441,141</u> |
| Net position, beginning of year, as restated | <u>\$ 2,057,056</u> | <u>\$ 4,441,141</u> |

Note 19 – Subsequent Event

On July 28, 2021, Encinitas Public Financing Authority (on behalf of the City of Encinitas) issued Federally Taxable Lease Revenue Refunding Bonds, Series 2021A in the amount of \$9,505,000 to advance refund a portion of outstanding Lease Revenue Bonds, Series 2014B issued to acquire Pacific View property and pay costs of issuance in connection with the issuance of the 2021 Bonds. The Series 2021 Bonds are limited obligations of the EPFA secured solely by the lease revenue payments paid by the City of Encinitas for the use and occupancy of the leased property. Annual debt service payments range from \$ 117,928 to \$ 574,581. The final maturity date for the 2021 Term Bonds is October 1, 2044.

On August 4, 2021, the City of Encinitas on behalf of the Community Facilities District No. 1 issued taxable special tax refunding Bonds in the amount of \$19,105,000 to advance refund the outstanding 2012 taxable special tax refunding bonds, fund a reserve and pay costs of issuance and insurance in connection with the issuance of the 2021 Bonds. The Series 2021 Bonds are payable from and secured by a pledge of certain special tax revenue and are not an obligation of the City. The bonds mature September 1, 2030 and annual debt service payments range from \$ 2,273,401 to \$ 2,308,734.



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REQUIRED SUPPLEMENTARY INFORMATION



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City of Encinitas
Required Supplementary Information
For the Year Ended June 30, 2021

Note 1 – Budgetary Information

Budget and Budgetary Accounting:

The City follows these procedures in establishing the budgetary data reflected in the required supplementary information and other supplementary information budgetary comparison schedules:

The City Council adopts a two-year operating budget, with appropriations for the first year only. The annual budget provides for the general operations of the City. It includes all proposed expenditures and inter-fund transfers, and the means of financing them. The Council also approves any amendments to appropriations throughout the year, generally at the mid-year budget review in February. This “appropriated budget” covers substantially all City expenditures, with the exception of capital improvement projects, which expenditures constitute a legally authorized “non-appropriated budget.” The legal level of budgetary control is the fund level. The budget figures used in the required supplementary information are both original and final budgeted amounts. The final budget amount includes any amendments approved during the year.

Formal budgetary integration is employed as a management control device. Commitments for materials and services, such as purchase orders and contracts, are recorded during the year as encumbrances to assist in controlling expenditures. Appropriations which are unencumbered lapse at year end. City Council approval is required to include any unencumbered appropriations at year end in the following fiscal year’s budget as continuing appropriations.

Budgets for the General Fund and special revenue funds are adopted on a basis substantially consistent with accounting principles generally accepted in the United States of America. Accordingly, actual revenue and expenditures can be compared with related budgeted amounts without any significant reconciling items. No budgetary comparisons are presented for the debt service, capital projects, or proprietary funds, as the City is not legally required to adopt an annual budget for those types of funds.

Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller, returned to the taxpayers through revised tax rates or revised fee schedules, or an excess in one year may be offset against a deficit in the following year. Further, Section 5 of Article XIII B allows the City to designate a portion of fund balance for general contingencies to be used in future years without limitation.

Expenditures in the Infrastructure Improvements Fund exceeded appropriations by \$675,806. This is due to COVID-19 expenditures to be reimbursed by the Federal government (CARES Act and the American Rescue Plan Act). The actuals expense over budget was offset by actual revenues exceeding the budget by \$1,017,754.

City of Encinitas
Required Supplementary Information
For the Year Ended June 30, 2021

Note 2 – Budgetary Comparison Schedule

General Fund

| | Budgeted Amounts | | | Variance with |
|----------------------------------|------------------|---------------|---------------|---------------|
| | Original | Final | Actual | Final Budget |
| REVENUES: | | | | |
| Taxes: | | | | |
| Property | \$ 51,689,530 | \$ 52,189,530 | \$ 52,521,878 | \$ 332,348 |
| Real property transfer | 520,000 | 600,000 | 1,155,082 | 555,082 |
| Sales | 11,898,717 | 13,290,000 | 15,453,648 | 2,163,648 |
| Franchise | 2,206,311 | 2,206,311 | 2,253,970 | 47,659 |
| Transient occupancy | 1,650,704 | 1,650,704 | 2,258,444 | 607,740 |
| Total taxes | 67,965,262 | 69,936,545 | 73,643,022 | 3,706,477 |
| Licenses and permits | 235,200 | 262,680 | 261,950 | (730) |
| Intergovernmental | 674,947 | 674,947 | 740,163 | 65,216 |
| Charges for services | 6,958,742 | 6,606,063 | 5,862,696 | (743,367) |
| Fines, forfeitures and penalties | 404,153 | 404,153 | 232,873 | (171,280) |
| Use of money and property | 837,361 | 724,166 | 301,159 | (423,007) |
| Other | 548,811 | 1,680,565 | 2,285,674 | 605,109 |
| Total revenues | 77,624,476 | 80,289,119 | 83,327,537 | 3,038,418 |
| EXPENDITURES: | | | | |
| General government: | | | | |
| City Council | 473,279 | 473,279 | 439,692 | 33,587 |
| City Attorney | 690,500 | 690,500 | 690,465 | 35 |
| City Manager | 5,101,113 | 5,217,580 | 4,982,657 | 234,923 |
| City Clerk | 726,049 | 726,049 | 485,720 | 240,329 |
| Finance | 2,059,020 | 2,059,020 | 1,979,410 | 79,610 |
| Non-departmental | 4,417,894 | 4,578,539 | 4,351,933 | 226,606 |
| Total general government | 13,467,855 | 13,744,967 | 12,929,877 | 815,090 |
| Public safety: | | | | |
| Law enforcement | 16,774,200 | 16,774,200 | 16,431,437 | 342,763 |
| Fire and marine safety | 17,262,109 | 18,011,940 | 17,852,019 | 159,921 |
| Total public safety | 34,036,309 | 34,786,140 | 34,283,456 | 502,684 |
| Public works: | | | | |
| Administration | 509,743 | 509,743 | 499,523 | 10,220 |
| Environmental programs | 2,100 | 2,100 | 981 | 1,119 |
| Street maintenance | 2,908,005 | 2,858,005 | 2,800,092 | 57,913 |
| Facility maintenance | 1,586,552 | 1,618,952 | 1,515,951 | 103,001 |
| Stormwater | 1,553,956 | 1,603,956 | 1,429,749 | 174,207 |
| Total public works | \$ 6,560,356 | \$ 6,592,756 | \$ 6,246,296 | \$ 346,460 |

City of Encinitas
Required Supplementary Information
For the Year Ended June 30, 2021

Note 2 – Budgetary Comparison Schedule (Continued)

General Fund (Continued)

| | Budgeted Amounts | | | Variance with |
|---|------------------|----------------|----------------------|---------------|
| | Original | Final | Actual | Final Budget |
| Development services - planning: | | | | |
| Planning | \$ 3,172,637 | \$ 3,456,747 | \$ 3,277,151 | \$ 179,596 |
| Code enforcement | 2,410,113 | 2,560,113 | 2,190,390 | 369,723 |
| Building services | 1,004,433 | 805,058 | 797,708 | 7,350 |
| Total development services - planning | 6,587,183 | 6,821,918 | 6,265,249 | 556,669 |
| Development services - engineering: | | | | |
| City engineering | 1,231,819 | 1,236,819 | 1,190,958 | 45,861 |
| Traffic engineering | 606,530 | 658,885 | 609,752 | 49,133 |
| Coastal zone management | 1,282,414 | 1,282,418 | 1,237,120 | 45,298 |
| Total development services - engineering | 3,120,763 | 3,178,122 | 3,037,830 | 140,292 |
| Parks and recreation: | | | | |
| Administration | 1,263,461 | 1,213,461 | 1,237,063 | (23,602) |
| Park services | 2,545,596 | 2,542,796 | 2,234,300 | 308,496 |
| Beach services | 581,935 | 683,937 | 573,243 | 110,694 |
| Recreational services | 673,177 | 529,717 | 436,025 | 93,692 |
| Community and senior center | 2,143,464 | 1,674,506 | 1,381,504 | 293,002 |
| Total parks and recreation | 7,207,633 | 6,644,417 | 5,862,135 | 782,282 |
| Capital outlay: | | | | |
| Public safety | 27,000 | 68,020 | 67,393 | 627 |
| Public works | 179,641 | 179,641 | 177,036 | 2,605 |
| Total capital outlay | 206,641 | 247,661 | 244,429 | 3,232 |
| Total expenditures | 71,186,740 | 72,015,981 | 68,869,272 | 3,146,709 |
| EXCESS OF REVENUES OVER EXPENDITURES | 6,437,736 | 8,273,138 | 14,458,265 | 6,185,127 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in - operating | 2,548,289 | 2,138,289 | 2,165,555 | 27,266 |
| Transfers in - capital | 4,733,514 | 6,906,605 | 5,217,743 | (1,688,862) |
| Transfers out - operating | (3,614,052) | (3,275,094) | (3,128,961) | 146,133 |
| Transfers out - capital | (8,182,832) | (15,038,252) | (15,038,252) | - |
| Transfers out - debt service | (3,722,269) | (3,722,269) | (3,717,073) | 5,196 |
| Total other financing sources (uses) | (8,237,350) | (12,990,721) | (14,500,988) | (1,510,267) |
| NET CHANGE IN FUND BALANCE | \$ (1,799,614) | \$ (4,717,583) | (42,723) | \$ 4,674,860 |
| Fund balance - beginning of year | | | 27,206,008 | |
| Fund balance - end of year | | | <u>\$ 27,163,285</u> | |

City of Encinitas
Required Supplementary Information
For the Year Ended June 30, 2021

Note 2 – Budgetary Comparison Schedule (Continued)

Infrastructure Improvements Special Revenue Fund

| | Original Budget | Final Budget | Actual Amounts | Variance with Final Budget |
|---|--------------------|---------------------|-----------------------|-------------------------------|
| REVENUES: | | | | |
| Taxes and assessments | \$ 544,881 | \$ 544,881 | \$ 576,289 | \$ 31,408 |
| Intergovernmental | 4,330,780 | 6,107,095 | 9,592,171 | 3,485,076 |
| Use of money and property | <u>-</u> | <u>-</u> | <u>59,487</u> | <u>59,487</u> |
| Total revenues | <u>4,875,661</u> | <u>6,651,976</u> | <u>10,227,947</u> | <u>3,575,971</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | 291,331 | 791,331 | 1,460,865 | (669,534) |
| Public safety | - | - | 95,713 | (95,713) |
| Development services - planning | <u>-</u> | <u>250,000</u> | <u>160,559</u> | <u>89,441</u> |
| Total expenditures | <u>291,331</u> | <u>1,041,331</u> | <u>1,717,137</u> | <u>(675,806)</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>4,584,330</u> | <u>5,610,645</u> | <u>8,510,810</u> | <u>2,900,165</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | - | 3,872,276 | 3,872,276 | - |
| Transfers out | <u>(4,002,057)</u> | <u>(6,209,133)</u> | <u>(6,282,766)</u> | <u>(73,633)</u> |
| Total other financing sources (uses) | <u>(4,002,057)</u> | <u>(2,336,857)</u> | <u>(2,410,490)</u> | <u>(73,633)</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ 582,273</u> | <u>\$ 3,273,788</u> | 6,100,320 | <u>\$ 2,826,532</u> |
| Fund balance (deficit) - beginning of year | | | <u>(13,240,690)</u> | |
| Fund balance (deficit) - end of year | | | <u>\$ (7,140,370)</u> | |

City of Encinitas
Required Supplementary Information
For the Year Ended June 30, 2021

Note 3 - Schedule of Changes in the Net Pension Liability and Related Ratios

Last Ten Fiscal Years*
City Miscellaneous Plan

| Measurement period | 2019-20 | 2018-19 | 2017-18 |
|--|-----------------------|-----------------------|-----------------------|
| Service cost | \$ 2,434,146 | \$ 2,479,472 | \$ 2,258,659 |
| Interest on total pension liability | 8,158,681 | 7,738,502 | 7,270,761 |
| Differences between expected and actual experience | 372,587 | 1,229,327 | (486,531) |
| Changes in assumptions | - | - | (739,046) |
| Changes in benefit terms | - | - | - |
| Benefit payments, including refunds of employee contributions | (4,892,893) | (4,489,668) | (4,164,974) |
| Net change in total pension liability | 6,072,521 | 6,957,633 | 4,138,869 |
| Total pension liability - beginning | 114,964,209 | 108,006,576 | 103,867,707 |
| Total pension liability - ending (a) | \$ 121,036,730 | \$ 114,964,209 | \$ 108,006,576 |
| Plan fiduciary net position | | | |
| Contributions - employer | \$ 3,929,445 | \$ 3,638,301 | \$ 3,755,605 |
| Contributions - employee | 1,026,068 | 1,018,181 | 992,534 |
| Investment income (net of administrative expenses) | 4,507,691 | 5,588,433 | 6,559,803 |
| Benefit payments | (4,892,893) | (4,489,668) | (4,164,974) |
| Other | (127,322) | (60,191) | (351,784) |
| Net change in plan fiduciary net position | 4,442,989 | 5,695,056 | 6,791,184 |
| Plan fiduciary net position - beginning | 90,314,870 | 84,619,814 | 77,828,630 |
| Plan fiduciary net position - ending (b) | \$ 94,757,859 | \$ 90,314,870 | \$ 84,619,814 |
| Net pension liability - ending (a)-(b) | \$ 26,278,871 | \$ 24,649,339 | \$ 23,386,762 |
| Plan fiduciary net position as a percentage of the total pension liability | 78.29% | 78.56% | 78.35% |
| Covered payroll | \$ 14,169,243 | \$ 13,653,405 | \$ 13,562,192 |
| Net pension liability as a percentage of covered payroll | 185.46% | 180.54% | 172.44% |

Notes to Schedule:

Benefit changes There were no changes to benefit terms that applied to all members of the Public Agency Pool.

Changes in Assumptions:

There were no changes in 2020 and 2019. In 2018, demographic assumptions and inflation rate were changed in accordance to CalPERS Experience Study and Review of Actuarial Assumptions December 2017. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent.

*Fiscal Year 2014-15 was the first year of implementation; therefore, only seven years of information are shown.

City of Encinitas
Required Supplementary Information
For the Year Ended June 30, 2021

Note 3 - Schedule of Changes in the Net Pension Liability and Related Ratios (Continued)

Last Ten Fiscal Years*
City Miscellaneous Plan

| Measurement period | 2016-17 | 2015-16 | 2014-15 | 2013-14 |
|--|-----------------------|----------------------|----------------------|----------------------|
| Service cost | \$ 2,427,983 | \$ 2,192,399 | \$ 2,261,277 | \$ 2,448,194 |
| Interest on total pension liability | 6,965,613 | 6,690,503 | 6,333,421 | 5,943,955 |
| Differences between expected and actual experience | (1,781,097) | (801,667) | (126,649) | - |
| Changes in assumptions | 6,066,080 | - | (1,637,757) | - |
| Changes in benefit terms | - | - | - | - |
| Benefit payments, including refunds of employee contributions | (3,466,120) | (3,178,023) | (3,003,676) | (2,990,732) |
| Net change in total pension liability | 10,212,459 | 4,903,212 | 3,826,616 | 5,401,417 |
| Total pension liability - beginning | 93,655,248 | 88,752,036 | 84,925,420 | 79,524,003 |
| Total pension liability - ending (a) | \$ 103,867,707 | \$ 93,655,248 | \$ 88,752,036 | \$ 84,925,420 |
| Plan fiduciary net position | | | | |
| Contributions - employer | \$ 2,944,153 | \$ 2,927,539 | \$ 2,077,263 | \$ 2,278,140 |
| Contributions - employee | 1,015,196 | 1,004,970 | 776,061 | 1,043,925 |
| Investment income (net of administrative expenses) | 7,826,373 | 447,217 | 1,359,388 | 9,816,151 |
| Benefit payments | (3,466,120) | (3,178,023) | (3,003,676) | (2,990,732) |
| Other | (102,777) | (41,718) | 49,406 | - |
| Net change in plan fiduciary net position | 8,216,825 | 1,159,985 | 1,258,442 | 10,147,484 |
| Plan fiduciary net position - beginning | 69,611,805 | 68,451,820 | 67,193,378 | 57,045,894 |
| Plan fiduciary net position - ending (b) | \$ 77,828,630 | \$ 69,611,805 | \$ 68,451,820 | \$ 67,193,378 |
| Net pension liability - ending (a)-(b) | \$ 26,039,077 | \$ 24,043,443 | \$ 20,300,216 | \$ 17,732,042 |
| Plan fiduciary net position as a percentage of the total pension liability | 74.93% | 74.33% | 77.13% | 79.12% |
| Covered payroll | \$ 13,167,177 | \$ 12,783,667 | \$ 12,951,932 | \$ 13,022,309 |
| Net pension liability as a percentage of covered payroll | 197.76% | 188.08% | 156.74% | 136.17% |

Notes to Schedule:

Benefit changes There were no changes to benefit terms that applied to all members of the Public Agency Pool.

Changes in Assumptions:

There were no changes in 2020 and 2019. In 2018, demographic assumptions and inflation rate were changed in accordance to CalPERS Experience Study and Review of Actuarial Assumptions December 2017. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent.

*Fiscal Year 2014-15 was the first year of implementation; therefore, only seven years of information are shown.

City of Encinitas
Required Supplementary Information
For the Year Ended June 30, 2021

Note 4 - Schedule of the City's Proportionate Share of the Net Pension Liability

Last Ten Fiscal Years*
Safety Plan

| Measurement period | 2019-20 | 2018-19 | 2017-18 |
|--|----------------|----------------|----------------|
| Plan's proportion of the net pension liability | 0.41435% | 0.40330% | 0.39412% |
| Plan's proportionate share of the net pension liability | \$ 27,605,534 | \$ 25,176,127 | \$ 23,125,137 |
| Plan's covered payroll | \$ 7,089,554 | \$ 6,117,357 | \$ 6,197,680 |
| Plan's proportionate share of the net pension liability as a percentage of covered payroll | 389.38% | 411.55% | 373.13% |
| Plan's fiduciary net position | \$ 73,544,213 | \$ 71,581,823 | \$ 69,535,698 |
| Plan's fiduciary net position as a percentage of the total pension liability | 72.71% | 73.98% | 75.04% |
| Plan's proportionate share of aggregate employer contributions | \$ 2,979,381 | \$ 2,457,135 | \$ 2,203,690 |

Notes to Schedule:

Benefit changes There were no changes to benefit terms that applied to all members of the Public Agency Pool.

Changes in assumptions

There were no changes in 2020 and 2019. In 2018, demographic assumptions and inflation rate were changed in accordance to CalPERS Experience Study and Review of Actuarial Assumptions. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent.

*Fiscal Year 2014-15 was the first year of implementation; therefore, only six years of information are shown.

City of Encinitas
Required Supplementary Information
For the Year Ended June 30, 2021

Note 4 - Schedule of the City's Proportionate Share of the Net Pension Liability (Continued)

| | Last Ten Fiscal Years* | | | |
|--|-------------------------------|-----------------------|-----------------------|-----------------------|
| | Safety Plan | | | |
| Measurement period | <u>2016-17</u> | <u>2015-16</u> | <u>2014-15</u> | <u>2013-14</u> |
| Plan's proportion of the net pension liability | 0.39412% | 0.38281% | 0.35376% | 0.22994% |
| Plan's proportionate share of the net pension liability | \$ 22,930,965 | \$ 19,826,444 | \$ 14,576,416 | \$ 14,308,774 |
| Plan's covered payroll | \$ 6,017,165 | \$ 5,841,908 | \$ 5,671,755 | \$ 5,115,288 |
| a percentage of covered payroll | 381.09% | 339.38% | 257.00% | 279.73% |
| Plan's fiduciary net position | \$ 67,653,362 | \$ 63,591,785 | \$ 65,540,377 | \$ 62,697,310 |
| pension liability | 74.69% | 76.23% | 81.81% | 81.42% |
| Plan's proportionate share of aggregate employer contributions | \$ 1,108,343 | \$ 1,609,491 | \$ 1,250,672 | \$ 1,775,034 |

Notes to Schedule:

Benefit changes There were no changes to benefit terms that applied to all members of the Public Agency Pool.

Changes in assumptions

There were no changes in 2020 and 2019. In 2018, demographic assumptions and inflation rate were changed in accordance to CalPERS Experience Study and Review of Actuarial Assumptions. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent.

*Fiscal Year 2014-15 was the first year of implementation; therefore, only six years of information are shown.

City of Encinitas
Required Supplementary Information
For the Year Ended June 30, 2021

Note 4 - Schedule of the City's Proportionate Share of the Net Pension Liability (Continued)

Last Ten Fiscal Years*
San Dieguito Water District Plan

| Measurement period | 2019-20 | 2018-19 | 2017-18 |
|--|----------------|----------------|----------------|
| Plan's proportion of the net pension liability | 0.16817% | 0.18923% | 0.18768% |
| Plan's proportionate share of the net pension liability | \$ 7,093,742 | \$ 7,577,802 | \$ 7,073,051 |
| Plan's covered payroll | \$ 1,901,202 | \$ 1,887,782 | \$1,918,865 |
| Plan's proportionate share of the net pension liability as a percentage of covered payroll | 373.12% | 401.41% | 368.61% |
| Plan's fiduciary net position | \$ 17,181,179 | \$ 16,145,141 | \$ 17,181,179 |
| Plan's fiduciary net position as a percentage of the total pension liability | 70.78% | 68.06% | 69.48% |
| Plan's proportionate share of aggregate employer contributions | \$ 1,581,186 | \$ 585,749 | \$ 504,492 |

Notes to Schedule:

Benefit changes There were no changes to benefit terms that applied to all members of the Public Agency Po

Changes in assumptions

There were no changes in 2020 and 2019. In 2018, demographic assumptions and inflation rate were changed in accordance to CalPERS Experience Study and Review of Actuarial Assumptions. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent.

*Fiscal Year 2014-15 was the first year of implementation; therefore, only seven years of information are shown

City of Encinitas
Required Supplementary Information
For the Year Ended June 30, 2021

Note 4 - Schedule of the City's Proportionate Share of the Net Pension Liability (Continued)

Last Ten Fiscal Years*
San Dieguito Water District Plan

| Measurement period | 2016-17 | 2015-16 | 2014-15 | 2013-14 |
|--|----------------|----------------|----------------|----------------|
| Plan's proportion of the net pension liability | 0.18116% | 0.18103% | 0.18296% | 0.06074% |
| Plan's proportionate share of the net pension liability | \$ 7,141,232 | \$ 6,288,631 | \$ 5,019,493 | \$ 3,779,285 |
| Plan's covered payroll | \$1,862,975 | \$ 1,808,714 | \$ 1,756,033 | \$ 1,712,639 |
| Plan's proportionate share of the net pension liability as a percentage of covered payroll | 383.32% | 347.69% | 285.84% | 220.67% |
| Plan's fiduciary net position | \$15,991,467 | \$ 15,586,708 | \$ 16,358,655 | \$ 18,489,458 |
| Plan's fiduciary net position as a percentage of the total pension liability | 69.13% | 71.25% | 76.52% | 83.03% |
| Plan's proportionate share of aggregate employer contributions | \$ 472,819 | \$ 356,509 | \$ 271,845 | \$ 241,133 |

Notes to Schedule:

Benefit changes There were no changes to benefit terms that applied to all members of the Public Agency Pool.

Changes in assumptions

There were no changes in 2020 and 2019. In 2018, demographic assumptions and inflation rate were changed in accordance to CalPERS Experience Study and Review of Actuarial Assumptions. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent.

*Fiscal Year 2014-15 was the first year of implementation; therefore, only seven years of information are shown.

City of Encinitas

Required Supplementary Information

For the Year Ended June 30, 2021

Note 5 - Schedule of Contributions - Pension

| | Last Ten Fiscal Years* | | |
|---|-------------------------|---------------------|---------------------|
| | City Miscellaneous Plan | | |
| Fiscal Year | 2020-21 | 2019-20 | 2018-19 |
| Actuarially determined contribution | \$ 3,901,665 | \$ 3,420,863 | \$ 3,252,930 |
| Contributions in relation to the actuarially determined contributions | (3,989,449) | (3,929,445) | (3,637,225) |
| Contribution deficiency (excess) | \$ (87,784) | \$ (508,582) | \$ (384,295) |
| Covered payroll | \$ 14,147,287 | \$ 14,169,243 | \$ 13,653,405 |
| Contributions as a percentage of covered payroll | 28.20% | 27.73% | 26.64% |

Notes to Schedule

Fiscal Year: June 30, 2021

Valuation Date: June 30, 2018

Methods and assumptions used to determine contribution rates:

| | |
|----------------------------|---------------------------------|
| Actuarial cost method | Entry Age Normal |
| Amortization method/period | Level percent of payroll |
| Asset valuation method | Market Value |
| Inflation | 2.50% |
| Projected salary increases | Varies by entry age and service |
| Payroll growth | 2.75% |
| Discount rate | 7.00% |

*Fiscal Year 2014-15 was the first year of implementation; therefore, only seven years of information are shown.

City of Encinitas
Required Supplementary Information
For the Year Ended June 30, 2021

Note 5 - Schedule of Contributions - Pension (Continued)

| Fiscal Year | Last Ten Fiscal Years* | | | |
|---|-------------------------|---------------------|---------------------|---------------------|
| | City Miscellaneous Plan | | | |
| | <u>2017-18</u> | <u>2016-17</u> | <u>2015-16</u> | <u>2014-15</u> |
| Actuarially determined contribution | \$ 2,832,401 | \$ 2,723,629 | \$ 2,585,583 | \$ 1,815,263 |
| Contributions in relation to the actuarially determined contributions | <u>(3,755,605)</u> | <u>(2,944,153)</u> | <u>(2,927,539)</u> | <u>(2,077,263)</u> |
| Contribution deficiency (excess) | <u>\$ (923,204)</u> | <u>\$ (220,524)</u> | <u>\$ (341,956)</u> | <u>\$ (262,000)</u> |
| Covered payroll | \$ 13,562,192 | \$ 13,167,177 | \$ 12,783,667 | \$ 12,951,932 |
| Contributions as a percentage of covered payroll | 27.69% | 22.36% | 22.90% | 16.04% |

Notes to Schedule

Fiscal Year: June 30, 2021
Valuation Date: June 30, 2018

Methods and assumptions used to determine contribution rates:

| | |
|----------------------------|---------------------------------|
| Actuarial cost method | Entry Age Normal |
| Amortization method/period | Level percent of payroll |
| Asset valuation method | Market Value |
| Inflation | 2.50% |
| Projected salary increases | Varies by entry age and service |
| Payroll growth | 2.75% |
| Discount rate | 7.00% |

*Fiscal Year 2014-15 was the first year of implementation; therefore, only seven years of information are shown.

City of Encinitas
Required Supplementary Information
For the Year Ended June 30, 2021

Note 5 - Schedule of Contributions - Pension (Continued)

| Fiscal Year | Last Ten Fiscal Years* | | |
|---|-------------------------------|-----------------------|-----------------------|
| | Safety Plan | | |
| | <u>2020-21</u> | <u>2019-20</u> | <u>2018-19</u> |
| Contractually determined contribution (actuarially determined) | \$ 3,224,229 | \$ 2,979,381 | \$ 2,457,135 |
| Contributions in relation to the actuarially determined contributions | <u>(3,224,229)</u> | <u>(2,979,381)</u> | <u>(2,457,135)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | \$ 6,779,318 | \$ 7,089,554 | \$ 6,117,357 |
| Contributions as a percentage of covered payroll | 47.56% | 42.02% | 40.17% |

Notes to Schedule

Fiscal Year: June 30, 2021

Valuation Date: June 30, 2018

Methods and assumptions used to determine contribution rates:

| | |
|----------------------------|---------------------------------|
| Actuarial cost method | Entry Age Normal |
| Amortization method/period | Level percent of payroll |
| Asset valuation method | Market Value |
| Inflation | 2.50% |
| Projected salary increases | Varies by entry age and service |
| Payroll growth | 2.75% |
| Discount rate | 7.00% |

*Fiscal Year 2014-15 was the first year of implementation; therefore, only seven years of information are shown.

City of Encinitas
Required Supplementary Information
For the Year Ended June 30, 2021

Note 5 - Schedule of Contributions - Pension (Continued)

| Fiscal Year | Last Ten Fiscal Years* | | | |
|--|-------------------------------|-----------------------|-----------------------|-----------------------|
| | Safety Plan | | | |
| | <u>2017-18</u> | <u>2016-17</u> | <u>2015-16</u> | <u>2014-15</u> |
| Contractually determined contribution (actuarially determined) | \$ 2,203,690 | \$ 1,108,343 | \$ 1,609,491 | \$ 1,251,594 |
| Contributions in relation to the actuarially determined contributions | <u>(2,203,690)</u> | <u>(1,108,343)</u> | <u>(1,609,491)</u> | <u>(1,251,594)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | \$ 6,197,680 | \$ 6,017,165 | \$ 5,841,908 | \$ 5,671,755 |
| Contributions as a percentage of covered payroll | 35.56% | 18.42% | 27.55% | 22.07% |

Notes to Schedule

Fiscal Year: June 30, 2021
Valuation Date: June 30, 2018

Methods and assumptions used to determine contribution rates:

| | |
|----------------------------|---------------------------------|
| Actuarial cost method | Entry Age Normal |
| Amortization method/period | Level percent of payroll |
| Asset valuation method | Market Value |
| Inflation | 2.50% |
| Projected salary increases | Varies by entry age and service |
| Payroll growth | 2.75% |
| Discount rate | 7.00% |

*Fiscal Year 2014-15 was the first year of implementation; therefore, only seven years of information are shown.

City of Encinitas
Required Supplementary Information
For the Year Ended June 30, 2021

Note 5 - Schedule of Contributions - Pension (Continued)

Last Ten Fiscal Years*
San Dieguito Water District Plan

| Fiscal Year | <u>2020-21</u> | <u>2019-20</u> | <u>2018-19</u> |
|--|-----------------------|-----------------------|-----------------------|
| Contractually determined contribution (actuarially determined) | \$ 617,487 | \$ 1,581,186 | \$ 585,749 |
| Contributions in relation to the actuarially determined contributions | <u>(617,487)</u> | <u>(1,581,186)</u> | <u>(585,749)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | \$ 1,853,964 | \$ 1,901,202 | \$ 1,887,782 |
| Contributions as a percentage of covered payroll | 33.31% | 83.17% | 31.03% |

Notes to Schedule

Fiscal Year: June 30, 2021
Valuation Date: June 30, 2018

Methods and assumptions used to determine contribution rates:

| | |
|----------------------------|---------------------------------|
| Actuarial cost method | Entry Age Normal |
| Amortization method/period | Level percent of payroll |
| Asset valuation method | Market Value |
| Inflation | 2.50% |
| Projected salary increases | Varies by entry age and service |
| Payroll growth | 2.75% |
| Discount rate | 7.00% |

*Fiscal Year 2014-15 was the first year of implementation; therefore, only seven years of information are shown.

City of Encinitas
Required Supplementary Information
For the Year Ended June 30, 2021

Note 5 - Schedule of Contributions - Pension (Continued)

| Last Ten Fiscal Years* | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| San Dieguito Water District Plan | | | | |
| | <u>2017-18</u> | <u>2016-17</u> | <u>2015-16</u> | <u>2014-15</u> |
| Contractually determined contribution (actuarially determined) | \$ 504,492 | \$ 472,819 | \$ 356,509 | \$ 271,845 |
| Contributions in relation to the actuarially determined contributions | <u>(504,492)</u> | <u>(472,819)</u> | <u>(356,509)</u> | <u>(271,845)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | \$ 1,918,865 | \$ 1,862,975 | \$ 1,808,714 | \$ 1,756,033 |
| Contributions as a percentage of covered payroll | 26.29% | 25.38% | 19.71% | 15.48% |

Notes to Schedule

Fiscal Year: June 30, 2021
Valuation Date: June 30, 2018

Methods and assumptions used to determine contribution rates:

| | |
|----------------------------|---------------------------------|
| Actuarial cost method | Entry Age Normal |
| Amortization method/period | Level percent of payroll |
| Asset valuation method | Market Value |
| Inflation | 2.50% |
| Projected salary increases | Varies by entry age and service |
| Payroll growth | 2.75% |
| Discount rate | 7.00% |

*Fiscal Year 2014-15 was the first year of implementation; therefore, only seven years of information are shown.

City of Encinitas
Required Supplementary Information
For the Year Ended June 30, 2021

Note 6 - Schedule of Changes in the Net OPEB Liability and Related Ratios

| Measurement Period | Last Ten Fiscal Years* | | | |
|--|------------------------|----------------------|----------------------|----------------------|
| | City Plan | | | |
| | <u>2019-20</u> | <u>2018-19</u> | <u>2017-18</u> | <u>2016-17</u> |
| Total OPEB liability | | | | |
| Service cost | \$ 218,453 | \$ 196,193 | \$ 190,479 | \$ 178,018 |
| Interest | 791,330 | 880,167 | 867,343 | 856,058 |
| Changes of benefit terms | - | - | - | - |
| Differences between expected and actual experience | (291,076) | (1,439,425) | - | - |
| Changes of assumptions | - | (26,216) | - | - |
| Benefit payments, including refunds of member contributions | <u>(937,434)</u> | <u>(882,565)</u> | <u>(878,114)</u> | <u>(892,532)</u> |
| Net change in total OPEB liability | <u>(218,727)</u> | <u>(1,271,846)</u> | <u>179,708</u> | <u>141,544</u> |
| Total OPEB liability - beginning | <u>11,547,054</u> | <u>12,818,900</u> | <u>12,639,192</u> | <u>12,497,648</u> |
| Total OPEB liability - ending (a) | <u>\$ 11,328,327</u> | <u>\$ 11,547,054</u> | <u>\$ 12,818,900</u> | <u>\$ 12,639,192</u> |
| OPEB fiduciary net position | | | | |
| Contributions - employer | \$ 1,370,746 | \$ 1,270,357 | \$ 1,102,937 | \$ 1,092,690 |
| Net investment income | 205,412 | 308,900 | 358,109 | 403,267 |
| Benefit payments, including refunds of member contributions | (937,434) | (882,565) | (878,114) | (892,532) |
| Administrative expense | (2,859) | (1,100) | (2,366) | (2,046) |
| Other expense | <u>-</u> | <u>-</u> | <u>(4,620)</u> | <u>-</u> |
| Net change in plan fiduciary net position | <u>635,865</u> | <u>695,592</u> | <u>575,946</u> | <u>601,379</u> |
| Plan fiduciary net position - beginning | <u>4,765,599</u> | <u>4,070,007</u> | <u>3,494,061</u> | <u>2,892,682</u> |
| Plan fiduciary net position - ending (b) | <u>5,401,464</u> | <u>4,765,599</u> | <u>4,070,007</u> | <u>3,494,061</u> |
| Plan net OPEB liability - ending (a) - (b) | <u>\$ 5,926,863</u> | <u>\$ 6,781,455</u> | <u>\$ 8,748,893</u> | <u>\$ 9,145,131</u> |
| Plan fiduciary net position as a percentage of the total OPEB Liability | 47.68% | 41.27% | 31.75% | 27.64% |
| Covered-employee payroll | \$ 23,224,242 | \$ 22,403,865 | \$ 21,767,304 | \$ 17,816,557 |
| Plan net OPEB liability as a percentage of covered-employee payroll | 25.52% | 30.27% | 40.19% | 51.33% |

* Fiscal Year 2017-18 was the first year of implementation; therefore, only four years of information are shown.

City of Encinitas
Required Supplementary Information
For the Year Ended June 30, 2021

Note 6 - Schedule of Changes in the Net OPEB Liability and Related Ratios (Continued)

Last Ten Fiscal Years*
San Dieguito Water District Plan

| Measurement Period | 2019-20 | 2018-19 | 2017-18 | 2016-17 |
|--|---------------------|---------------------|---------------------|---------------------|
| Total OPEB liability | | | | |
| Service cost | \$ 21,235 | \$ 14,633 | \$ 14,241 | \$ 13,309 |
| Interest | 35,691 | 36,301 | 34,637 | 33,225 |
| Differences between expected and actual experience | (4,100) | (43,215) | - | - |
| Changes of assumptions | - | 1,843 | - | - |
| Benefit payments, including refunds of member contributions | (24,514) | (25,651) | (25,346) | (29,268) |
| Net change in total OPEB liability | 28,312 | (16,089) | 23,532 | 17,266 |
| Total OPEB liability - beginning | 500,683 | 516,772 | 493,240 | 475,974 |
| Total OPEB liability - ending (a) | \$ 528,995 | \$ 500,683 | \$ 516,772 | \$ 493,240 |
| OPEB fiduciary net position | | | | |
| Contributions - employer | \$ 53,542 | \$ 55,068 | \$ 59,205 | \$ 63,332 |
| Net investment income | 11,264 | 16,640 | 18,590 | 18,770 |
| Benefit payments, including refunds of member contributions | (24,514) | (25,651) | (25,346) | (29,268) |
| Administrative expense | (157) | (59) | (358) | (95) |
| Net change in plan fiduciary net position | 40,135 | 45,998 | 52,091 | 52,739 |
| Plan fiduciary net position - beginning | 275,664 | 229,666 | 177,575 | 124,836 |
| Plan fiduciary net position - ending (b) | 315,799 | 275,664 | 229,666 | 177,575 |
| Plan net OPEB liability - ending (a) - (b) | \$ 213,196 | \$ 225,019 | \$ 287,106 | \$ 315,665 |
| Plan fiduciary net position as a percentage of the total OPEB Liability | 59.70% | 55.06% | 44.44% | 36.00% |
| Covered-employee payroll | \$ 2,046,974 | \$ 1,903,385 | \$ 1,978,669 | \$ 1,802,043 |
| Plan net OPEB liability as a percentage of covered-employee payroll | 10.42% | 11.82% | 14.51% | 17.52% |

* Fiscal Year 2017-18 was the first year of implementation; therefore, only four years of information are shown.

City of Encinitas
Required Supplementary Information
For the Year Ended June 30, 2021

Note 7 - Schedule of Contributions - OPEB

| Fiscal Year | Last Ten Fiscal Years* | | | |
|---|-------------------------------|----------------------------|----------------------------|----------------------------|
| | City Plan | | | |
| | <u>2020-21</u> | <u>2019-20</u> | <u>2018-19</u> | <u>2017-18</u> |
| Actuarially determined contribution (ADC) | \$ 1,151,134 | \$ 1,117,605 | \$ 958,415 | \$ 930,499 |
| Contributions in relation to the ADC | <u>(1,157,839)</u> | <u>(1,315,490)</u> | <u>(1,269,129)</u> | <u>(1,092,690)</u> |
| Contribution deficiency (excess) | <u>\$ (6,705)</u> | <u>\$ (197,885)</u> | <u>\$ (310,714)</u> | <u>\$ (162,191)</u> |
| Covered employee payroll | \$24,147,416 | \$23,224,242 | \$22,403,865 | \$21,767,304 |
| Contributions as a percentage of covered employee payroll | 4.79% | 5.66% | 5.66% | 5.02% |

Notes to Schedule

Actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2020-21 were from the June 30, 2019 actuarial valuation report.

Methods and assumptions used to determine contribution rates:

| | |
|----------------------------|--|
| Actuarial cost method | Entry Age Normal |
| Amortization method/period | Level percentage of payroll over a closed rolling 15-year period |
| Asset valuation method | Market value |
| Inflation | 2.50% per annum |
| Payroll growth | 2.75% per annum, in aggregate |
| Investment rate of return | 7.00% per annum |

* Fiscal Year 2017-18 was the first year of implementation; therefore, only four years of information are shown.

City of Encinitas
Required Supplementary Information
For the Year Ended June 30, 2021

Note 7 - Schedule of Contributions - OPEB (Continued)

Last Ten Fiscal Years*
San Dieguito Water District Plan

| Fiscal Year | <u>2020-21</u> | <u>2019-20</u> | <u>2018-19</u> | <u>2017-18</u> |
|--|--------------------------|---------------------------|---------------------------|---------------------------|
| Actuarially determined contribution (ADC) | \$ 48,689 | \$ 48,200 | \$ 53,291 | \$ 52,780 |
| Contributions in relation to the ADC | <u>(55,006)</u> | <u>(68,350)</u> | <u>(66,983)</u> | <u>(63,332)</u> |
| Contribution deficiency (excess) | <u>\$ (6,317)</u> | <u>\$ (20,150)</u> | <u>\$ (13,692)</u> | <u>\$ (10,552)</u> |
| Covered employee payroll | \$ 2,017,862 | \$ 2,046,974 | \$ 1,903,385 | \$ 1,978,669 |
| Contributions as a percentage of covered employee payroll | 2.73% | 3.34% | 3.52% | 3.20% |

Notes to Schedule

Actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2020-21 were from the June 30, 2019 actuarial valuation report.

Methods and assumptions used to determine contribution rates:

| | |
|----------------------------|---|
| Actuarial cost method | Entry Age Normal |
| Amortization method/period | Level percentage of payroll over a closed rolling 15-year period |
| Asset valuation method | Market value |
| Inflation | 2.50% per annum |
| Payroll growth | 2.75% per annum, in aggregate |
| Investment rate of return | 7.00% per annum |

* Fiscal Year 2017-18 was the first year of implementation; therefore, only four years of information are shown.

SUPPLEMENTARY INFORMATION



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NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS:

Grants and Housing - This fund is used to account for financial resources from state and federal grants that are utilized to fund various City programs such as affordable housing and law enforcement.

Development Impact - This fund is used to account for development impact/mitigation fees that are collected in connection with land use and construction applications. These monies are utilized to fund specified City capital improvement projects.

Lighting and Landscaping - This fund is used to account for special assessments and certain restricted property tax revenues collected from homeowners and businesses. These monies are utilized to fund specified operational and maintenance costs related to common area landscaping, street lighting and park maintenance.

DEBT SERVICE FUNDS:

City Debt Service - This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for the payment of principal and interest on the City long-term debt.

Encinitas Public Financing Authority - This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for the payment of principal and interest on the Encinitas Public Financing Authority long-term debt.

City of Encinitas
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2021

| | Special Revenue | | |
|---|-----------------------|-----------------------|-----------------------------|
| | Grants and Housing | Development Impact | Lighting and Landscaping |
| ASSETS | | | |
| Cash and investments | \$ 1,137,866 | \$ 3,068,425 | \$ 4,387,050 |
| Receivables | 351,843 | - | 15,788 |
| Interest receivable | 4,101 | 21,674 | 11,883 |
| Long-term receivable | 194,466 | 229,616 | - |
| Restricted cash and investments | - | - | - |
| Total assets | \$ 1,688,276 | \$ 3,319,715 | \$ 4,414,721 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | \$ 219,052 | \$ - | \$ 261,888 |
| Due to other funds | 209,252 | - | - |
| Unearned revenue | 38,853 | - | - |
| Deposits and other liabilities | - | 22,247 | - |
| Total liabilities | 467,157 | 22,247 | 261,888 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable revenue | 233,736 | 229,616 | - |
| Total deferred inflows of resources | 233,736 | 229,616 | - |
| Fund Balances | | | |
| Restricted | 987,383 | 3,067,852 | 4,152,833 |
| Total fund balances | 987,383 | 3,067,852 | 4,152,833 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 1,688,276 | \$ 3,319,715 | \$ 4,414,721 |

(Continued)

City of Encinitas
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2021

| | Debt Service | | Total Other Governmental Funds |
|---|----------------------|--|---|
| | City Debt Service | Encinitas Public Financing Authority | |
| ASSETS | | | |
| Cash and investments | \$ - | \$ - | \$ 8,593,341 |
| Receivables | - | - | 367,631 |
| Interest receivable | - | - | 37,658 |
| Long-term receivable | - | - | 424,082 |
| Restricted cash and investments | - | 14 | 14 |
| Total assets | <u>\$ -</u> | <u>\$ 14</u> | <u>\$ 9,422,726</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | \$ - | \$ - | \$ 480,940 |
| Due to other funds | - | - | 209,252 |
| Unearned revenue | - | - | 38,853 |
| Deposits and other liabilities | - | - | 22,247 |
| Total liabilities | <u>-</u> | <u>-</u> | <u>751,292</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable revenue | - | - | 463,352 |
| Total deferred inflows of resources | <u>-</u> | <u>-</u> | <u>463,352</u> |
| Fund Balances | | | |
| Restricted | - | 14 | 8,208,082 |
| Total fund balances | <u>-</u> | <u>14</u> | <u>8,208,082</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ -</u> | <u>\$ 14</u> | <u>\$ 9,422,726</u> |

(Concluded)

City of Encinitas
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2021

| | Special Revenue | | |
|---|-----------------------|-----------------------|-----------------------------|
| | Grants and Housing | Development Impact | Lighting and Landscaping |
| REVENUES: | | | |
| Taxes and assessments | \$ 345,840 | \$ - | \$ 2,255,944 |
| Intergovernmental | 1,232,929 | - | - |
| Development impact fees | - | 1,088,887 | - |
| Use of money and property | 74,149 | 87,658 | 54,696 |
| Other | 221,633 | - | 3,952 |
| Total revenues | 1,874,551 | 1,176,545 | 2,314,592 |
| EXPENDITURES: | | | |
| Current: | | | |
| General government | 142,310 | - | - |
| Public safety | 240,143 | - | - |
| Public works | 596,461 | - | 517,603 |
| Development services - planning | 513,600 | - | - |
| Development services - engineering | - | - | 723,536 |
| Parks and recreation | 394,344 | - | 981,299 |
| Debt service: | | | |
| Principal | - | - | - |
| Interest and fiscal charges | - | - | - |
| Total expenditures | 1,886,858 | - | 2,222,438 |
| REVENUES OVER (UNDER) EXPENDITURES | (12,307) | 1,176,545 | 92,154 |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers in | 304,609 | 405,747 | 37,696 |
| Transfers out | (613,546) | (2,796,767) | (130,000) |
| Total other financing sources (uses) | (308,937) | (2,391,020) | (92,304) |
| NET CHANGE IN FUND BALANCES | (321,244) | (1,214,475) | (150) |
| FUND BALANCES: | | | |
| Beginning of year | 1,308,627 | 4,282,327 | 4,152,983 |
| End of year | \$ 987,383 | \$ 3,067,852 | \$ 4,152,833 |

(Continued)

City of Encinitas
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Non-Major Governmental Funds
For the Year Ended June 30, 2021

| | <u>Debt Service</u> | | |
|---|---------------------|----------------------------|---------------------------------|
| | <u>City</u> | <u>Encinitas Public</u> | <u>Total</u> |
| | <u>Debt Service</u> | <u>Financing Authority</u> | <u>Other Governmental Funds</u> |
| REVENUES: | | | |
| Taxes and assessments | \$ - | \$ - | \$ 2,601,784 |
| Intergovernmental | - | - | 1,232,929 |
| Development impact fees | - | - | 1,088,887 |
| Use of money and property | - | 31 | 216,534 |
| Other | - | - | 225,585 |
| | <u>-</u> | <u>-</u> | <u>-</u> |
| Total revenues | <u>-</u> | <u>31</u> | <u>5,365,719</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| General government | - | - | 142,310 |
| Public safety | - | - | 240,143 |
| Public works | - | - | 1,114,064 |
| Development services - planning | - | - | 513,600 |
| Development services - engineering | - | - | 723,536 |
| Parks and recreation | - | - | 1,375,643 |
| Debt service: | | | |
| Principal | 166,004 | 1,940,000 | 2,106,004 |
| Interest and fiscal charges | 17,553 | 1,593,618 | 1,611,171 |
| | <u>183,557</u> | <u>3,533,618</u> | <u>7,826,471</u> |
| Total expenditures | <u>183,557</u> | <u>3,533,618</u> | <u>7,826,471</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>(183,557)</u> | <u>(3,533,587)</u> | <u>(2,460,752)</u> |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers in | 183,557 | 3,533,516 | 4,465,125 |
| Transfers out | - | - | (3,540,313) |
| | <u>-</u> | <u>-</u> | <u>-</u> |
| Total other financing sources (uses) | <u>183,557</u> | <u>3,533,516</u> | <u>924,812</u> |
| NET CHANGE IN FUND BALANCES | - | (71) | (1,535,940) |
| FUND BALANCES: | | | |
| Beginning of year | - | 85 | 9,744,022 |
| | <u>-</u> | <u>85</u> | <u>9,744,022</u> |
| End of year | \$ - | \$ 14 | \$ 8,208,082 |
| | <u>\$ -</u> | <u>\$ 14</u> | <u>\$ 8,208,082</u> |

City of Encinitas
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Grants and Housing Special Revenue Fund
For the Year Ended June 30, 2021

| | Final Budget | Actual Amounts | Variance with Final Budget |
|---|----------------------------|--------------------------|-------------------------------|
| REVENUES: | | | |
| Taxes and assessments | \$ 347,325 | \$ 345,840 | \$ (1,485) |
| Intergovernmental | 1,366,404 | 1,232,929 | (133,475) |
| Use of money and property | 129,350 | 74,149 | (55,201) |
| Other | <u>238,083</u> | <u>221,633</u> | <u>(16,450)</u> |
| Total revenues | <u>2,081,162</u> | <u>1,874,551</u> | <u>(206,611)</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| General government | 209,826 | 142,310 | 67,516 |
| Public safety | 339,381 | 240,143 | 99,238 |
| Public works | 629,503 | 596,461 | 33,042 |
| Development services - planning | 627,356 | 513,600 | 113,756 |
| Parks and recreation | 512,281 | 394,344 | 117,937 |
| Capital Outlay | <u>50,000</u> | <u>-</u> | <u>50,000</u> |
| Total expenditures | <u>2,368,347</u> | <u>1,886,858</u> | <u>481,489</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>(287,185)</u> | <u>(12,307)</u> | <u>274,878</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 351,290 | 304,609 | (46,681) |
| Transfers out | <u>(613,546)</u> | <u>(613,546)</u> | <u>-</u> |
| Total other financing sources (uses) | <u>(262,256)</u> | <u>(308,937)</u> | <u>(46,681)</u> |
| NET CHANGE IN FUND BALANCE | <u><u>\$ (549,441)</u></u> | <u>(321,244)</u> | <u><u>\$ 228,197</u></u> |
| FUND BALANCE: | | | |
| Beginning of year | | <u>1,308,627</u> | |
| End of year | | <u><u>\$ 987,383</u></u> | |

City of Encinitas
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Development Impact Special Revenue Fund
For the Year Ended June 30, 2021

| | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|---|------------------------------|----------------------------|---------------------------------------|
| REVENUES: | | | |
| Development impact fees | \$ 1,213,806 | \$ 1,088,887 | \$ (124,919) |
| Use of money and property | <u>79,695</u> | <u>87,658</u> | <u>7,963</u> |
| Total revenues | <u>1,293,501</u> | <u>1,176,545</u> | <u>(116,956)</u> |
| Expenditures: | | | |
| Current: | | | |
| General government | <u>-</u> | <u>-</u> | <u>-</u> |
| Total expenditures | <u>-</u> | <u>-</u> | <u>-</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>1,293,501</u> | <u>1,176,545</u> | <u>(116,956)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 405,747 | 405,747 | - |
| Transfers out | <u>(2,821,347)</u> | <u>(2,796,767)</u> | <u>24,580</u> |
| Total other financing sources (uses) | <u>(2,415,600)</u> | <u>(2,391,020)</u> | <u>24,580</u> |
| NET CHANGE IN FUND BALANCE | <u><u>\$ (1,122,099)</u></u> | <u>(1,214,475)</u> | <u><u>\$ (92,376)</u></u> |
| FUND BALANCE: | | | |
| Beginning of year | | <u>4,282,327</u> | |
| End of year | | <u><u>\$ 3,067,852</u></u> | |

City of Encinitas
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Lighting and Landscaping Special Revenue Fund
For the Year Ended June 30, 2021

| | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|---|-------------------------|---------------------------|---------------------------------------|
| REVENUES: | | | |
| Taxes and assessments | \$ 2,203,034 | \$ 2,255,944 | \$ 52,910 |
| Use of money and property | 61,251 | 54,696 | (6,555) |
| Other | <u>22,000</u> | <u>3,952</u> | <u>(18,048)</u> |
| Total revenues | <u>2,286,285</u> | <u>2,314,592</u> | <u>28,307</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| Public works | 571,410 | 517,603 | 53,807 |
| Development services - engineering | 843,641 | 723,536 | 120,105 |
| Parks and recreation | <u>978,939</u> | <u>981,299</u> | <u>(2,360)</u> |
| Total expenditures | <u>2,393,990</u> | <u>2,222,438</u> | <u>171,552</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>(107,705)</u> | <u>92,154</u> | <u>199,859</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 37,141 | 37,696 | 555 |
| Transfers out | <u>(130,000)</u> | <u>(130,000)</u> | <u>-</u> |
| Total other financing sources (uses) | <u>(92,859)</u> | <u>(92,304)</u> | <u>555</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ (200,564)</u> | <u>(150)</u> | <u>\$ 200,414</u> |
| FUND BALANCE: | | | |
| Beginning of year | | <u>4,152,983</u> | |
| End of year | | <u>\$ 4,152,833</u> | |

Internal Service Funds

Internal Service Funds are used to finance and account for special activities and services performed by a designated City department for other departments on a cost reimbursement basis.

Risk Management - This fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost reimbursement basis for risk management expenditures.

Wastewater Support - This fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost reimbursement basis for wastewater support expenditures.

Vehicle Maintenance - This fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost reimbursement basis for vehicle maintenance expenditures.

Vehicle Replacement - This fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost reimbursement basis for vehicle replacement expenditures.

City of Encinitas
Combining Statement of Net Position
All Internal Service Funds
June 30, 2021

| | Risk Management | Wastewater Support | Vehicle Maintenance | Vehicle Replacement | Total |
|--|---------------------|-----------------------|------------------------|------------------------|---------------------|
| ASSETS | | | | | |
| Cash and investments | \$ 6,475,158 | \$ 83,442 | \$ 39,917 | \$ 275,291 | \$ 6,873,808 |
| Accounts receivable | 408 | - | - | - | 408 |
| Inventory and prepaid items | 79,770 | - | - | - | 79,770 |
| Total current assets | <u>6,555,336</u> | <u>83,442</u> | <u>39,917</u> | <u>275,291</u> | <u>6,953,986</u> |
| Noncurrent assets: | | | | | |
| Capital assets: | | | | | |
| Utility, plant, vehicles, and equipment, net | - | - | - | 3,737,459 | 3,737,459 |
| Total noncurrent assets | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,737,459</u> | <u>3,737,459</u> |
| Total assets | <u>6,555,336</u> | <u>83,442</u> | <u>39,917</u> | <u>4,012,750</u> | <u>10,691,445</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Deferred pension related items | 57,343 | 80,574 | 41,827 | - | 179,744 |
| Deferred OPEB related items | 6,200 | 13,432 | 7,231 | - | 26,863 |
| Total deferred outflows of resources | <u>63,543</u> | <u>94,006</u> | <u>49,058</u> | <u>-</u> | <u>206,607</u> |
| LIABILITIES | | | | | |
| Current liabilities: | | | | | |
| Accounts payable and accrued liabilities | 272,260 | 43,455 | 24,380 | - | 340,095 |
| Due to other funds | - | - | - | 6,411 | 6,411 |
| Current portion of capital leases payable | - | - | - | 191,162 | 191,162 |
| Total current liabilities | <u>272,260</u> | <u>43,455</u> | <u>24,380</u> | <u>197,573</u> | <u>537,668</u> |
| Noncurrent liabilities: | | | | | |
| Capital lease payable | - | - | - | 781,238 | 781,238 |
| Net pension liability | 273,946 | 384,924 | 199,819 | - | 858,689 |
| Net OPEB liability | 31,010 | 67,188 | 36,178 | - | 134,376 |
| Total noncurrent liabilities | <u>304,956</u> | <u>452,112</u> | <u>235,997</u> | <u>781,238</u> | <u>1,774,303</u> |
| Total liabilities | <u>577,216</u> | <u>495,567</u> | <u>260,377</u> | <u>978,811</u> | <u>2,311,971</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Deferred pension related items | 799 | 1,122 | 582 | - | 2,503 |
| Deferred OPEB related items | 7,084 | 15,349 | 8,265 | - | 30,698 |
| Total deferred inflows of resources | <u>7,883</u> | <u>16,471</u> | <u>8,847</u> | <u>-</u> | <u>33,201</u> |
| NET POSITION | | | | | |
| Net investment in capital assets | - | - | - | 2,765,059 | 2,765,059 |
| Unrestricted | 6,033,780 | (334,590) | (180,249) | 268,880 | 5,787,821 |
| Total net position | <u>\$ 6,033,780</u> | <u>\$(334,590)</u> | <u>\$ (180,249)</u> | <u>\$ 3,033,939</u> | <u>\$ 8,552,880</u> |

City of Encinitas
Combining Statement of Revenues, Expenses, and Changes in Net Position
All Internal Service Funds
For the Year Ended June 30, 2021

| | <u>Risk Management</u> | <u>Wastewater Support</u> | <u>Vehicle Maintenance</u> | <u>Vehicle Replacement</u> | <u>Total</u> |
|---|----------------------------|-------------------------------|--------------------------------|--------------------------------|---------------------|
| OPERATING REVENUES: | | | | | |
| Interfund revenues | \$ 1,260,867 | \$ 979,839 | \$ 567,625 | \$ - | \$ 2,808,331 |
| Other revenues | <u>504,871</u> | <u>-</u> | <u>-</u> | <u>201,743</u> | <u>706,614</u> |
| Total operating revenues | <u>1,765,738</u> | <u>979,839</u> | <u>567,625</u> | <u>201,743</u> | <u>3,514,945</u> |
| OPERATING EXPENSES: | | | | | |
| Operational support services | 700,229 | 101,660 | 196,346 | 972 | 999,207 |
| Administrative support | 533,666 | 748,625 | 371,282 | - | 1,653,573 |
| Insurance and claims | 2,227,202 | - | - | - | 2,227,202 |
| Depreciation of capital assets | <u>-</u> | <u>-</u> | <u>-</u> | <u>650,991</u> | <u>650,991</u> |
| Total operating expenses | <u>3,461,097</u> | <u>850,285</u> | <u>567,628</u> | <u>651,963</u> | <u>5,530,973</u> |
| Operating income (loss) | <u>(1,695,359)</u> | <u>129,554</u> | <u>(3)</u> | <u>(450,220)</u> | <u>(2,016,028)</u> |
| NONOPERATING REVENUES: | | | | | |
| Gain (loss) on disposal of capital assets | - | - | - | 538 | 538 |
| Interest expense | <u>-</u> | <u>-</u> | <u>-</u> | <u>(17,809)</u> | <u>(17,809)</u> |
| Total nonoperating revenues | <u>-</u> | <u>-</u> | <u>-</u> | <u>(17,271)</u> | <u>(17,271)</u> |
| INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS | | | | | |
| | <u>(1,695,359)</u> | <u>129,554</u> | <u>(3)</u> | <u>(467,491)</u> | <u>(2,033,299)</u> |
| Transfers in | 1,720,768 | 2,448 | - | 132,000 | 1,855,216 |
| Transfers out | <u>-</u> | <u>(132,000)</u> | <u>-</u> | <u>(1,000,000)</u> | <u>(1,132,000)</u> |
| Total capital contributions and transfers | <u>1,720,768</u> | <u>(129,552)</u> | <u>-</u> | <u>(868,000)</u> | <u>723,216</u> |
| Net change in net position | <u>25,409</u> | <u>2</u> | <u>(3)</u> | <u>(1,335,491)</u> | <u>(1,310,083)</u> |
| NET POSITION: | | | | | |
| Beginning of year | <u>6,008,371</u> | <u>(334,592)</u> | <u>(180,246)</u> | <u>4,369,430</u> | <u>9,862,963</u> |
| End of year | <u>\$ 6,033,780</u> | <u>\$ (334,590)</u> | <u>\$ (180,249)</u> | <u>\$ 3,033,939</u> | <u>\$ 8,552,880</u> |

City of Encinitas
Combining Statement of Cash Flows
All Internal Service Funds
For the Year Ended June 30 , 2021

| | Risk Management | Wastewater Support | Vehicle Maintenance | Vehicle Replacement | Total |
|--|-----------------------|-----------------------|------------------------|------------------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | |
| Receipts from users | \$ 1,765,330 | \$ 979,839 | \$ 567,625 | \$ 201,743 | \$ 3,514,537 |
| Payments to employees | (491,027) | (705,482) | (353,603) | - | (1,550,112) |
| Payments to suppliers and vendors | (2,848,660) | (75,345) | (190,908) | (454,038) | (3,568,951) |
| Net cash provided by (used in) operating activities | (1,574,357) | 199,012 | 23,114 | (252,295) | (1,604,526) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | | |
| Acquisition of capital assets | - | - | - | (77,319) | (77,319) |
| Principal payment on long-term debt | - | - | - | (138,487) | (138,487) |
| Interest payments on capital leases | - | - | - | (17,809) | (17,809) |
| Proceeds from capital lease | - | - | - | 737,623 | 737,623 |
| Proceeds from sale of capital assets | - | - | - | 538 | 538 |
| Net cash (used in) capital and related financing activities | - | - | - | 504,546 | 504,546 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | | |
| Transfers in | 1,720,768 | 2,448 | - | 132,000 | 1,855,216 |
| Transfers (out) | - | (132,000) | - | (1,000,000) | (1,132,000) |
| Net cash provided by (used in) noncapital financing activities | 1,720,768 | (129,552) | - | (868,000) | 723,216 |
| Net increase (decrease) in cash and cash equivalents | 146,411 | 69,460 | 23,114 | (615,749) | (376,764) |
| CASH AND CASH EQUIVALENTS: | | | | | |
| Beginning of year | 6,328,747 | 13,982 | 16,803 | 891,040 | 7,250,572 |
| End of year | \$ 6,475,158 | \$ 83,442 | \$ 39,917 | \$ 275,291 | \$ 6,873,808 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES: | | | | | |
| Operating income (loss) | \$ (1,695,359) | \$ 129,554 | \$ (3) | \$ (450,220) | \$ (2,016,028) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | | |
| Depreciation | - | - | - | 650,991 | 650,991 |
| Changes in operating assets and liabilities: | | | | | |
| Accounts receivable | (408) | - | - | - | (408) |
| Inventory and prepaid items | (19,196) | - | - | - | (19,196) |
| OPEB-related deferred outflows | (1,514) | (935) | 580 | - | (1,869) |
| Pension-related deferred outflows | (7,413) | (7,979) | (4,244) | - | (19,636) |
| Accounts payable and accrued liabilities | 100,940 | 29,473 | 7,578 | (174,630) | (36,639) |
| Due to other funds | - | - | - | (278,436) | (278,436) |
| Net OPEB liability | 6,851 | 2,764 | (4,087) | - | 5,528 |
| Net pension liability | 49,190 | 58,140 | 30,645 | - | 137,975 |
| OPEB-related deferred inflows | 1,983 | 1,746 | (237) | - | 3,492 |
| Pension-related deferred inflows | (9,431) | (13,751) | (7,118) | - | (30,300) |
| Total adjustments | 121,002 | 69,458 | 23,117 | 197,925 | 411,502 |
| Net cash provided by (used in) operating activities | \$ (1,574,357) | \$ 199,012 | \$ 23,114 | \$ (252,295) | \$ (1,604,526) |

There were no non-cash capital and related financing activities.

This section of the City of Encinitas' Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, required supplementary and supplementary information says about the City's overall financial health.

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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.

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Revenue Capacity - These schedules contain information to help the reader assess the City's most significant local revenue source which is property tax.

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|---|---------|
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| | |
|---|---------|
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| | |
|---|-----|
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|--|---------|
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Sources: Unless otherwise noted, the information in these schedules was derived from the Annual Comprehensive Financial Reports for the relevant year.

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

| | Fiscal Years | | | | |
|---|-----------------------|-----------------------|--------------------|-----------------------|-----------------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 |
| Government activities: | | | | | |
| Net investment in capital assets | \$ 190,035,875 | \$ 181,288,734 | \$ 172,580,765 | \$ 169,553,838 | \$ 165,759,601 |
| Restricted | 19,467,205 | 23,031,942 | 20,997,390 | 19,779,315 | 19,867,542 |
| Unrestricted | (1,132,294) | 528,847 | 7,357,189 | 1,963,535 | 9,510,235 |
| Total governmental activities net position | <u>208,370,786</u> | <u>204,849,523</u> | <u>200,935,344</u> | <u>191,296,688</u> | <u>195,137,378</u> |
| Business-type activities: | | | | | |
| Net investment in capital assets | 42,615,968 | 38,060,921 | 38,074,788 | 36,547,324 | 44,977,544 |
| Restricted | 386,507 | 390,925 | 411,895 | 421,938 | 20,237 |
| Unrestricted | 106,620,721 | 105,330,676 | 99,808,547 | 95,173,238 | 79,286,895 |
| Total business-type activities net position | <u>149,623,196</u> | <u>143,782,522</u> | <u>138,295,230</u> | <u>132,142,500</u> | <u>124,284,676</u> |
| Primary government: | | | | | |
| Net investment in capital assets | 232,651,843 | 219,349,655 | 210,655,553 | 206,101,162 | 210,737,145 |
| Restricted | 19,853,712 | 23,422,867 | 21,409,285 | 20,201,253 | 19,887,779 |
| Unrestricted | 105,488,427 | 105,859,523 | 107,165,736 | 97,136,773 | 88,797,130 |
| Total primary government net position | <u>\$ 357,993,982</u> | <u>\$ 348,632,045</u> | <u>339,230,574</u> | <u>\$ 323,439,188</u> | <u>\$ 319,422,054</u> |

Source: Annual Comprehensive Financial Report Fiscal Year Ended June 30, 2021

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

| | Fiscal Years | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2016 | 2015 | 2014 | 2013 | 2012 |
| Government activities: | | | | | |
| Net investment in capital assets | \$ 162,923,350 | \$ 157,304,041 | \$ 161,902,991 | \$ 157,395,370 | \$ 153,516,469 |
| Restricted | 30,996,309 | 18,741,022 | 17,363,704 | 9,980,695 | - |
| Unrestricted | (580,736) | 9,229,896 | 38,446,880 | 37,646,551 | 43,857,634 |
| Total governmental activities net position | <u>193,338,923</u> | <u>185,274,959</u> | <u>217,713,575</u> | <u>205,022,616</u> | <u>197,374,103</u> |
| Business-type activities: | | | | | |
| Net investment in capital assets | 42,501,264 | 39,806,764 | 54,362,661 | 32,247,941 | 25,155,766 |
| Restricted | 1,377,006 | - | 1,039,739 | - | - |
| Unrestricted | 75,512,969 | 75,781,002 | 62,426,804 | 79,816,600 | 83,232,015 |
| Total business-type activities net position | <u>119,391,239</u> | <u>115,587,766</u> | <u>117,829,204</u> | <u>112,064,541</u> | <u>108,387,781</u> |
| Primary government: | | | | | |
| Net investment in capital assets | 205,424,614 | 197,110,805 | 216,265,652 | 189,643,311 | 178,672,235 |
| Restricted | 32,373,315 | 18,741,022 | 18,403,443 | 9,980,695 | - |
| Unrestricted | 74,932,233 | 85,010,898 | 100,873,684 | 117,463,151 | 127,089,649 |
| Total primary government net position | <u>\$ 312,730,162</u> | <u>\$ 300,862,725</u> | <u>\$ 335,542,779</u> | <u>\$ 317,087,157</u> | <u>\$ 305,761,884</u> |

Source: Annual Comprehensive Financial Report Fiscal Year Ended June 30, 2021

City of Encinitas
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

| | Fiscal Years | | | | |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 |
| Expenses: | | | | | |
| Government activities: | | | | | |
| General government | \$ 18,698,862 | \$ 17,335,001 | \$ 15,280,238 | \$ 14,403,144 | \$ 11,737,634 |
| Public safety | 37,494,513 | 35,791,015 | 33,160,544 | 30,762,894 | 29,437,181 |
| Public works | 11,444,920 | 11,859,286 | 9,166,709 | 8,325,467 | 9,205,570 |
| Planning | 7,360,378 | 7,027,696 | 6,878,364 | 8,741,589 | 6,935,754 |
| Engineering services | 9,200,037 | 6,309,896 | 6,762,441 | 7,492,540 | 8,918,281 |
| Parks and recreation | 9,247,192 | 10,079,123 | 9,809,964 | 8,429,448 | 7,046,255 |
| Interest and fiscal charges on long-term debt | 1,488,333 | 1,569,705 | 1,655,750 | 1,755,100 | 2,237,069 |
| Total governmental activities expenses | 94,934,235 | 89,971,722 | 82,714,010 | 79,910,182 | 75,517,744 |
| Business-type activities: | | | | | |
| Cardiff Sanitary Division | 3,075,590 | 3,093,405 | 3,548,203 | 3,086,434 | 3,308,454 |
| San Dieguito Water District | 17,738,041 | 16,503,660 | 16,615,687 | 13,800,288 | 13,970,919 |
| Encinitas Sanitary Division | 2,751,591 | 3,271,260 | 2,044,676 | 1,652,061 | 2,037,116 |
| Affordable Housing | 1,797,801 | 1,676,260 | 1,576,162 | 1,464,181 | 1,449,917 |
| Recreation Programs | - | - | - | - | - |
| Total business-type activities expenses | 25,363,023 | 24,544,585 | 23,784,728 | 20,002,964 | 20,766,406 |
| Total primary government expenses | 120,297,258 | 114,516,307 | 106,498,738 | 99,913,146 | 96,284,150 |
| Program revenues: | | | | | |
| Government activities: | | | | | |
| Charges for services: | | | | | |
| General government | 1,361,790 | 1,804,550 | 1,239,815 | 1,815,086 | 1,675,799 |
| Public safety | 2,292,593 | 1,521,745 | 2,075,725 | 1,421,393 | 1,148,567 |
| Public works | 105,811 | 1,776 | 57,786 | 394,647 | 65,746 |
| Planning and building | 3,434,081 | 3,417,094 | 2,936,898 | 3,262,604 | 2,954,523 |
| Engineering services | 457,981 | 970,837 | 1,782,402 | 1,874,562 | 1,143,830 |
| Parks and recreation | 759,536 | 1,029,655 | 1,310,426 | 1,405,704 | 1,796,918 |
| Operating grants and contributions | 6,112,721 | 4,401,599 | 4,421,588 | 3,253,127 | 3,419,730 |
| Capital grants and contributions | 6,897,649 | 6,784,821 | 6,626,283 | 4,851,823 | 4,407,963 |
| Total governmental activities program revenues | 21,422,162 | 19,932,077 | 20,450,923 | 18,278,946 | 16,613,076 |
| Business-type activities: | | | | | |
| Charges for services: | | | | | |
| Cardiff Sanitary Division | 5,048,111 | 5,046,841 | 4,937,942 | 4,885,227 | 4,788,884 |
| San Dieguito Water District | 19,037,114 | 16,835,266 | 15,727,590 | 16,852,732 | 14,851,977 |
| Encinitas Sanitary Division | 2,759,121 | 2,744,193 | 2,698,745 | 2,711,075 | 2,819,006 |
| Affordable Housing | 329,678 | 270,931 | 260,848 | 225,468 | 213,124 |
| Recreation Programs | - | - | - | - | - |
| Operating grants and contributions | 1,367,154 | 1,246,133 | 1,142,424 | 1,093,800 | 1,099,366 |
| Capital grants and contributions | 550,875 | 593,179 | 728,700 | 560,651 | 736,370 |
| Total business-type activities program revenues | 29,092,053 | 26,736,543 | 25,496,249 | 26,328,953 | 24,508,727 |
| Total primary government program revenues | 50,514,215 | 46,668,620 | 45,947,172 | 44,607,899 | 41,121,803 |
| Governmental activities | (73,512,073) | (70,039,645) | (62,263,087) | (61,631,236) | (58,904,668) |
| Business-type activities | 3,729,030 | 2,191,958 | 1,711,521 | 6,325,989 | 3,742,321 |
| Total net revenue (expense) | \$ (69,783,043) | \$ (67,847,687) | \$ (60,551,566) | \$ (55,305,247) | \$ (55,162,347) |

City of Encinitas
Changes in Net Position (Continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

| | Fiscal Years | | | | |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2016 | 2015 | 2014 | 2013 | 2012 |
| Expenses: | | | | | |
| Government activities: | | | | | |
| General government | \$ 11,750,737 | \$ 10,810,882 | \$ 9,549,338 | \$ 10,616,440 | \$ 12,064,527 |
| Public safety | 27,255,755 | 25,762,703 | 25,146,843 | 24,629,613 | 23,062,746 |
| Public works | 11,743,123 | 11,565,315 | 10,239,746 | 10,851,147 | 8,560,330 |
| Planning | 7,255,460 | 6,550,992 | 5,853,995 | 4,353,831 | 5,008,179 |
| Engineering services | 4,591,315 | 6,253,352 | 3,988,720 | 3,813,678 | 5,817,932 |
| Parks and recreation | 6,778,769 | 5,205,986 | 4,735,864 | 5,542,550 | 5,578,716 |
| Interest and fiscal charges on long-term debt | 2,494,815 | 2,311,944 | 1,913,349 | 1,932,904 | 1,811,714 |
| Total governmental activities expenses | 71,869,974 | 68,461,174 | 61,427,855 | 61,740,163 | 61,904,144 |
| Business-type activities: | | | | | |
| Cardiff Sanitary Division | 3,857,531 | 4,262,565 | 2,922,446 | 3,373,704 | 3,385,439 |
| San Dieguito Water District | 13,462,935 | 15,005,767 | 13,552,862 | 12,200,431 | 12,448,911 |
| Encinitas Sanitary Division | 2,306,540 | 1,731,770 | 2,438,692 | 1,983,786 | 1,719,176 |
| Affordable Housing | 1,440,124 | 1,408,226 | 1,405,225 | 1,499,863 | 1,492,811 |
| Recreation Programs | - | 1,331,565 | 1,300,555 | 1,153,840 | 1,187,788 |
| Total business-type activities expenses | 21,067,130 | 23,739,893 | 21,619,780 | 20,211,624 | 20,234,125 |
| Total primary government expenses | 92,937,104 | 92,201,067 | 83,047,635 | 81,951,787 | 82,138,269 |
| Program revenues: | | | | | |
| Government activities: | | | | | |
| Charges for services: | | | | | |
| General government | 1,594,277 | 1,629,857 | 1,800,630 | 1,775,756 | 1,789,943 |
| Public safety | 1,009,713 | 160,178 | 202,220 | 91,495 | 99,047 |
| Public works | 107,279 | 759,918 | - | - | - |
| Planning and building | 2,800,413 | 2,737,225 | 2,874,894 | 1,894,785 | 2,155,076 |
| Engineering services | 1,367,902 | 1,055,311 | 1,075,885 | 955,986 | 736,786 |
| Parks and recreation | 1,741,619 | 46,846 | 35,791 | 39,946 | 14,580 |
| Operating grants and contributions | 3,349,186 | 3,878,422 | 4,345,931 | 3,759,864 | 5,896,502 |
| Capital grants and contributions | 5,409,098 | 4,126,194 | 8,756,281 | 6,462,979 | 3,626,279 |
| Total governmental activities program revenues | 17,379,487 | 14,393,951 | 19,091,632 | 14,980,811 | 14,318,213 |
| Business-type activities: | | | | | |
| Charges for services: | | | | | |
| Cardiff Sanitary Division | 4,761,486 | 4,528,551 | 4,605,867 | 4,755,573 | 4,970,662 |
| San Dieguito Water District | 14,684,387 | 14,785,858 | 15,297,718 | 13,687,156 | 12,922,922 |
| Encinitas Sanitary Division | 2,855,690 | 2,841,235 | 2,879,605 | 2,933,319 | 2,897,592 |
| Affordable Housing | 218,148 | 247,349 | 216,728 | 214,115 | 214,503 |
| Recreation Programs | - | 1,321,471 | 1,269,179 | 1,059,009 | 1,273,007 |
| Operating grants and contributions | 1,068,549 | 1,061,698 | 994,607 | 1,103,639 | 1,105,851 |
| Capital grants and contributions | 681,412 | 483,425 | 1,066,769 | 1,003,057 | 460,688 |
| Total business-type activities program revenues | 24,269,672 | 25,269,587 | 26,330,473 | 24,755,868 | 23,845,225 |
| Total primary government program revenues | 41,649,159 | 39,663,538 | 45,422,105 | 39,736,679 | 38,163,438 |
| Governmental activities | (54,490,487) | (54,067,223) | (42,336,223) | (46,759,352) | (47,585,931) |
| Business-type activities | 3,202,542 | 1,529,694 | 4,710,693 | 4,544,244 | 3,611,100 |
| Total net revenue (expense) | \$ (51,287,945) | \$ (52,537,529) | \$ (37,625,530) | \$ (42,215,108) | \$ (43,974,831) |

City of Encinitas
Changes in Net Position (Continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

| | Fiscal Years | | | | |
|--|---------------------|---------------------|----------------------|----------------------|---------------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 |
| General Revenues and Other Changes in Net Position: | | | | | |
| Governmental activities: | | | | | |
| Taxes | | | | | |
| Property and documentary transfer taxes | \$ 54,839,785 | \$ 51,251,719 | \$ 49,237,265 | \$ 46,311,814 | \$ 43,494,220 |
| Sales taxes | 15,453,648 | 13,744,880 | 13,694,647 | 13,252,053 | 12,549,609 |
| Transient occupancy taxes | 2,823,055 | 2,383,060 | 2,775,771 | 2,562,484 | 2,216,145 |
| Franchise taxes | 2,599,810 | 2,539,090 | 2,571,367 | 2,587,443 | 2,545,854 |
| Intergovernmental revenues | 99,985 | 182,449 | 185,380 | 97,163 | 251,919 |
| Investment income | 44,858 | 3,030,295 | 2,613,728 | 958,172 | 770,634 |
| Other general revenues | 1,162,877 | 804,984 | 827,490 | 452,275 | 961,475 |
| Gain/(Loss) on sale of assets | - | 36,013 | 12,739 | 61,400 | 1,937 |
| Impairment loss on capital assets | - | - | - | - | (2,088,668) |
| Transfers | 9,318 | (18,666) | (16,644) | 20,018 | - |
| Total governmental activities | <u>77,033,336</u> | <u>73,953,824</u> | <u>71,901,743</u> | <u>66,302,822</u> | <u>60,703,125</u> |
| Business-type activities: | | | | | |
| Property taxes | 1,227,621 | 1,159,681 | 1,110,248 | 1,030,168 | 959,873 |
| Intergovernmental-unrestricted | - | - | - | - | (31,828) |
| Investment income | 89,227 | 1,716,759 | 1,393,446 | (446,745) | 6,925 |
| Other general revenues | 804,114 | 400,228 | 1,306,547 | 1,247,955 | - |
| Gain/(Loss) on sale of assets | - | - | 614,324 | 8,285 | 216,146 |
| Transfers | (9,318) | 18,666 | 16,644 | (20,018) | - |
| Total business-type activities | <u>2,111,644</u> | <u>3,295,334</u> | <u>4,441,209</u> | <u>1,819,645</u> | <u>1,151,116</u> |
| Total primary government | <u>79,144,980</u> | <u>77,249,158</u> | <u>76,342,952</u> | <u>68,122,467</u> | <u>61,854,241</u> |
| Changes in Net Position | | | | | |
| Government activities | 3,521,263 | 3,914,179 | 9,638,656 | 4,671,586 | 1,798,457 |
| Business-type activities | <u>5,840,674</u> | <u>5,487,292</u> | <u>6,152,730</u> | <u>8,145,634</u> | <u>4,893,437</u> |
| Total primary government | <u>\$ 9,361,937</u> | <u>\$ 9,401,471</u> | <u>\$ 15,791,386</u> | <u>\$ 12,817,220</u> | <u>\$ 6,691,894</u> |

The City reports recreation programs as a business-type activity beginning in Fiscal Year 2011-12.

City of Encinitas
Changes in Net Position (Continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

| | Fiscal Years | | | | |
|--|---------------|---------------|---------------|---------------|---------------|
| | 2016 | 2015 | 2014 | 2013 | 2012 |
| General Revenues and Other Changes in Net Position: | | | | | |
| Governmental activities: | | | | | |
| Taxes | | | | | |
| Property and documentary transfer taxes | \$ 41,210,485 | \$ 38,508,558 | \$ 36,414,507 | \$ 34,974,578 | \$ 32,788,129 |
| Sales taxes | 14,166,771 | 12,569,119 | 12,067,360 | 11,585,145 | 10,613,188 |
| Transient occupancy taxes | 2,018,024 | 1,828,116 | 1,570,459 | 1,491,998 | 1,413,926 |
| Franchise taxes | 2,794,144 | 2,761,335 | 2,614,844 | 2,323,616 | 2,144,162 |
| Intergovernmental revenues | 388,876 | 814,337 | 479,026 | 541,079 | 635,097 |
| Investment income | 611,350 | 880,989 | 705,849 | 552,512 | 387,066 |
| Other general revenues | 956,824 | 1,567,168 | 1,257,002 | 1,596,026 | 1,780,543 |
| Gain/(Loss) on sale of assets | 8,865 | 107,177 | (48,320) | - | - |
| Impairment loss on capital assets | - | - | - | - | - |
| Transfers | 399,112 | (36,068) | (33,545) | 1,809,656 | (668,877) |
| Total governmental activities | 62,554,451 | 59,000,731 | 55,027,182 | 54,874,610 | 49,093,234 |
| Business-type activities: | | | | | |
| Property taxes | 906,106 | 834,994 | 787,242 | 749,378 | 725,551 |
| Intergovernmental-unrestricted | - | - | - | 189,676 | - |
| Investment income | (63,690) | (60,169) | 357,357 | 3,118 | 188,259 |
| Other general revenues | 153,667 | 63,768 | 63,768 | - | - |
| Gain/(Loss) on sale of assets | 4,010 | 18,085 | (187,942) | - | - |
| Transfers | (399,112) | 36,068 | 33,545 | (1,809,656) | 668,877 |
| Total business-type activities | 600,981 | 892,746 | 1,053,970 | (867,484) | 1,582,687 |
| Total primary government | 63,155,432 | 59,893,477 | 56,081,152 | 54,007,126 | 50,675,921 |
| Changes in Net Position | | | | | |
| Government activities | 8,063,964 | 4,933,508 | 12,690,959 | 8,115,258 | 1,507,303 |
| Business-type activities | 3,803,523 | 2,422,440 | 5,764,663 | 3,676,760 | 5,193,787 |
| Total primary government | \$ 11,867,487 | \$ 7,355,948 | \$ 18,455,622 | \$ 11,792,018 | \$ 6,701,090 |

The City reports recreation programs as a business-type activity beginning in Fiscal Year 2011-12.

Source: Annual Comprehensive Financial Report Fiscal Year Ended June 30, 2021

City of Encinitas
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Accrual Basis of Accounting)

| | Fiscal Years | | | | |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 |
| General fund: | | | | | |
| Nonspendable | \$ 737,115 | \$ 287,832 | \$ 266,828 | \$ 267,203 | \$ 727,094 |
| Restricted | 172,708 | 167,265 | 383 | 251 | 1,472,372 |
| Committed | 16,998,291 | 16,208,039 | 15,545,889 | 14,691,792 | 13,937,399 |
| Assigned | - | - | - | - | - |
| Unassigned | 9,255,171 | 10,542,872 | 8,609,231 | 12,334,212 | 9,514,727 |
| Total general fund | 27,163,285 | 27,206,008 | 24,422,331 | 27,293,458 | 25,651,592 |
| All other governmental funds: | | | | | |
| Nonspendable | - | - | - | - | 296,234 |
| Restricted | 26,434,867 | 36,105,367 | 36,435,142 | 34,724,312 | 30,282,525 |
| Committed | 19,920,832 | 18,352,366 | 24,412,850 | 17,760,602 | 18,998,215 |
| Assigned | - | - | - | - | - |
| Unassigned | (7,140,370) | (13,240,690) | (15,438,135) | (14,945,248) | (12,183,589) |
| Total all other governmental funds | 39,215,329 | 41,217,043 | 45,409,857 | 37,539,666 | 37,393,385 |
| Total all governmental funds | \$ 66,378,614 | \$ 68,423,051 | \$ 69,832,188 | \$ 64,833,124 | \$ 63,044,977 |

Source: Annual Comprehensive Financial Report Fiscal Year Ended June 30, 2021

City of Encinitas
Fund Balances of Governmental Funds (Continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

| | Fiscal Years | | | | |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|
| | 2016 | 2015 | 2014 | 2013 | 2012 |
| General fund: | | | | | |
| Nonspendable | \$ 1,109,424 | \$ 1,535,601 | \$ 2,052,250 | \$ 1,980,075 | \$ 2,868,533 |
| Restricted | - | 3,009,269 | 4,079 | 7,996,400 | - |
| Committed | - | 8,266,796 | 8,136,886 | 9,847,719 | 19,371,624 |
| Assigned | - | 561,762 | 561,762 | 561,762 | - |
| Unassigned | 31,775,120 | 28,029,019 | 25,151,131 | 21,160,822 | 17,964,935 |
| Total general fund | 32,884,544 | 41,402,447 | 35,906,108 | 41,546,778 | 40,205,092 |
| All other governmental funds: | | | | | |
| Nonspendable | 287,756 | - | 1,565 | - | - |
| Restricted | 4,305,652 | 18,741,022 | 17,358,060 | 13,036,985 | 13,471,421 |
| Committed | 1,626,219 | - | - | - | - |
| Assigned | 24,776,682 | - | - | 2,135,100 | 2,169,209 |
| Unassigned | - | - | - | - | - |
| Total all other governmental funds | 30,996,309 | 18,741,022 | 17,359,625 | 15,172,085 | 15,640,630 |
| Total all governmental funds | \$ 63,880,853 | \$ 60,143,469 | \$ 53,265,733 | \$ 56,718,863 | \$ 55,845,722 |

Source: Annual Comprehensive Financial Report Fiscal Year Ended June 30, 2021

City of Encinitas
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Accrual Basis of Accounting)

| | Fiscal Years | | | | |
|--|-----------------------|-----------------------|---------------------|---------------------|---------------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 |
| Revenues: | | | | | |
| Taxes and assessments | \$ 76,821,095 | \$ 71,064,561 | \$ 69,403,416 | \$ 65,845,166 | \$ 61,934,421 |
| Intergovernmental | 11,565,263 | 9,208,454 | 7,161,806 | 6,966,193 | 6,436,599 |
| Charges for services | 5,862,696 | 6,629,818 | 7,383,043 | 7,280,374 | 6,688,958 |
| Fines, forfeitures, and penalties | 232,873 | 655,032 | 794,237 | 704,216 | 850,153 |
| Use of money and property | 577,180 | 3,729,566 | 3,437,985 | 1,126,652 | 1,285,049 |
| Other | 4,143,952 | 3,750,230 | 3,089,553 | 2,566,551 | 2,215,452 |
| Total Revenues | 99,203,059 | 95,037,661 | 91,270,040 | 84,489,152 | 79,410,632 |
| Expenditures: | | | | | |
| Current: | | | | | |
| General government | 14,533,052 | 13,358,381 | 12,783,602 | 12,213,808 | 10,017,430 |
| Public safety | 34,619,312 | 32,928,307 | 31,494,405 | 29,478,104 | 27,724,959 |
| Public works | 7,360,360 | 7,392,741 | 5,875,143 | 5,033,316 | 6,351,537 |
| Planning and building | 6,939,408 | 6,619,723 | 6,570,840 | 6,017,914 | 5,110,298 |
| Engineering services | 3,761,366 | 3,324,903 | 3,851,316 | 3,504,336 | 4,368,601 |
| Parks and recreation | 7,237,778 | 7,959,300 | 7,954,529 | 7,879,881 | 6,610,308 |
| Capital outlay | 22,365,147 | 18,749,583 | 11,925,637 | 12,933,995 | 12,230,552 |
| Debt service: | | | | | |
| Principal | 2,106,004 | 2,025,045 | 1,949,298 | 2,128,758 | 2,853,417 |
| Interest and fiscal charges | 1,611,171 | 1,695,251 | 1,774,333 | 1,899,328 | 2,077,770 |
| Bond issuance costs | - | - | - | - | - |
| Total expenditures | 100,533,598 | 94,053,234 | 84,179,103 | 81,089,440 | 77,344,872 |
| Excess (deficiency) of revenues over (under) expenditures | (1,330,539) | 984,427 | 7,090,937 | 3,399,712 | 2,065,760 |
| Other Financing Sources (Uses): | | | | | |
| Transfers in | 40,522,780 | 20,729,350 | 25,249,787 | 30,412,724 | 35,159,839 |
| Transfers out | (41,236,678) | (23,122,914) | (27,341,660) | (32,024,289) | (36,650,845) |
| Proceeds from capital lease | - | - | - | - | - |
| Proceeds from sale of property | - | - | - | - | - |
| Issuance of debt | - | - | - | - | 11,955,000 |
| Premium on debt | - | - | - | - | 1,360,284 |
| Deposit to escrow for bond refunding | - | - | - | - | (14,725,914) |
| Bond discounts | - | - | - | - | - |
| Total other financing sources (uses) | (713,898) | (2,393,564) | (2,091,873) | (1,611,565) | (2,901,636) |
| Net change in fund balances | \$ (2,044,437) | \$ (1,409,137) | \$ 4,999,064 | \$ 1,788,147 | \$ (835,876) |
| Debt service as a percentage of noncapital expenditures | 4.3% | 4.6% | 4.8% | 5.4% | 6.9% |

Source: Annual Comprehensive Financial Report Fiscal Year Ended June 30, 2021

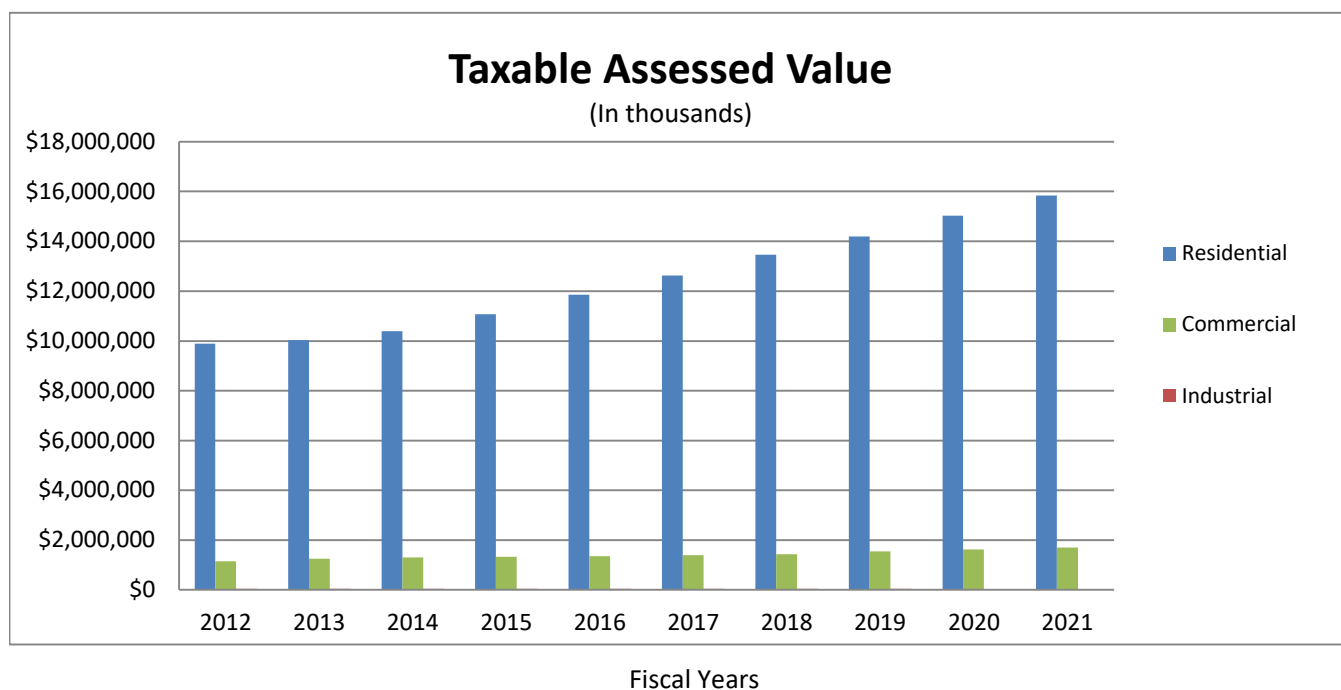
City of Encinitas
Changes in Fund Balances of Governmental Funds (Continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

| | Fiscal Years | | | | |
|--|---------------------|---------------------|-----------------------|--------------------|-----------------------|
| | 2016 | 2015 | 2014 | 2013 | 2012 |
| Revenues: | | | | | |
| Taxes and assessments | \$ 61,325,308 | \$ 56,825,628 | \$ 53,830,193 | \$ 51,528,542 | \$ 49,089,142 |
| Intergovernmental | 6,689,475 | 7,022,485 | 5,025,480 | 8,520,220 | 6,537,855 |
| Charges for services | 6,585,518 | 5,315,721 | 5,479,847 | 4,450,756 | 4,406,737 |
| Fines, forfeitures, and penalties | 889,388 | 802,936 | 632,776 | 611,029 | 657,364 |
| Use of money and property | 1,222,730 | 899,807 | 724,310 | 572,481 | 639,676 |
| Other | 2,804,043 | 2,456,996 | 3,654,621 | 2,141,439 | 2,715,266 |
| Total Revenues | 79,516,462 | 73,323,573 | 69,347,227 | 67,824,467 | 64,046,040 |
| Expenditures: | | | | | |
| Current: | | | | | |
| General government | 9,288,227 | 9,362,214 | 9,109,412 | 9,430,487 | 9,277,443 |
| Public safety | 26,976,136 | 24,902,920 | 24,164,979 | 23,655,367 | 22,853,121 |
| Public works | 6,305,340 | 6,682,424 | 6,281,800 | 6,057,646 | 5,843,228 |
| Planning and building | 5,159,777 | 5,082,589 | 4,716,315 | 4,238,882 | 4,655,501 |
| Engineering services | 4,298,563 | 4,162,630 | 3,949,352 | 3,716,994 | 3,804,813 |
| Parks and recreation | 6,366,337 | 5,091,224 | 4,672,683 | 4,377,047 | 4,333,303 |
| Capital outlay | 10,799,083 | 18,440,036 | 14,548,894 | 18,836,006 | 12,803,379 |
| Debt service: | | | | | |
| Principal | 2,783,268 | 2,730,686 | 2,661,976 | 2,295,614 | 2,359,932 |
| Interest and fiscal charges | 2,372,231 | 2,170,164 | 1,937,144 | 2,050,068 | 1,872,773 |
| Bond issuance costs | - | - | - | - | - |
| Total expenditures | 74,348,962 | 78,624,887 | 72,042,555 | 74,658,111 | 67,803,493 |
| Excess (deficiency) of revenues over (under) expenditures | 5,167,500 | (5,301,314) | (2,695,328) | (6,833,644) | (3,757,453) |
| Other Financing Sources (Uses): | | | | | |
| Transfers in | 44,550,246 | 24,514,293 | 20,570,966 | 23,363,240 | 17,661,946 |
| Transfers out | (45,577,444) | (25,509,616) | (21,328,768) | (24,208,239) | (18,354,656) |
| Proceeds from capital lease | - | - | - | 555,384 | 599,639 |
| Proceeds from sale of property | 15,645,000 | 13,174,373 | - | 7,865,000 | - |
| Issuance of debt | 115 | - | - | - | - |
| Premium on debt | 772,212 | - | - | 131,400 | - |
| Deposit to escrow for bond refunding | (16,820,243) | - | - | - | - |
| Bond discounts | - | - | - | - | - |
| Total other financing sources (uses) | (1,430,114) | 12,179,050 | (757,802) | 7,706,784 | (93,071) |
| Net change in fund balances | \$ 3,737,386 | \$ 6,877,736 | \$ (3,453,130) | \$ 873,140 | \$ (3,850,524) |
| Debt service as a percentage of noncapital expenditures | 7.5% | 7.6% | 7.8% | 7.3% | 7.2% |

Source: Annual Comprehensive Financial Report Fiscal Year Ended June 30, 2021

City of Encinitas
Assessed Value of Taxable Property
Last Ten Fiscal Years
(In thousands of dollars)

| Fiscal Year Ended June 30 | Residential Property | Commercial Property | Industrial Property | All Other Property (1) | Total Net Taxable Assessed Value (2) | Total Direct Tax Rate % (3) |
|------------------------------|-------------------------|------------------------|------------------------|---------------------------|---|--------------------------------|
| 2021 | \$ 15,834,152 | \$ 1,704,972 | \$ 42,250 | \$ 501,200 | \$ 18,082,574 | 0.23867% |
| 2020 | 15,019,491 | 1,624,044 | 44,910 | 471,498 | 17,159,943 | 0.23819% |
| 2019 | 14,191,006 | 1,546,386 | 44,994 | 590,531 | 16,372,917 | 0.23769% |
| 2018 | 13,453,667 | 1,436,502 | 42,618 | 433,992 | 15,366,779 | 0.23749% |
| 2017 | 12,622,536 | 1,390,398 | 41,805 | 417,474 | 14,472,213 | 0.24019% |
| 2016 | 11,864,809 | 1,359,004 | 41,187 | 437,972 | 13,702,972 | 0.23978% |
| 2015 | 11,073,358 | 1,323,412 | 39,665 | 433,569 | 12,870,004 | 0.24534% |
| 2014 | 10,393,910 | 1,300,287 | 39,501 | 413,663 | 12,147,361 | 0.24570% |
| 2013 | 10,030,357 | 1,247,785 | 37,766 | 408,020 | 11,723,928 | 0.23974% |
| 2012 | 9,886,681 | 1,154,923 | 34,944 | 421,308 | 11,497,856 | 0.23866% |



- (1) All Other Property includes the following categories: dry farm, institutional, irrigated, recreational, vacant land, exempt and unsecured properties.
- (2) The "total net taxable assessed value" is net of tax-exempt property. Homeowners' exemptions are not included in the totals shown.
- (3) The total direct tax rate is the City's proportionate share of Proposition 13 property taxes collected within the tax area.

Source: HdL Companies

City of Encinitas
Principal Property Taxpayers
Current Fiscal Year and Nine Years Ago

| Taxpayer | 2021 | | | 2012 | | |
|---------------------------------------|--------------------------------|------|---------------------------------------|--------------------------------|------|---------------------------------------|
| | Taxable Assessed Secured Value | Rank | % of Total City Assessed Secure Value | Taxable Assessed Secured Value | Rank | % of Total City Assessed Secure Value |
| TRC Encinitas Village LLC | \$ 104,552,344 | 1 | 0.58% | \$ - | - | - |
| Collwood Pines Apartments LP | 83,447,246 | 2 | 0.47% | 54,972,120 | 2 | 0.48% |
| Belmont Village LP | 61,864,192 | 3 | 0.35% | 29,255,866 | 8 | 0.25% |
| Pacifico Encinitas Apartment Home LP | 55,016,352 | 4 | 0.31% | - | - | - |
| Encinitas Town Center Association LLC | 40,440,758 | 5 | 0.23% | 45,031,266 | 4 | 0.39% |
| NCHC 3 LLC | 38,186,693 | 6 | 0.21% | - | - | - |
| Weingarten Nostat Inc | 37,460,820 | 7 | 0.21% | - | - | - |
| Encinitas MarketPlace LLC | 33,050,550 | 8 | 0.18% | - | - | - |
| Home Depot USA Inc. | 32,487,722 | 9 | 0.18% | 28,374,005 | 10 | 0.25% |
| RPG Pacifica Station LLC | 30,125,718 | 10 | 0.17% | - | - | - |
| Encinitas Beach Hotel Venture LLC | 28,740,000 | 11 | 0.16% | - | - | - |
| S S L Landlord LLC | 26,943,911 | 12 | 0.15% | 21,647,020 | 12 | 0.19% |
| Mission Ridge LLC | 26,291,662 | 13 | 0.15% | - | - | - |
| Vons Companies Inc. | 25,522,184 | 14 | 0.14% | - | - | - |
| RAF Pacifica Encinitas LLC | 21,879,000 | 15 | 0.12% | - | - | - |
| Quail Pointe Apartment Homes LP | 21,848,701 | 16 | 0.12% | 15,010,089 | 19 | 0.13% |
| Sterling Family Trust | 20,283,365 | 17 | 0.11% | 17,226,857 | 15 | 0.15% |
| Paul H Meardon Trust | 20,132,898 | 18 | 0.11% | - | - | - |
| Plenc El Camino LLC | 19,957,018 | 19 | 0.11% | 16,888,954 | 16 | 0.15% |
| Los Angeles Fitness Int'l LLC | 19,946,888 | 20 | 0.11% | - | - | - |
| Quail Meadows Properties LLC | 19,682,437 | 21 | 0.11% | - | - | - |
| Cardiff Town Center LLC | 19,556,365 | 22 | 0.11% | - | - | - |
| Keith B. and Sara S. Harrison | 16,782,434 | 23 | 0.09% | 13,448,430 | 23 | 0.12% |
| Camino Village LLC | 16,651,689 | 24 | 0.09% | - | - | - |
| Essex Heights LLC | 16,589,704 | 25 | 0.09% | | | |
| Scripps Health | - | | - | 76,363,047 | 1 | 0.66% |
| James P. Garraphy | - | | - | 46,467,461 | 3 | 0.40% |
| Terramar Retail Centers LLC | - | | - | 35,623,212 | 5 | 0.31% |
| North Coast Health Center LLC | - | | - | 32,409,699 | 6 | 0.28% |
| WRI El Camino LP | - | | - | 31,977,500 | 7 | 0.28% |
| PK III Encinitas Marketplace LP | - | | - | 28,600,000 | 9 | 0.25% |
| Urschel Laboratories Inc. | - | | - | 22,443,243 | 11 | 0.20% |
| Lofts at Moonlight Beach LLC | - | | - | 20,107,555 | 13 | 0.17% |
| Encinitas Plaza LLC | - | | - | 17,367,711 | 14 | 0.15% |
| Hughes Encinitas Limited | - | | - | 16,612,808 | 17 | 0.14% |
| Golden Eagle Annuity Investment LP | - | | - | 16,120,480 | 18 | 0.14% |
| Encinitas Terraces LLC | - | | - | 14,128,780 | 20 | 0.12% |
| Bellflower Capital LP | - | | - | 13,759,223 | 21 | 0.12% |
| North Coast Business Park | - | | - | 13,514,314 | 22 | 0.12% |
| ARV Assisted Living Inc | - | | - | 13,000,000 | 24 | 0.11% |
| SDCC Properties | - | | - | 13,000,000 | 24 | 0.11% |
| | <u>\$ 837,440,651</u> | | <u>4.68%</u> | <u>\$ 653,349,640</u> | | <u>5.68%</u> |

Source: HdL Companies



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City of Encinitas
Property Tax Levies and Collections
Last Ten Fiscal Years

| Fiscal Year Ended June 30 | Taxes Levied for the Fiscal Year | Collected within the Fiscal Year of Levy | | Collections in Subsequent Years | Total Collections to Date | |
|---------------------------------|--|---|--------------------|---------------------------------------|---------------------------|-----------------------|
| | | Amount | Percent of Levy | | Amount | Percentage of Levy |
| 2021 | \$ 59,267,005 | \$ 57,955,925 | 97.79% | N/A | 57,955,925 | 97.79% |
| 2020 | 55,190,058 | 54,143,122 | 98.10% | 548,636 | 54,691,758 | 99.10% |
| 2019 | 53,427,075 | 52,652,248 | 98.55% | 540,612 | 53,192,860 | 99.56% |
| 2018 | 50,804,445 | 50,172,791 | 98.76% | 171,827 | 50,344,618 | 99.09% |
| 2017 | 48,540,436 | 47,871,961 | 98.62% | 330,704 | 48,202,665 | 99.30% |
| 2016 | 34,443,972 | 33,961,174 | 98.60% | 235,730 | 34,196,904 | 99.28% |
| 2015 | 32,251,814 | 31,755,994 | 98.46% | 168,077 | 31,924,071 | 98.98% |
| 2014 | 30,550,301 | 30,009,574 | 98.23% | 133,208 | 30,142,782 | 98.67% |
| 2013 | 29,207,237 | 28,712,036 | 98.30% | 157,287 | 28,869,323 | 98.84% |
| 2012 | 28,100,611 | 27,540,858 | 98.01% | 238,418 | 27,779,276 | 98.86% |

Source: County of San Diego Auditor and Controller: Property Tax Apportionment

City of Encinitas

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years

| | Fiscal Years | | | | |
|---|--------------|---------|---------|---------|---------|
| | 2021 | 2020 | 2019 | 2018 | 2017 |
| | % | % | % | % | % |
| City of Encinitas Basic Rate | 0.23867 | 0.23819 | 0.23769 | 0.23695 | 0.23644 |
| City of Encinitas Total Direct Rate (1) | 0.23867 | 0.23819 | 0.23769 | 0.23695 | 0.23644 |
| Overlapping Rates: (2) | | | | | |
| City of Encinitas | 0.24020 | 0.24020 | 0.24020 | 0.24020 | 0.24020 |
| Encinitas Landscape & Lighting District | 0.02100 | 0.02100 | 0.02100 | 0.02100 | 0.02100 |
| Autistic Pupils Minors Elementary | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 |
| Autistic Pupils Minors High | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 |
| Cardiff, Encinitas Elementary | 0.24870 | 0.24870 | 0.24870 | 0.24870 | 0.24870 |
| Children's Institutions Tuition | 0.00107 | 0.00107 | 0.00107 | 0.00107 | 0.00107 |
| County General | 0.08020 | 0.08020 | 0.08020 | 0.08020 | 0.08020 |
| County Library | 0.01969 | 0.01969 | 0.01969 | 0.01969 | 0.01969 |
| County School Service | 0.00643 | 0.00643 | 0.00643 | 0.00643 | 0.00643 |
| County School Service-Capital Outlay | 0.00161 | 0.00161 | 0.00161 | 0.00161 | 0.00161 |
| County Service Area No. 17 | 0.00251 | 0.00251 | 0.00251 | 0.00251 | 0.00251 |
| CWA San Dieguito Water District, OMWD | 0.02510 | 0.02510 | 0.02510 | 0.02510 | 0.02510 |
| Development Centers for Handicapped Elementary | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 |
| Development Centers for Handicapped High | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 |
| Educable Mentally Retarded Minors | 0.00161 | 0.00161 | 0.00161 | 0.00161 | 0.00161 |
| Educational Revenue Augmentation Fund | 0.08620 | 0.08620 | 0.08620 | 0.08620 | 0.08620 |
| Mira Costa Community College | 0.08150 | 0.08150 | 0.08150 | 0.08150 | 0.08150 |
| Physically Handicapped Minors Elementary | 0.00268 | 0.00268 | 0.00268 | 0.00268 | 0.00268 |
| Physically Handicapped Minors High | 0.00268 | 0.00268 | 0.00268 | 0.00268 | 0.00268 |
| Regional Occupational Centers | 0.00375 | 0.00375 | 0.00375 | 0.00375 | 0.00375 |
| San Dieguito Union High | 0.13610 | 0.13610 | 0.13610 | 0.13610 | 0.13610 |
| San Dieguito Water District | 0.03590 | 0.03590 | 0.03590 | 0.03590 | 0.03590 |
| Trainable Mentally Retarded Minors Elementary | 0.00161 | 0.00161 | 0.00161 | 0.00161 | 0.00161 |
| Trainable Mentally Retarded Minors High | 0.00161 | 0.00161 | 0.00161 | 0.00161 | 0.00161 |
| Oceanside (19/85001), Vista (19/85701) Projects | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 |
| Total Prop 13 Rate (3) | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 |

Notes;

(1) Total Direct Rate is the weighted average of all individual direct rates applied by the government preparing the statistical section information.

(2) General Fund tax rates are representative and based upon the direct and overlapping rates for the largest General Fund tax rate area (TRA) by net taxable value.

(3) In 1978, the voters of the State of California passed Proposition 13, which limited property taxes to a total maximum rate of one percent 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 two percent). With few exceptions, property is only reassessed at the time that it was sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value.

City of Encinitas
Direct and Overlapping Property Tax Rates (Continued)
Last Ten Fiscal Years

| | Fiscal Years | | | | |
|---|--------------|---------|---------|---------|---------|
| | 2016 | 2015 | 2014 | 2013 | 2012 |
| | % | % | % | % | % |
| City of Encinitas Basic Rate | 0.23978 | 0.24534 | 0.24002 | 0.23974 | 0.23866 |
| City of Encinitas Total Direct Rate (1) | 0.23978 | 0.24534 | 0.24002 | 0.23974 | 0.23866 |
| Overlapping Rates: (2) | | | | | |
| City of Encinitas | 0.24020 | 0.24020 | 0.24020 | 0.24020 | 0.24020 |
| Encinitas Landscape & Lighting District | 0.02100 | 0.02100 | 0.02100 | 0.02100 | 0.02100 |
| Autistic Pupils Minors Elementary | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 |
| Autistic Pupils Minors High | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 |
| Cardiff, Encinitas Elementary | 0.24870 | 0.24870 | 0.24870 | 0.24870 | 0.24870 |
| Children's Institutions Tuition | 0.00107 | 0.00107 | 0.00107 | 0.00107 | 0.00107 |
| County General | 0.08020 | 0.08020 | 0.08020 | 0.08020 | 0.08020 |
| County Library | 0.01969 | 0.01969 | 0.01969 | 0.01969 | 0.01969 |
| County School Service | 0.00643 | 0.00643 | 0.00643 | 0.00643 | 0.00643 |
| County School Service-Capital Outlay | 0.00161 | 0.00161 | 0.00161 | 0.00161 | 0.00161 |
| County Service Area No. 17 | 0.00251 | 0.00251 | 0.00251 | 0.00251 | 0.00251 |
| CWA San Dieguito Water District, OMWD | 0.02510 | 0.02510 | 0.02510 | 0.02510 | 0.02510 |
| Development Centers for Handicapped Elementary | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 |
| Development Centers for Handicapped High | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 |
| Educable Mentally Retarded Minors | 0.00161 | 0.00161 | 0.00161 | 0.00161 | 0.00161 |
| Educational Revenue Augmentation Fund | 0.08620 | 0.08620 | 0.08620 | 0.08620 | 0.08620 |
| Mira Costa Community College | 0.08150 | 0.08150 | 0.08150 | 0.08150 | 0.08150 |
| Physically Handicapped Minors Elementary | 0.00268 | 0.00268 | 0.00268 | 0.00268 | 0.00268 |
| Physically Handicapped Minors High | 0.00268 | 0.00268 | 0.00268 | 0.00268 | 0.00268 |
| Regional Occupational Centers | 0.00375 | 0.00375 | 0.00375 | 0.00375 | 0.00375 |
| San Dieguito Union High | 0.13610 | 0.13610 | 0.13610 | 0.13610 | 0.13610 |
| San Dieguito Water District | 0.03590 | 0.03590 | 0.03590 | 0.03590 | 0.03590 |
| Trainable Mentally Retarded Minors Elementary | 0.00161 | 0.00161 | 0.00161 | 0.00161 | 0.00161 |
| Trainable Mentally Retarded Minors High | 0.00161 | 0.00161 | 0.00161 | 0.00161 | 0.00161 |
| Oceanside (19/85001), Vista (19/85701) Projects | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 |
| Total Prop 13 Rate (3) | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 |

Notes:

(1) Total Direct Rate is the weighted average of all individual direct rates applied by the government preparing the statistical section information.

(2) General Fund tax rates are representative and based upon the direct and overlapping rates for the largest General Fund tax rate area (TRA) by net taxable value.

(3) In 1978, the voters of the State of California passed Proposition 13, which limited property taxes to a total maximum rate of one percent 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 two percent). With few exceptions, property is only reassessed at the time that it was sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value.

City of Encinitas
Direct and Overlapping Property Tax Rates (Continued)
Last Ten Fiscal Years

| | Fiscal Years | | | | |
|--|--------------|---------|---------|---------|---------|
| | 2021 | 2020 | 2019 | 2018 | 2017 |
| | % | % | % | % | % |
| Gen Bond Cardiff 2000A | 0.03701 | 0.03727 | 0.03737 | 0.03028 | - |
| Gen Bond Cardiff 2000 Election,2010 Ref. Bonds | | - | - | - | 0.03192 |
| MWD D/S Remainder of SDCWA 1501999 | 0.00350 | 0.00350 | 0.00350 | 0.00350 | 0.00350 |
| Total Voter Approved Rate | 0.04051 | 0.04077 | 0.04087 | 0.03378 | 0.03542 |
| Total Tax Rate | 1.04051 | 1.04077 | 1.04087 | 1.03378 | 1.03542 |

Source: HdL Companies; County of San Diego Office of Property Tax Services

City of Encinitas
Direct and Overlapping Property Tax Rates (Continued)
Last Ten Fiscal Years

| | Fiscal Years | | | | |
|---|--------------|---------|---------|---------|---------|
| | 2016 | 2015 | 2014 | 2013 | 2012 |
| | % | % | % | % | % |
| Gen Bond Cardiff 2000A | - | - | - | - | - |
| Gen Bond Cardiff 2000 Election, 2010 Ref. Bonds | 0.03324 | 0.03554 | 0.03386 | 0.03458 | 0.03489 |
| MWD D/S Remainder of SDCWA 1501999 | 0.00350 | 0.00350 | 0.00350 | 0.00350 | 0.00370 |
| Total Voter Approved Rate | 0.03674 | 0.03904 | 0.03736 | 0.03808 | 0.03859 |
| Total Tax Rate | 1.03674 | 1.03904 | 1.03736 | 1.03808 | 0.03859 |

Source: HdL Companies; County of San Diego Office of Property Tax Services

City of Encinitas
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

| Fiscal Year Ended June 30 | Governmental Activities | | |
|---------------------------------|-------------------------|----------------|----------------------------------|
| | Bonded Debt | Capital Leases | Total Governmental Activities |
| 2021 | \$ 40,821,452 | \$ 1,323,185 | \$ 42,144,637 |
| 2020 | 42,897,904 | 890,053 | 43,787,957 |
| 2019 | 44,899,354 | 1,220,867 | 46,120,221 |
| 2018 | 46,830,807 | 1,633,559 | 48,464,366 |
| 2017 | 48,953,813 | 2,205,282 | 51,159,095 |
| 2016 | 52,933,882 | 2,050,840 | 54,984,722 |
| 2015 | 55,431,687 | 2,513,713 | 57,945,400 |
| 2014 | 44,546,848 | 2,964,400 | 47,511,248 |
| 2013 | 46,736,383 | 3,446,376 | 50,182,759 |
| 2012 | 40,645,759 | 3,281,606 | 43,927,365 |

(1) Debt per Capita is calculated by dividing the total primary government amount by the City population shown on the Demographic and Economic statistical page.

Source: Annual Comprehensive Financial Report Fiscal Year Ended June 30, 2021

City of Encinitas
Ratios of Outstanding Debt by Type (Continued)
Last Ten Fiscal Years

| Fiscal Year Ended June 30 | Business-type Activities | | | Total Business- type Activities | Total Primary Government | Debt Per Capita (1) |
|---------------------------------|---------------------------------|---------------------|---------------------|------------------------------------|-----------------------------|------------------------|
| | Water Bonds and Notes | CSD Note Payable | EHA Note Payable | | | |
| 2021 | \$ 4,728,115 | \$ 11,527,912 | \$ 924,799 | \$ 17,180,826 | \$ 59,325,463 | 952 |
| 2020 | 5,992,487 | 11,882,425 | 1,008,914 | 18,883,826 | 62,671,783 | 1,008 |
| 2019 | 7,201,858 | 12,226,938 | 1,091,629 | 20,520,425 | 66,640,646 | 1,051 |
| 2018 | 8,376,231 | 12,960,295 | 1,173,058 | 22,509,584 | 70,973,950 | 1,124 |
| 2017 | 9,510,602 | 1,559,300 | 1,253,177 | 12,323,079 | 63,482,174 | 1,019 |
| 2016 | 10,609,973 | 2,205,893 | 1,331,410 | 14,147,276 | 69,131,998 | 1,117 |
| 2015 | 11,669,345 | 2,833,824 | 1,391,715 | 15,894,884 | 73,840,284 | 1,200 |
| 2014 | 13,645,000 | 3,447,591 | 1,444,731 | 18,537,322 | 66,048,570 | 1,079 |
| 2013 | 14,670,000 | 4,045,028 | 1,495,415 | 20,210,443 | 70,393,202 | 1,162 |
| 2012 | 15,660,000 | 4,625,969 | 1,544,434 | 21,830,403 | 65,757,768 | 1,090 |

(1) Debt per Capita is calculated by dividing the total primary government amount by the City population shown on the Demographic and Economic statistical page.

Source: Annual Comprehensive Financial Report Fiscal Year Ended June 30, 2021

City of Encinitas
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

| Fiscal Year Ended June 30 | Outstanding General Bonded Debt | | Assessed Valuation (1) | Percentage of Assessed Value | Per Capita |
|---------------------------------|---------------------------------|----------------------------|---------------------------|------------------------------------|---------------|
| | Certificates of Participation | and Lease Revenue Bonds | | | |
| 2021 | \$ | 40,821,452 | \$ 18,082,574,472 | 0.23% | 655 |
| 2020 | | 42,897,904 | 17,159,943,000 | 0.25% | 690 |
| 2019 | | 44,899,354 | 16,372,917,000 | 0.27% | 708 |
| 2018 | | 46,830,807 | 15,366,779,000 | 0.30% | 741 |
| 2017 | | 48,953,813 | 14,472,213,000 | 0.34% | 786 |
| 2016 | | 52,933,882 | 13,702,972,000 | 0.39% | 855 |
| 2015 | | 55,431,687 | 12,870,004,000 | 0.43% | 901 |
| 2014 | | 44,546,848 | 12,147,361,000 | 0.37% | 728 |
| 2013 | | 46,736,383 | 11,723,928,000 | 0.40% | 772 |
| 2012 | | 40,645,759 | 11,497,856,000 | 0.35% | 674 |

Notes: Details regarding the City's outstanding debt can be found in the Notes to the Basic Financial Statements. General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds of which, the City has none.

(1) Assessed valuation has been used because the actual market value of taxable property is not readily available in the State of California. The assessed valuation information can be found in the Assessed Value and Estimated Actual Value of Taxable Property schedule of the Statistical Section.

Source: Annual Comprehensive Financial Report Fiscal Year Ended June 30, 2021

City of Encinitas
Schedule of Direct and Overlapping Bonded Debt
June 30, 2021

FY 2020-21 Assessed Valuation: \$18,084,459,057

| | Total Debt June 30, 2021 | Applicable % (1) | City's Share of Overlapping Debt June 30, 2021 |
|--|-----------------------------|---------------------|--|
| <u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u> | | | |
| Metropolitan Water District | \$ 26,830,000 | 0.554% | \$ 148,638 |
| Mira Costa Community College District | 306,265,000 | 15.086% | 46,203,138 |
| Cardiff School District | 23,406,075 | 100.000% | 23,406,075 |
| Encinitas Union School District | 45,278,945 | 68.435% | 30,986,646 |
| San Dieguito Union High School | 431,325,000 | 24.879% | 107,309,347 |
| San Dieguito Union High School District Community Facilities Districts | 35,910,000 | 32.097% | 11,525,860 |
| City of Encinitas Community Facilities District No. 1 | 20,635,000 | 100.000% | 20,635,000 |
| Olivenhain Municipal Water District, Assessment District No. 96-1 | 6,315,000 | 31.076% | 1,962,449 |
| TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT | | | <u><u>\$ 242,177,153</u></u> |
| <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT</u> | | | |
| San Diego County General Fund Obligations | \$ 211,585,000 | 3.088% | \$ 6,533,745 |
| San Diego County Pension Obligations | 400,125,000 | 3.088% | 12,355,860 |
| San Diego County Superintendent of Schools Obligations | 8,585,000 | 3.088% | 265,105 |
| San Dieguito Union High School District General Fund Obligations | 12,730,000 | 24.879% | 3,167,097 |
| City of Encinitas Bonded Debt | 39,350,000 | 100.000% | 39,350,000 |
| City of Encinitas Bond Premiums and Discounts | 1,471,452 | 100.000% | 1,471,452 |
| City of Encinitas Capital Leases | 1,323,185 | 100.000% | 1,323,185 |
| TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT | | | \$ 64,466,444 |
| TOTAL DIRECT DEBT | | | \$ 42,144,637 |
| TOTAL OVERLAPPING DEBT | | | <u><u>\$ 264,498,960</u></u> |
| COMBINED TOTAL DEBT | | | <u><u>\$ 306,643,597</u></u> (2) |

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

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

Ratios to FY 20120-21 Assessed Valuation:

| | |
|--|--------------|
| Total Overlapping Tax and Assessment Debt..... | 1.34% |
| Total Direct Debt (\$ 42,144,637)..... | 0.23% |
| Combined Total Debt..... | 1.70% |

Source: County of San Diego Assessor

City of Encinitas
Legal Debt Margin Information
Last Ten Fiscal years
(In thousands)

| | Fiscal Years | | | | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 |
| Assessed valuation | \$ 18,082,574 | \$ 17,159,943 | \$ 16,372,917 | \$ 15,366,779 | \$ 14,472,213 |
| Conversion percentage equal to 25% of assessed valuation | 25% | 25% | 25% | 25% | 25% |
| Adjusted assessed valuation | 4,520,644 | 4,289,986 | 4,093,229 | 3,841,695 | 3,618,053 |
| Debt limit percentage | 15% | 15% | 15% | 15% | 15% |
| Debt limit | 678,097 | 643,498 | 613,984 | 576,254 | 542,708 |
| Total net debt applicable to limit: | 40,821 | 42,898 | 44,899 | 46,831 | 48,954 |
| Legal debt margin | <u>\$ 637,276</u> | <u>\$ 600,600</u> | <u>\$ 569,085</u> | <u>\$ 529,423</u> | <u>\$ 493,754</u> |
| Total debt applicable to the limit as a percentage of debt limit | 6.02% | 6.67% | 7.31% | 8.13% | 9.02% |

The Government Code of the State of California provides for a legal debt limit of 15 percent of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25 percent of market value. Effective with Fiscal Year 1981-82, each parcel is assessed at 100 percent of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25 percent level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Notes: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements section.

Source: HdL Companies

City of Encinitas
Legal Debt Margin Information (Continued)
Last Ten Fiscal years
(In thousands)

| | Fiscal Years | | | | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2016 | 2015 | 2014 | 2013 | 2012 |
| Assessed valuation | \$ 13,702,972 | \$ 12,870,004 | \$ 12,147,361 | \$ 11,723,928 | \$ 11,497,856 |
| Conversion percentage equal to 25% of assessed valuation | 25% | 25% | 25% | 25% | 25% |
| Adjusted assessed valuation | 3,425,743 | 3,217,501 | 3,036,840 | 2,930,982 | 2,874,464 |
| Debt limit percentage | 15% | 15% | 15% | 15% | 15% |
| Debt limit | 513,861 | 482,625 | 455,526 | 439,647 | 431,170 |
| Total net debt applicable to limit: | 52,934 | 55,432 | 44,547 | 46,736 | 40,646 |
| Legal debt margin | <u>\$ 460,927</u> | <u>\$ 427,193</u> | <u>\$ 410,979</u> | <u>\$ 392,911</u> | <u>\$ 390,524</u> |
| Total debt applicable to the limit as a percentage of debt limit | 10.30% | 11.49% | 9.78% | 10.63% | 9.43% |

The Government Code of the State of California provides for a legal debt limit of 15 percent of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25 percent of market value. Effective with Fiscal Year 1981-82, each parcel is assessed at 100 percent of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25 percent level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Notes: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements section.

Source: HdL Companies

City of Encinitas

Historical Debt Service Coverage

Last Ten Fiscal Years

San Dieguito Water District

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---------------|---------------|---------------|---------------|---------------|
| Revenues: | | | | | |
| Operating revenues - including connection fees | \$ 19,255,799 | \$ 17,121,649 | \$ 15,961,300 | \$ 17,219,494 | \$ 15,142,544 |
| Non-operating revenues | 1,764,599 | 1,902,231 | 2,307,498 | 1,092,337 | 1,048,764 |
| Gross Revenues | 21,020,398 | 19,023,880 | 18,268,798 | 18,311,831 | 16,191,308 |
| Total Operating & Non-Operating Expenses | 16,142,824 | 16,429,284 | 16,541,314 | 15,198,929 | 14,263,288 |
| Net Income | 4,877,574 | 2,594,596 | 1,727,484 | 3,112,902 | 1,928,020 |
| Add: | | | | | |
| Interest expense | 198,800 | 247,063 | 292,354 | 328,050 | 366,740 |
| Depreciation and amortization expense (1) | (537,982) | 1,830,493 | 2,208,775 | 1,848,913 | 978,627 |
| Net Revenues Available for Debt Service | 4,538,392 | 4,672,152 | 4,228,613 | 5,289,865 | 3,273,387 |
| Less: Debt Service Paid | | | | | |
| 2004 Water Revenue Refunding Bonds - Interest Charges | | - | - | - | - |
| 2004 Water Revenue Refunding Bonds - Principal Payments | | - | - | - | - |
| 2007 Note Payable to Financing Authority - Interest Charges | 111,466 | 133,619 | 152,919 | 171,619 | 191,244 |
| 2007 Note Payable to Financing Authority - Principal Payments | 525,000 | 490,000 | 475,000 | 455,000 | 440,000 |
| 2014 Water Revenue Refunding Bonds - Interest Charges | 100,300 | 126,500 | 148,775 | 167,225 | 185,075 |
| 2014 Water Revenue Refunding Bonds - Principal Payments | 665,000 | 645,000 | 625,000 | 605,000 | 585,000 |
| Total Debt Service | \$ 1,401,766 | \$ 1,395,119 | \$ 1,401,694 | \$ 1,398,844 | \$ 1,401,319 |
| Coverage by Net Revenues Available for Debt Service (2) | 324% | 335% | 302% | 378% | 234% |

(1) Depreciation and amortization includes the change in Investment in Joint Ventures from other agencies.

(2) Debt service coverage requirement is a minimum 115 percent of net revenue including connection fees. The above schedules include connection fees in operating revenues.

Cardiff Sanitary Division

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|--------------|--------------|--------------|--------------|--------------|
| Revenues: | | | | | |
| Operating revenues - including connection fees (1) | \$ 5,191,624 | \$ 5,335,578 | \$ 5,013,316 | \$ 5,081,021 | \$ 5,006,574 |
| Non-operating revenues | 128,759 | 581,284 | 496,059 | 162,951 | 140,095 |
| Gross Revenues | 5,320,383 | 5,916,862 | 5,509,375 | 5,243,972 | 5,146,669 |
| Total Operating & Non-Operating Expenses | 3,918,544 | 3,797,174 | 3,548,203 | 3,578,417 | 3,380,180 |
| Net Income | 1,401,839 | 2,119,688 | 1,961,172 | 1,665,555 | 1,766,489 |
| Add: | | | | | |
| Interest expense | 443,753 | 451,938 | 472,324 | 491,983 | 71,727 |
| Depreciation and amortization expense | 454,813 | 443,689 | 389,390 | 386,019 | 754,400 |
| Net Revenues Available for Debt Service | 2,300,405 | 3,015,315 | 2,822,886 | 2,543,557 | 2,592,616 |
| Less: Debt Service | | | | | |
| 2003 Note Payable to SEJPA - Interest Charges | - | - | - | - | - |
| 2003 Note Payable to SEJPA - Principal Payments | - | - | - | - | - |
| 2011 Note Payable to SEJPA - Interest Charges | 1,710 | 3,234 | 29,788 | 55,402 | 79,889 |
| 2011 Note Payable to SEJPA - Principal Payments | 60,000 | 57,500 | 663,846 | 640,352 | 612,192 |
| 2017 Note Payable to SEJPA-Interest Charges | 444,863 | 451,388 | 451,388 | 294,656 | - |
| 2017 Note Payable to SEJPA-Principal Payments | 225,000 | 217,500 | - | - | - |
| Total Debt Service | \$ 731,573 | \$ 729,622 | \$ 1,145,021 | \$ 990,410 | \$ 692,081 |
| Coverage by Net Revenues Available for Debt Service | 314% | 413% | 247% | 257% | 375% |

Debt service coverage requirement is a minimum 110 percent of net revenue including connection fees.

The above schedules include connection fees in operating revenues.

Source: City of Encinitas Finance Department

City of Encinitas

Historical Debt Service Coverage (Continued)

Last Ten Fiscal years

| San Dieguito Water District | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|
| | 2016 | 2015 | 2014 | 2013 | 2012 |
| Revenues: | | | | | |
| Operating revenues - including connection fees | \$ 14,852,061 | \$ 15,152,433 | \$ 15,715,575 | \$ 13,789,636 | \$ 13,170,422 |
| Non-operating revenues | 1,013,297 | 927,526 | 827,676 | 869,568 | 813,610 |
| Gross Revenues | 15,865,358 | 16,079,959 | 16,543,251 | 14,659,204 | 13,984,032 |
| Total Operating & Non-Operating Expenses | 13,800,671 | 15,481,543 | 14,066,485 | 12,198,228 | 12,448,911 |
| Net Income | 2,064,687 | 598,416 | 2,476,766 | 2,460,976 | 1,535,121 |
| Add: | | | | | |
| Interest expense | 412,108 | 475,775 | 622,075 | 657,963 | 698,908 |
| Depreciation and amortization expense (1) | - | - | - | - | - |
| Net Revenues Available for Debt Service | 3,991,511 | 3,346,098 | 4,589,647 | 4,594,983 | 3,528,933 |
| Less: Debt Service Paid | | | | | |
| 2004 Water Revenue Refunding Bonds - Interest Charges | - | 144,720 | 380,731 | 408,906 | 433,950 |
| 2004 Water Revenue Refunding Bonds - Principal Payments | - | 665,000 | 640,000 | 615,000 | 595,000 |
| 2007 Note Payable to Financing Authority - Interest Charges | 211,144 | 224,994 | 241,344 | 256,744 | 270,352 |
| 2007 Note Payable to Financing Authority - Principal Payments | 415,000 | 405,000 | 385,000 | 375,000 | 365,000 |
| 2014 Water Revenue Refunding Bonds - Interest Charges | 202,400 | 106,061 | - | - | - |
| 2014 Water Revenue Refunding Bonds - Principal Payments | 570,000 | - | - | - | - |
| Total Debt Service | \$ 1,398,544 | \$ 1,545,775 | \$ 1,647,075 | \$ 1,655,650 | \$ 1,664,302 |
| Coverage by Net Revenues Available for Debt Service (2) | 285% | 216% | 279% | 278% | 212% |

(1) Depreciation and amortization includes the change in Investment in Joint Ventures from other agencies.

(2) Debt service coverage requirement is a minimum 115 percent of net revenue including connection fees. The above schedules include connection fees in operating revenues.

| Cardiff Sanitary Division | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|
| | 2016 | 2015 | 2014 | 2013 | 2012 |
| Revenues: | | | | | |
| Operating revenues - including connection fees (1) | \$ 4,862,274 | \$ 4,615,399 | \$ 4,758,606 | \$ 4,755,573 | \$ 5,087,182 |
| Non-operating revenues | 149,151 | 120,668 | 1,216,941 | 39,015 | 79,347 |
| Gross Revenues | 5,011,425 | 4,736,067 | 5,975,547 | 4,794,588 | 5,166,529 |
| Total Operating & Non-Operating Expenses | 3,949,288 | 4,371,847 | 3,189,268 | 3,310,986 | 3,385,439 |
| Net Income | 1,062,137 | 364,220 | 2,786,279 | 1,483,602 | 1,781,090 |
| Add: | | | | | |
| Interest expense | 91,757 | 109,282 | 266,822 | 142,898 | 248,400 |
| Depreciation and amortization expense | 1,303,272 | 1,555,955 | 200,459 | 800,000 | 404,640 |
| Net Revenues Available for Debt Service | 2,457,166 | 2,029,457 | 3,253,560 | 2,426,500 | 2,434,130 |
| Less: Debt Service | | | | | |
| 2003 Note Payable to SEJPA - Interest Charges | - | - | - | - | 255,000 |
| 2003 Note Payable to SEJPA - Principal Payments | - | - | - | - | 490,000 |
| 2011 Note Payable to SEJPA - Interest Charges | 91,757 | 109,282 | 131,967 | 142,898 | 28,945 |
| 2011 Note Payable to SEJPA - Principal Payments | 593,530 | 579,366 | 563,037 | 546,540 | 25,000 |
| 2017 Note Payable to SEJPA-Interest Charges | - | - | - | - | - |
| 2017 Note Payable to SEJPA-Principal Payments | - | - | - | - | - |
| Total Debt Service | \$ 685,287 | \$ 688,648 | \$ 695,004 | \$ 689,438 | \$ 798,945 |
| Coverage by Net Revenues Available for Debt Service | 359% | 295% | 468% | 352% | 305% |

Debt service coverage requirement is a minimum 110 percent of net revenue including connection fees.

The above schedules include connection fees in operating revenues.

Source: City of Encinitas Finance Department

City of Encinitas
Demographic and Economic Statistics
Last Ten Fiscal years

| <u>Fiscal Year Ended June 30</u> | <u>City Population</u> | <u>% of San Diego County Population</u> | <u>% Change from Previous Year</u> | <u>Median Age</u> | <u>Average Household Size</u> | <u>Unemployment Rate</u> |
|--------------------------------------|------------------------|---|--|-----------------------|---------------------------------------|------------------------------|
| 2021 | 62,289 | 2.2% | 0.17% | 43.6 | 2.56 | 4.8% |
| 2020 | 62,183 | 2.2% | -1.90% | 43.1 | 2.60 | 9.6% |
| 2019 | 63,390 | 1.9% | 0.37% | 42.9 | 2.56 | 2.6% |
| 2018 | 63,158 | 1.9% | 1.40% | 41.5 | 2.45 | 2.8% |
| 2017 | 62,288 | 1.9% | 0.64% | 41.5 | 2.50 | 3.8% |
| 2016 | 61,893 | 1.9% | 0.61% | 41.5 | 2.50 | 4.5% |
| 2015 | 61,518 | 2.0% | 0.51% | 41.5 | 2.50 | 4.2% |
| 2014 | 61,204 | 2.1% | 1.05% | 41.5 | 2.49 | 5.2% |
| 2013 | 60,568 | 2.0% | 0.37% | 41.5 | 2.50 | 5.5% |
| 2012 | 60,346 | 2.0% | 0.73% | 42.2 | 2.45 | 9.2% |

NOTE: City population figures have been revised to match updated population from the California State Department of Finance as of January 1, 2021.

Sources: California Department of Finance; US Census Bureau QuickFacts; Employment Development Department

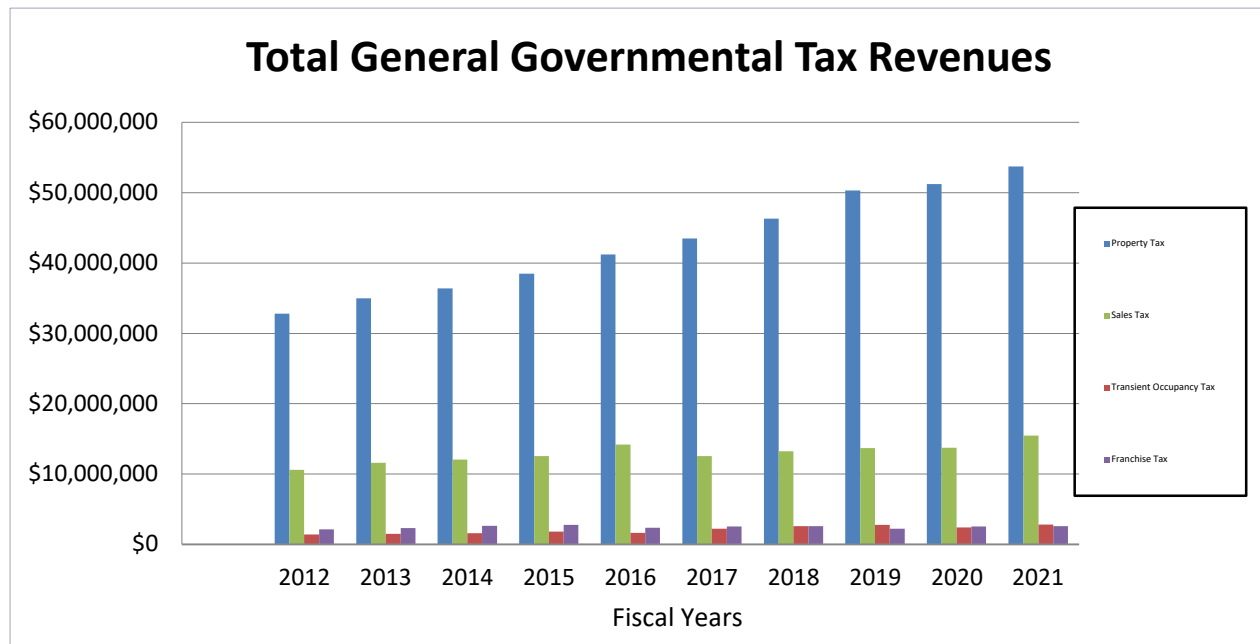


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City of Encinitas
General Governmental Tax Revenue by Source
Last Ten Fiscal Years

| Fiscal Year Ended June 30 | Property and Documentary Transfer Tax | Sales and Use Tax | Transient Occupancy Tax | Franchise Tax | Total Tax Revenue |
|---------------------------------|---|-------------------|----------------------------|---------------|-------------------|
| 2021 | \$ 53,747,471 | \$ 15,453,648 | \$ 2,823,055 | \$ 2,599,811 | 74,623,985 |
| 2020 | 51,251,719 | 13,744,880 | 2,383,060 | 2,539,090 | 69,918,749 |
| 2019 | 49,237,265 | 13,694,647 | 2,775,771 | 2,571,367 | 68,279,050 |
| 2018 | 46,311,814 | 13,252,053 | 2,562,484 | 2,587,443 | 64,713,794 |
| 2017 | 43,494,220 | 12,549,609 | 2,216,145 | 2,545,854 | 60,805,828 |
| 2016 | 41,210,486 | 14,166,771 | 1,616,171 | 2,358,567 | 59,351,995 |
| 2015 | 38,508,558 | 12,569,119 | 1,828,116 | 2,761,335 | 55,667,128 |
| 2014 | 36,414,507 | 12,067,360 | 1,570,459 | 2,614,844 | 52,667,170 |
| 2013 | 34,974,578 | 11,585,145 | 1,491,998 | 2,323,616 | 50,375,337 |
| 2012 | 32,788,129 | 10,613,188 | 1,413,926 | 2,144,162 | 46,959,405 |

Property Tax Levies and Collections



Source: City of Encinitas Finance Department

City of Encinitas
Taxable Sales by Business Type
Last Ten Fiscal Years

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Autos and Transportation | \$ 2,129,102 | \$ 1,703,500 | \$ 1,806,753 | \$ 1,744,199 | \$ 1,627,531 |
| Building and Construction | 1,115,852 | 959,367 | 1,133,022 | 924,933 | 1,021,600 |
| Business and Industry | 545,444 | 730,647 | 629,112 | 567,665 | 623,641 |
| Food and Drugs | 1,236,743 | 1,109,984 | 1,110,862 | 1,010,551 | 931,650 |
| Fuel and Service Stations | 1,112,245 | 1,099,387 | 1,630,124 | 1,025,386 | 1,191,164 |
| General Consumer Goods | 3,882,876 | 3,181,523 | 3,812,472 | 3,400,696 | 3,492,330 |
| Restaurants and Hotels | 2,248,344 | 2,140,574 | 2,560,108 | 2,274,664 | 2,264,487 |
| Total | \$ 12,270,606 | \$ 10,924,982 | \$ 12,682,453 | \$ 10,948,094 | \$ 11,152,403 |
| | | | | | |
| | 2016 | 2015 | 2014 | 2013 | 2012 |
| Autos and Transportation | \$ 1,684,618 | \$ 1,638,839 | \$ 1,519,006 | \$ 1,446,737 | \$ 1,427,132 |
| Building and Construction | 980,140 | 944,334 | 887,182 | 820,467 | 868,790 |
| Business and Industry | 738,490 | 556,835 | 573,032 | 560,723 | 518,699 |
| Food and Drugs | 1,005,870 | 1,028,085 | 1,001,942 | 1,003,491 | 995,511 |
| Fuel and Service Stations | 1,382,946 | 1,500,416 | 1,559,342 | 1,577,783 | 1,569,265 |
| General Consumer Goods | 3,535,734 | 3,476,481 | 3,355,540 | 3,165,746 | 3,117,547 |
| Restaurants and Hotels | 2,113,116 | 1,978,072 | 1,825,971 | 1,699,705 | 1,624,007 |
| Total | \$ 11,440,914 | \$ 11,123,062 | \$ 10,722,015 | \$ 10,274,652 | \$ 10,120,951 |

Note: Due to the confidentiality of this information, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the City's revenue.

Source: HdL Companies

**City of Encinitas
Principal Employers
Current Fiscal Year and Nine Years Ago**

| Employer | Industry | 2021 | | | 2012 | | |
|------------------------------|---------------------------------|---------------|------|-------------------------------|---------------|------|-------------------------------|
| | | Employees | Rank | % of Total City Employment | Employees | Rank | % of Total City Employment |
| Scripps Memorial Hospital | Health Care & Social Assistance | 1,017 | 1 | 3.33% | 650 | 1 | 2.24% |
| Walmart Supercenter | Retail | 335 | 2 | 1.10% | - | - | 0.00% |
| Dudek & Associates | Engineers - Consulting | 275 | 3 | 0.90% | - | - | 0.00% |
| Paul Ecke Ranch | Agriculture | 250 | 4 | 0.82% | - | - | 0.00% |
| Target | Retail | 250 | 5 | 0.82% | 250 | 5 | 0.86% |
| Encinitas Union School Dist | Education | 225 | 6 | 0.74% | - | - | 0.00% |
| San Diego Hebrew Homes | Health Care & Social Assistance | 220 | 7 | 0.72% | 220 | 7 | 0.76% |
| Objectiva Software Solutions | Technology | 201 | 8 | 0.66% | - | - | 0.00% |
| Paul Ecke Ranch | Agriculture | 201 | 9 | 0.66% | - | - | 0.00% |
| Best Buy | Retail | 200 | 10 | 0.66% | - | - | 0.00% |
| Encinitas City Hall | Government Office | 200 | - | 0.66% | 200 | 9 | 0.69% |
| Magdalena Ecke Family YMCA | Recreation Facilities | 200 | - | 0.66% | 200 | 10 | 0.69% |
| YMCA | Recreation Facilities | - | - | - | 300 | 2 | 1.03% |
| Home Depot | Retail | - | - | - | 250 | 3 | 0.86% |
| Scripps Rehabilitation Svc | Health Care & Social Assistance | - | - | - | 250 | 4 | 0.86% |
| Lomas Santa Fe Country Club | Golf Courses | - | - | - | 220 | 6 | 0.76% |
| California Bank & Trust | Banks | - | - | - | 200 | 8 | 0.69% |
| Subtotal Employees | | 3,574 | | 11.72% | 2,740 | | 9.43% |
| Total Employees | | 30,496 | | | 29,053 | | |

Note: Total Employees number is historical data from zip codes 92007, 92023 and 92024.

Source: Data Axle

City of Encinitas
Full-Time and Part-Time Employees by Function
Last Ten Fiscal Years

| Function | Fiscal Years | | | | |
|-----------------------------|--------------|--------|--------|--------|--------|
| | 2021 | 2020 | 2019 | 2018 | 2017 |
| General government | 50.05 | 50.05 | 49.55 | 44.60 | 46.75 |
| Public safety | 70.00 | 70.00 | 69.00 | 69.00 | 69.00 |
| Public works | 34.00 | 34.00 | 34.00 | 27.55 | 28.55 |
| Engineering services* | - | - | - | - | 27.17 |
| Parks and recreation | 21.25 | 21.25 | 21.25 | 22.25 | 20.18 |
| Planning and building* | - | - | - | - | 27.25 |
| Development services* | 48.00 | 48.00 | 48.00 | 53.00 | - |
| Subtotal | 223.30 | 223.30 | 221.80 | 216.40 | 218.90 |
| San Dieguito Water District | 24.00 | 24.00 | 24.00 | 24.00 | 24.00 |

| Function | Fiscal Years | | | | |
|-----------------------------|--------------|--------|--------|--------|--------|
| | 2016 | 2015 | 2014 | 2013 | 2012 |
| General government | 46.75 | 46.75 | 44.75 | 44.75 | 44.55 |
| Public safety | 69.00 | 66.00 | 66.00 | 63.00 | 63.00 |
| Public works | 28.55 | 28.55 | 29.55 | 29.25 | 28.85 |
| Engineering services* | 27.17 | 27.17 | 27.17 | 26.42 | 27.42 |
| Parks and recreation | 20.18 | 20.18 | 21.18 | 21.18 | 21.18 |
| Planning and building* | 27.25 | 27.25 | 27.25 | 26.75 | 26.75 |
| Development services* | - | - | - | - | - |
| Subtotal | 218.90 | 215.90 | 215.90 | 211.35 | 211.75 |
| San Dieguito Water District | 24.00 | 24.00 | 23.00 | 25.00 | 25.40 |

*Engineering and Planning/Building merged into Development Services during FY 2017-18.

Source: City of Encinitas Human Resources Department

City of Encinitas

Operating Indicators by Function

Last Ten Fiscal years

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|--------|--------|--------|--------|--------|
| San Diego County Sheriff's Department | | | | | |
| Criminal arrests | 1,006 | 1,061 | 1,161 | 1,130 | 1,612 |
| Traffic arrests | 226 | 202 | 355 | 213 | 201 |
| Traffic accidents | 286 | 221 | 281 | 307 | 289 |
| Traffic citations | 3,399 | 7,009 | 9,635 | 5,501 | 4,891 |
| Calls for service | 20,221 | 19,406 | 19,190 | 20,019 | 19,372 |
| Deputy initiated action | 16,138 | 21,106 | 25,725 | 22,612 | 24,625 |
| Fire: | | | | | |
| Number of emergency fire calls | 299 | 476 | 934 | 532 | 283 |
| Number of EMS/rescue | 4,492 | 4,031 | 6,270 | 4,775 | 4,717 |
| Other | 850 | 1,532 | 1,711 | 2,382 | 1,035 |
| Inspections | 1,004 | 1,532 | 2,198 | 3,145 | 2,122 |
| Engineering: | | | | | |
| Number of permits issued | 430 | 360 | 399 | 424 | 440 |
| Parks and recreation: | | | | | |
| Number of recreation class registrations | 4,247 | 10,310 | 17,812 | 15,444 | 16,338 |
| Number of facility rentals | 38 | 491 | 550 | 537 | 492 |
| Planning and building: | | | | | |
| Number of planning permits issued | 183 | 242 | 194 | 222 | 276 |
| Number of new dwelling units issued | 69 | 76 | 71 | 160 | 94 |
| Environmental review | 0 | 4 | 6 | 3 | 7 |
| Appeals | 5 | 7 | 5 | 6 | 6 |
| Plan checks | 2,815 | 2,464 | 2,409 | 2,147 | 1,807 |
| Code enforcement complaints | 1,239 | 1,341 | 1,090 | 878 | 1,282 |
| Water: | | | | | |
| New connections | -48 | 225 | 114 | 50 | 39 |
| Average daily consumption (millions of gallons) | 5.21 | 4.71 | 4.82 | 5.21 | 4.85 |
| Sewer: | | | | | |
| New connections | 43 | 16 | 14 | 62 | 65 |
| Average daily sewage treatment (millions of gallons) | 1.22 | 1.26 | 1.21 | 2.20 | 2.27 |

The City of Encinitas contracts with the County of San Diego Sheriff's Department to provide law enforcement services.

Source: City of Encinitas Fire, Parks, Recreation and Cultural Arts, Development Services, and San Dieguito Water District

City of Encinitas
Operating Indicators by Function (Continued)
Last Ten Fiscal years

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|--|--------|--------|--------|--------|--------|
| San Diego County Sheriff's Department | | | | | |
| Criminal arrests | 1,997 | 1,743 | 1,595 | 1,548 | 1,231 |
| Traffic arrests | 263 | 551 | 331 | 383 | 485 |
| Traffic accidents | 274 | 297 | 323 | 372 | 441 |
| Traffic citations | 14,873 | 13,650 | 10,357 | 11,381 | 11,349 |
| Calls for service | 22,518 | 21,335 | 19,394 | 20,559 | 20,150 |
| Deputy initiated action | 27,481 | 27,339 | 29,849 | 31,281 | 29,862 |
| Fire: | | | | | |
| Number of emergency fire calls | 328 | 300 | 383 | 102 | 124 |
| Number of EMS/rescue | 4,098 | 3,844 | 3,806 | 3,697 | 3,495 |
| Other | 1,517 | 1,265 | 1,458 | 1,932 | 1,737 |
| Inspections | 2,133 | 2,072 | 2,143 | 2,163 | 2,252 |
| Engineering: | | | | | |
| Number of permits issued | 436 | 383 | 351 | 269 | 392 |
| Parks and recreation: | | | | | |
| Number of recreation class registrations | 15,500 | 16,289 | 16,236 | 11,175 | 11,119 |
| Number of facility rentals | 538 | 557 | 578 | 421 | 749 |
| Planning and building: | | | | | |
| Number of planning permits issued | 263 | 335 | 298 | 207 | 202 |
| Number of new dwelling units issued | 117 | 135 | 161 | 63 | 121 |
| Environmental review | 4 | 10 | 9 | 6 | 7 |
| Appeals | 11 | 6 | 7 | 5 | 3 |
| Plan checks | 2,339 | 1,737 | 1,391 | 990 | 948 |
| Code enforcement complaints | 1,199 | 1,063 | 1,153 | 1,199 | 1,270 |
| Water: | | | | | |
| New connections | 77 | 69 | 131 | 64 | 79 |
| Average daily consumption (millions of gallons) | 4.56 | 5.49 | 5.71 | 5.61 | 5.32 |
| Sewer: | | | | | |
| New connections | 33 | 53 | 22 | 50 | 44 |
| Average daily sewage treatment (millions of gallons) | 2.20 | 2.22 | 2.36 | 2.40 | 2.38 |

The City of Encinitas contracts with the County of San Diego Sheriff's Department to provide law enforcement services.

Source: City of Encinitas Fire, Parks, Recreation and Cultural Arts, Development Services, and San Dieguito Water District

City of Encinitas
Capital Asset Statistics by Function
Last Ten Fiscal Years

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|-------|-------|-------|-------|-------|
| Law enforcement: * | | | | | |
| Number of sub-stations | 1 | 1 | 1 | 1 | 1 |
| Fire department: | | | | | |
| Fire stations | 6 | 7 | 7 | 6 | 6 |
| Public works: | | | | | |
| Streets (miles) ** | 172 | 168 | 168 | 168 | 201 |
| Engineering: | | | | | |
| Signalized intersections | 63 | 63 | 63 | 63 | 63 |
| Parks and recreation: | | | | | |
| Community and senior center | 1 | 1 | 1 | 1 | 1 |
| Developed parks | 19 | 18 | 18 | 18 | 18 |
| Undeveloped parks | 3 | 4 | 4 | 4 | 4 |
| Parkland acres | 328 | 325 | 325 | 382 | 382 |
| Habitat/open space acreage | 90 | 90 | 90 | 87 | 87 |
| Marine life refuge | 1 | 1 | 1 | 1 | 1 |
| Trails/streetscapes (miles) | 41/10 | 41/10 | 41/10 | 41/10 | 41/10 |
| Lifeguard towers | 9 | 9 | 9 | 9 | 7 |
| Water: | | | | | |
| Water mains (miles) | 168 | 174 | 174 | 175 | 170 |
| Maximum daily capacity (millions of gallons) | 15 | 15 | 15 | 15 | 15 |

* The City of Encinitas contracts with the County of San Diego Sheriff's Department to provide law enforcement services.

** Prior to FY 2017-18 data included both City and privately maintained streets. In FY 2017-18, data includes only City maintained streets.

Source: City of Encinitas Fire, Parks, Recreation and Cultural Arts, Development Services, and San Dieguito Water District

City of Encinitas
Capital Asset Statistics by Function (Continued)
Last Ten Fiscal Years

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|--|-------|-------|-------|-------|-------|
| Law enforcement: * | | | | | |
| Number of sub-stations | 1 | 1 | 1 | 1 | 1 |
| Fire department: | | | | | |
| Fire stations | 6 | 6 | 6 | 6 | 5 |
| Public works: | | | | | |
| Streets (miles) ** | 201 | 201 | 201 | 201 | 201 |
| Engineering: | | | | | |
| Signalized intersections | 63 | 63 | 63 | 63 | 63 |
| Parks and recreation: | | | | | |
| Community and senior center | 1 | 1 | 1 | 1 | 1 |
| Developed parks | 18 | 18 | 18 | 18 | 18 |
| Undeveloped parks | 4 | 4 | 4 | 4 | 4 |
| Parkland acres | 382 | 382 | 382 | 382 | 382 |
| Habitat/open space acreage | 87 | 87 | 87 | 87 | 87 |
| Marine life refuge | 1 | 1 | 1 | 1 | 1 |
| Trails/streetscapes (miles) | 41/10 | 41/10 | 41/10 | 41/10 | 41/10 |
| Lifeguard towers | 7 | 7 | 7 | 7 | 7 |
| Water: | | | | | |
| Water mains (miles) | 168 | 168 | 168 | 168 | 168 |
| Maximum daily capacity (millions of gallons) | 15 | 15 | 15 | 15 | 15 |

* The City of Encinitas contracts with the County of San Diego Sheriff's Department to provide law enforcement services.

** Prior to FY 2017-18 data included both City and privately maintained streets. In FY 2017-18, data includes only City maintained streets.

Source: City of Encinitas Fire, Parks, Recreation and Cultural Arts, Development Services, and San Dieguito Water District



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Cardiff Sanitary Division

Summary of Operational Data

The following tables are being presented as supplementary information based on requirements for bonds issued to CSD for continuing bond disclosure certificate.

Table 1

Cardiff Sanitary Division
Rate Schedule for Annual Service Charges
As of June 30, 2021

| <u>Users/Class</u> | <u>Sub Category</u> | <u>Fixed Meter Charge</u> | <u>HCF Rate</u> | <u>Median Annual HCF</u> | <u>Median Charge</u> |
|----------------------------|---------------------|---------------------------|-----------------|--------------------------|----------------------|
| Group I Residential | | | | | |
| Single Family | SF | \$47.13 | \$ 5.51 | 87.20 | \$ 527.60 |
| Multi Family | MF | See below | 5.51 | - | \$373.12/unit |
| Trailer Park | TP | See below | 5.51 | - | \$373.12/unit |
| Non-Residential | | | | | |
| Commercial Group II | See below | See below | \$ 5.79 | See below | See below |
| Commercial Group III | See below | See below | 7.53 | See below | See below |
| Commercial Group IV | See below | See below | 11.31 | See below | See below |

| Multi Family/Trailer Park* and Non-Residential Fixed Meter Charge | | | | | |
|---|---------------|--------|------------|---------------|--------|
| Meter Size | Annual Charge | | Meter Size | Annual Charge | |
| 5/8" | \$ | 47.13 | 1-1/2" | \$ | 235.67 |
| 3/4" | \$ | 70.70 | 2" | \$ | 377.06 |
| 1" | \$ | 117.83 | 3" | \$ | 706.99 |

* Multi Family/Trailer Park = Fixed Meter Charge x 2

Water Consumption Periods To Be Used

Residential = 2 Lowest Periods of Water Consumption For Meter Readings Occurring Between Dec.-May (most recent available 5-year period)

Non-Residential (Commercial) = Water Consumption For Meter Readings Occurring Between July-June of Preceding Year

| <u>Users/Class</u> | <u>Sub Category</u> | <u>Unit Cost (perHCF)</u> | <u>Median Annual HCF (New Connections)</u> | <u>Median Usage Charge (New Connections)</u> |
|--------------------------------------|---------------------|---------------------------|--|--|
| Group II Commercial | | | | |
| Softwater Service | SW | \$ 5.79 | - | \$ - |
| Car Wash | CW | 5.79 | 1,520 | 8,800.80 |
| Office Building | OF | 5.79 | 200 | 1,158.00 |
| Fire Station | FS | 5.79 | 110 | 636.90 |
| Professional Building (Doctor) | PB | 5.79 | 160 | 926.40 |
| Veterinary Clinic | VC | 5.79 | - | - |
| Athletic Gymnasium | G | 5.79 | 1,340 | 7,758.60 |
| Laundromat | L | 5.79 | 990 | 5,732.10 |
| Department and Retail Store | DRS | 5.79 | 120 | 694.80 |
| Warehouse | W | 5.79 | 1,050 | 6,079.50 |
| Hospital, Convalescent Home | HCH | 5.79 | 3,240 | 18,759.60 |
| Parks | PB | 5.79 | 510 | 2,952.90 |
| Church-Membership Organization | C | 5.79 | 440 | 2,547.60 |
| Membership Organization (Non-Church) | MO | 5.79 | 240 | 1,389.60 |
| Social Services | SS | 5.79 | 160 | 926.40 |
| Group III Commercial | | | | |
| Hotels-Motels (without restaurant) | HM | \$ 7.53 | 890 | \$6,701.70 |
| Repair and Service Station | RSS | 7.53 | 70 | 527.10 |
| Shopping Center | SC | 7.53 | 1,030 | 7,755.90 |
| Kennel | K | 7.53 | 900 | 6,777.00 |
| Coffee Shop | CS | 7.53 | - | - |
| Amusement Park | AP | 7.53 | - | - |
| Nightclub/Bar | NC | 7.53 | 320 | 2,409.60 |
| Commercial Laundry | CL | 7.53 | - | - |
| Manufacturing | M | 7.53 | 180 | 1,355.40 |
| Lumber Yard | LY | 7.53 | - | - |
| Group IV Commercial | | | | |
| Hotels-Motel (with restaurant) | HM | \$ 11.31 | 3,130 | \$35,400.30 |
| Bakery (wholesale)/Food Processor | BW | 11.31 | - | - |
| Supermarket | SM | 11.31 | 1,030 | 11,649.30 |
| Mortuary | MT | 11.31 | 300 | 3,393.00 |
| Restaurant | R | 11.31 | 600 | 6,786.00 |

(1) Sewer rates are based on water consumption (fixed charge based on meter size and consumption component). The consumption is based on HCF (hundred cubic feet - 748 gallons).

Table 2

**Cardiff Sanitary Division
Historical Service Charges Billed
Last Ten Fiscal Years**

| <u>Fiscal Year</u> | <u>Residential (Tax Roll)</u> | <u>Commercial (Tax Roll)</u> | <u>Commercial (Manual)</u> | <u>Total Billed</u> | <u>Single Family Average</u> |
|--------------------|-----------------------------------|----------------------------------|--------------------------------|---------------------|--------------------------------------|
| 2021 | \$ 4,100,948 | \$ 648,304 | \$ 128,444 | \$ 4,877,696 | 665 |
| 2020 | 4,083,220 | 645,501 | 130,882 | 4,859,603 | 665 |
| 2019 | 4,048,063 | 633,674 | 126,925 | 4,808,662 | 662 |
| 2018 | 4,065,382 | 595,450 | 118,660 | 4,779,492 | 665 |
| 2017 | 3,958,853 | 597,392 | 135,581 | 4,691,826 | 648 |
| 2016 | 3,873,157 | 610,169 | 135,107 | 4,618,432 | 634 |
| 2015 | 4,033,393 | 623,032 | 135,587 | 4,792,012 | 610 |
| 2014 | 3,812,338 | 599,324 | 134,910 | 4,546,572 | 622 |
| 2013 | 3,935,414 | 666,099 | 126,677 | 4,728,190 | 652 |
| 2012 | 4,058,990 | 645,560 | 123,822 | 4,828,372 | 676 |

Cardiff Sanitary Division bills most customers through the San Diego County property tax billing service. Delinquency rates have been between 1.8 -3.0 percent during the period presented. Delinquencies do not apply to direct billings.

Table 3

**Cardiff Sanitary Division
Ten Largest Customers
Fiscal Year 2020-21**

| <u>Property Owner</u> | <u>Parcel Count</u> | <u>Sewer Service Charges</u> | <u>Percentage of Sewer Charges</u> |
|---|-------------------------|----------------------------------|--|
| Scripps Health | 1 | \$ 101,311.78 | 2.08% |
| Collwood Pines Apartments LP | 3 | 78,715.02 | 1.62% |
| State of California Parks & Rec. | 2 | 49,488.55 | 1.02% |
| San Dieguito Union High School District | 2 | 47,979.64 | 0.99% |
| Georges Restaurant Inc. | 1 | 36,326.80 | 0.75% |
| 944 Regal Road LLC | 1 | 34,661.68 | 0.71% |
| K&K Lumber Co. | 2 | 30,258.52 | 0.62% |
| Newport Taft, Inc. | 1 | 29,606.26 | 0.61% |
| Cardiff Town Center LLC | 1 | 28,237.86 | 0.58% |
| Belmont Village LLC | 1 | 27,972.24 | 0.58% |
| Subtotal | 15 | \$ 464,558.35 | 9.56% |
| Total Billed | | \$ 4,859,603 | |

Source: Cardiff Sanitary Division

Table 4

**Cardiff Sanitary Division
Historical Service Connections
Last Ten Fiscal Years**

| <u>Year</u> | <u>Total Connections (Billed Parcels)</u> | <u>Residential EDU's</u> | <u>Commercial Industrial EDU's</u> | <u>Total EDU's</u> |
|-------------|---|------------------------------|--|------------------------|
| 2021 | 6,500 | 7,292 | 1,253 | 8,545 |
| 2020 | 6,457 | 7,262 | 1,207 | 8,469 |
| 2019 | 6,456 | 7,247 | 1,205 | 8,452 |
| 2018 | 6,442 | 7,223 | 1,202 | 8,425 |
| 2017 | 6,435 | 7,186 | 1,187 | 8,373 |
| 2016 | 6,416 | 7,157 | 1,187 | 8,344 |
| 2015 | 6,394 | 7,132 | 1,187 | 8,319 |
| 2014 | 6,375 | 7,126 | 1,176 | 8,302 |
| 2013 | 6,365 | 7,083 | 1,174 | 8,257 |
| 2012 | 6,334 | 7,067 | 1,154 | 8,221 |

Source: Cardiff Sanitary Division



Summary of Operational Data

The following tables are being presented as supplementary information based on requirements for bonds issued by SDWD for continuing bond disclosure certificate.

Table 1
San Dieguito Water District
Schedule of Water Rates
As of June 30, 2021

| <u>Customer Class</u> | <u>Residential Rate Tier</u> | <u>Rate (1)</u> | |
|---|------------------------------|-----------------|-----------------|
| | | <u>Potable</u> | <u>Recycled</u> |
| Single-family residential | 0-12 units | \$ 3.19 | \$ - |
| | 13-20 units | 5.06 | - |
| | 21-40 units | 6.25 | - |
| | 41+ units | 7.12 | - |
| Multi-family residential (per dwelling) | 0-8 units | 3.19 | - |
| | 9-12 units | 5.06 | - |
| | 13-16 units | 6.25 | - |
| | 17+ units | 7.12 | - |
| Agriculture | Uniform | 5.42 | 4.34 |
| Commercial | Uniform | 5.42 | 4.34 |
| Government | Uniform | 5.93 | 4.74 |
| Public | Uniform | 5.93 | 4.74 |
| Landscaping | Uniform | 6.25 | 5.00 |
| Construction | Uniform | 6.36 | 5.09 |

(1) Per Unit (one hundred cubic feet or 748 gallons)

Source: San Dieguito Water District

Table 2
San Dieguito Water District
Bi-Monthly Meter Service Availability Charges (2)
As of June 30, 2021

| <u>Meter Size</u> | <u>Water Meter Service Availability Charge</u> | <u>Infrastructure Access Charge</u> | <u>Fire Meter Service Availability Charge</u> |
|-------------------|--|-------------------------------------|---|
| 5/8" & 3/4" | \$ 45.16 | \$ 7.32 | \$ 9.61 |
| 1" | 66.50 | 11.72 | 9.61 |
| 1-1/2" | 119.37 | 21.96 | 10.83 |
| 2" | 183.06 | 38.06 | 18.88 |
| 3" | 331.78 | 70.28 | 47.77 |
| 4" | 544.21 | 120.04 | 97.59 |
| 6" | 1,074.78 | 219.60 | 276.40 |
| 8" | 1,711.73 | 380.64 | 584.82 |

(2) San Dieguito Water District charges a bi-monthly service availability charge, which covers the costs for the maintenance of meters, water lines, and storage facilities, to ensure that water is available upon demand. This charge also covers customer service costs for meter reading and billing. The Infrastructure Access Charge is levied by the San Diego County Water Authority and is collected from the customer by the District.

Source: San Dieguito Water District

Table 3

**San Dieguito Water District
Historic Potable Water System Revenues
Last Ten Fiscal Years**

| <u>Fiscal Year</u> | <u>Potable Water Sales</u> | <u>Percentage Change (3)</u> | <u>Meter Availability Charge</u> | <u>Percent Change (3)</u> |
|------------------------|--------------------------------|----------------------------------|--|-------------------------------|
| 2021 | \$ 12,667,405 | 15.7% | \$ 4,352,715 | 4.6% |
| 2020 | 10,944,746 | 7.3% | 4,162,249 | 8.4% |
| 2019 | 10,203,984 | (9.1%) | 3,839,847 | 1.8% |
| 2018 | 11,222,736 | 18.5% | 3,772,759 | 6.4% |
| 2017 | 9,467,085 | (0.4%) | 3,544,758 | 1.2% |
| 2016 | 9,503,108 | (2.3%) | 3,503,933 | 2.6% |
| 2015 | 9,728,434 | (8.6%) | 3,415,227 | 5.8% |
| 2014 | 10,649,157 | 15.3% | 3,227,823 | 4.5% |
| 2013 | 9,236,462 | 8.3% | 3,087,794 | (3.4%) |
| 2012 | 8,528,418 | 3.9% | 3,196,605 | 6.3% |

(3) Due to the varying number of billing cycles in a fiscal year, changes year-over-year may not be comparable.

Source: San Dieguito Water District

Table 4

**San Dieguito Water District
Historic Recycled Water System Revenues
Last Ten Fiscal Years**

| <u>Fiscal Year</u> | <u>Recycled Water Sales</u> | <u>Percent Change</u> | <u>Meter Availability Charges (4)</u> | <u>Percent Change</u> |
|------------------------|---------------------------------|---------------------------|---|---------------------------|
| 2021 | \$ 840,143 | 30.4% | \$ 104,023 | 6.8% |
| 2020 | 644,436 | 9.7% | 97,431 | 12.2% |
| 2019 | 587,272 | (31.2%) | 86,801 | 0.8% |
| 2018 | 853,052 | 19.0% | 86,098 | 9.4% |
| 2017 | 716,826 | 2.1% | 78,732 | (7.5%) |
| 2016 | 702,301 | 8.3% | 85,149 | 5.7% |
| 2015 | 648,398 | 40.8% | 80,585 | 34.2% |
| 2014 | 460,383 | 15.0% | 60,048 | N/A |
| 2013 | 400,244 | (5.4%) | - | N/A |
| 2012 | 422,925 | (19.2%) | - | N/A |

(4) The District first implemented a meter availability charge for recycled customers on September 1, 2013.

Source: San Dieguito Water District

Table 5

**San Dieguito Water District
Summary of Water Production by Source
Last Ten Fiscal Years**

| <u>Fiscal Year</u> | <u>Potable Production (in acre-feet)(5)</u> | | | <u>Recycled Water</u> | <u>Total Production</u> |
|------------------------|---|---------------------------|--------------------------|---------------------------|-----------------------------|
| | <u>Local Water</u> | <u>Imported Water</u> | <u>Total Potable</u> | | |
| 2021 | 2,392 | 3,820 | 6,212 | 703 | 6,916 |
| 2020 | 2,555 | 3,127 | 5,682 | 587 | 6,269 |
| 2019 | 2,173 | 3,407 | 5,580 | 550 | 6,130 |
| 2018 | 3,450 | 2,660 | 6,110 | 714 | 6,824 |
| 2017 | 1,446 | 3,984 | 5,430 | 654 | 6,084 |
| 2016 | 1,400 | 3,839 | 5,239 | 628 | 5,867 |
| 2015 | 603 | 5,726 | 6,329 | 736 | 7,065 |
| 2014 | 1,136 | 5,598 | 6,734 | 692 | 7,426 |
| 2013 | 4,200 | 2,395 | 6,595 | 678 | (6) 7,273 |
| 2012 | 3,719 | 2,663 | 6,382 | 578 | (6) 6,960 |

(5) Potable water production is defined as water either produced locally or purchased from imported sources.

Table 6

**San Dieguito Water District
Summary of Water Deliveries by Source
Last Ten Fiscal Years**

| <u>Fiscal Year</u> | <u>Potable</u> | <u>Percent Change</u> | <u>Recycled</u> | <u>Percent Change</u> |
|------------------------|----------------|---------------------------|-----------------|---------------------------|
| 2021 | 5,832 | 10.5% | 703 | 19.8% |
| 2020 | 5,277 | (2.2%) | 587 | 6.7% |
| 2019 | 5,397 | (7.6%) | 550 | (23.0%) |
| 2018 | 5,838 | 10.4% | 714 | 9.2% |
| 2017 | 5,287 | 3.4% | 654 | 4.1% |
| 2016 | 5,112 | (16.7%) | 628 | (14.7%) |
| 2015 | 6,134 | (4.9%) | 736 | 6.4% |
| 2014 | 6,449 | 2.6% | 692 | 2.1% |
| 2013 | 6,284 | 5.5% | 678 | (6) 17.3% |
| 2012 | 5,957 | 9.8% | 578 | (6) 13.1% |

(6) Since FY 2011-12, Recycled Water Production and Delivery figures are revised to include water provided to the Encinitas Ranch Golf Authority (ERGA). Beginning in FY 2011-12, the San Elijo Joint Powers Authority (SEJPA) began directly providing recycled water to ERGA. The recycled water provided to ERGA credits towards the District's production and delivery water to ERGA and the District ceased selling recycled water as ERGA falls within the District's sphere of influence.

Note: The differences between potable water production and deliveries represents water loss in distribution system and/or water pumped or used through the fire distribution system.

Table 7

**San Dieguito Water District
Sales by Customer Class
As of June 30, 2021**

| <u>Customer Description</u> | <u>Acre-Feet Sold</u> | <u>Percent of Water Sold</u> |
|-----------------------------|---------------------------|----------------------------------|
| Agriculture | 197 | 3.4% |
| Commercial | 471 | 8.1% |
| Construction | 57 | 1.0% |
| Government | 20 | 0.3% |
| Landscaping | 393 | 6.7% |
| Multi-Family Residential | 1,209 | 20.7% |
| Public | 105 | 1.8% |
| Single-Family Residential | 3,379 | 57.9% |
| Total Sales | <u>5,832</u> | <u>100.0%</u> |

Source: San Dieguito Water District

Table 8

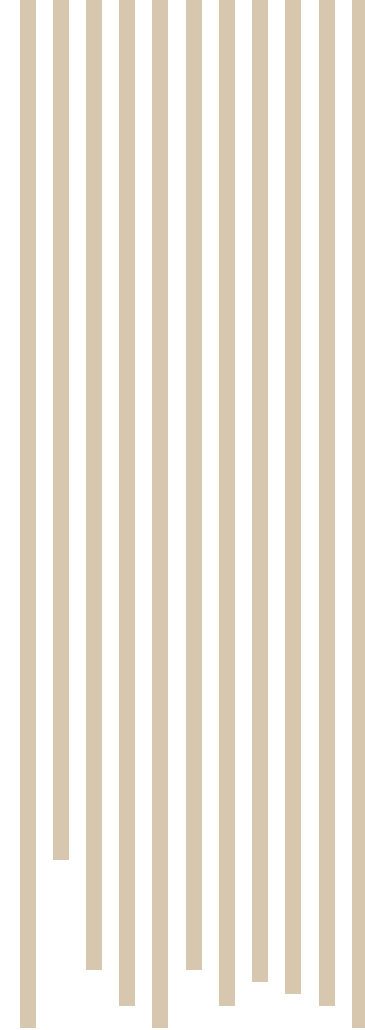
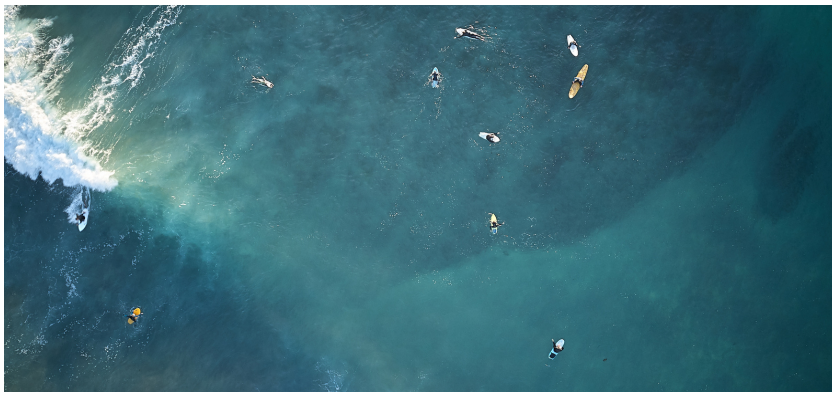
**San Dieguito Water District
Total Service Connections by Category
Last Ten Fiscal Years**

| <u>Fiscal Years</u> | <u>Potable</u> | <u>Percent Increase</u> | <u>Recycled</u> | <u>Percent Increase</u> |
|-------------------------|----------------|-----------------------------|-----------------|-----------------------------|
| 2021 | 12,127 | 0.3% | 101 | 3.1% |
| 2020 | 12,086 | 1.9% | 98 | 5.4% |
| 2019 | 11,861 | 0.6% | 93 | 9.4% |
| 2018 | 11,790 | 0.4% | 85 | (2.3%) |
| 2017 | 11,740 | 0.2% | 87 | 6.1% |
| 2016 | 11,721 | 0.7% | 82 | 1.2% |
| 2015 | 11,644 | 0.3% | 81 | 5.2% |
| 2014 | 11,610 | 0.9% | 77 | 0.0% |
| 2013 | 11,502 | 0.2% | 77 | 4.1% |
| 2012 | 11,476 | 0.7% | 74 | 2.8% |

Source: San Dieguito Water District



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CITY OF ENCINITAS

505 S. Vulcan Avenue

Encinitas, CA 92024

Phone: (760) 633-2600

Fax: (760) 633-2879

www.EncinitasCA.Gov